

ABSTRACT

HAMRICK, DANNY WAYNE. How Markets Shape Geographical Indicators: A Global Value Chain Analysis of Pisco. (Under the direction of Dr. Sarah Bowen).

This dissertation explores the ways market dynamics shape the construction of geographical indicator (GI) labels and impact the development outcomes for producers operating under such labels. For foods and drinks, GI labels convey specific geographical origins and qualities or reputations linked to the production region and the community of producers. Originating in Europe, advocates of GI labels have promoted them as viable tools for rural development in both the Global North and the Global South. Opponents, however, are skeptical. They see GIs as easily seized by elites and costly in terms of the resources needed to establish GI laws, promote and protect products, and monitor producers.

A large body of research has explored how GI institutions shape economic and environmental outcomes for producers, communities, and regions. However, most research focuses on the producing region and fails to accurately capture the impact of other actors—such as importers, distributors, retailers, or consumers—on the success of GIs. Further, much of the existing research on GIs takes the market for granted, ignoring how broader market factors might influence GI outcomes. In this dissertation, I address these gaps by using a global value chain (GVC) approach to the study of pisco, a Latin American brandy protected by two separate GI labels in two nations, Chile and Peru. GVC analysis, a mixed-method social science framework, uses both quantitative and qualitative approaches to study issues of globalization. Specifically, this project draws on trade data, interviews with key stakeholders and firms, and industry and media reports that track the various actors involved in the production, distribution, and consumption of pisco in order to assess how value chain actors distribute economic and non-

economic benefits from the GI. Because both Chile and Peru have established GIs for pisco, it is a unique case that allows for a comparison that holds the product itself constant.

My analysis reveals that market dynamics influence how actors conceptualize key dimensions of GIs, such as authenticity and quality. In Peru, low local demand and export dependency leads to a narrow version of authentic pisco. In contrast, high domestic demand for pisco in Chile contributes to broader understandings of authenticity. In both cases, as actors move towards premium markets and new producers enter the industry, quality discussions are evolving away from the GI region and now focus on specific pisco brands. Finally, when looking at the export experience of pisco firms in both nations, my analysis shows how broader market dynamics in the alcoholic spirits GVC influence future growth potential, as they seek to integrate into the global market. Collectively, my findings demonstrate that the market matters. I argue that researchers should study and theorize the market, along with institutions, to better understand the potentials and limits of GI-driven development.

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How Markets Shape Geographic Indicators: A Global Value Chain Analysis of Pisco

by
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DEDICATION

Dedicated to my parents, Scott and Danita, and my sister Laura Beth. Thanks for always pushing me to do my best.

BIOGRAPHY

Danny Hamrick grew up in Shelby, North Carolina. He graduated from Shelby High School in 2004. He attended Wake Forest University, and earned a Bachelor of Arts in Spanish Language and Literature with minors in Global Trade and Commerce Studies and Latin American Studies in 2007. While at Wake Forest, he gained both a love for travel and mentorship from two sociology professors, Ana Maria Wahl Gonzalez and Ian Taplin. After returning to Shelby High School to teach Spanish, Danny began his graduate school career, earning a Master of International Studies at North Carolina State University in 2011 and continued his graduate studies at North Carolina State University, enrolling in the Department of Sociology and Anthropology. His research focuses on global development with a focus on agricultural industries.

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CHAPTER 1: GEOGRAPHICAL INDICATORS IN GLOBAL VALUE CHAINS

Geographical indicators (GIs) labels represent one response to the globalization of the food system.¹ These labels are noteworthy in that they are simultaneously local and global, tying production into local communities while being traded internationally (Bowen 2010b). GIs are labels for food and drink products assigned to communities of producers that have a specific geographical origin and possess unique qualities or reputations attributed to the place of production (WIPO 2015). Advocates of GI labels often cite the positive economic outcomes for rural communities and the local producers and communities who make and promote these goods (Bowen 2010a) However, even though many GI producers, especially those in developing nations, export their product to extralocal markets to capture economic gains, most studies ignore how market dynamics outside of production regions might influence GI success. Although a wealth of scholarship analyzes GIs by examining the institutional arrangements utilized across different GIs, it is equally important for scholars to look at firm characteristics and how market dynamics influence the success of GI-driven development. Yet fewer scholars look at the influence of market forces on GIs represents a critical gap in the understanding of how GI systems create value for local communities and producers.

This dissertation addresses this gap through a global value chain (GVC) analysis of pisco. Gibbon and Ponte (2005) define GVCs as the “full range of activities, including coordination, required to bring a specific product from its conception to its end use and beyond”. Discussed in detail in Chapter 2, GVCs refer to both a theoretical framework and a method of analysis. Theoretically, the GVC framework adopts a network approach, focusing on linkages among

¹ Some scholars, such as Wilk (2004), argue that globalization of food is not new, but ongoing. However, there are several notable changes in the food system since World War II, as highlighted by McMichael (2009).

firms and how power dynamics within these networks influence outcomes on multiple levels (worker, firm, cluster, country, and globe). To differentiate between GVC theory and GVC analysis, I use the term GVC framework when discussing theoretical approaches or insights and the term GVC analysis when discussing the method employed for GVC research.

Pisco, a GI-designated brandy produced exclusively in Peru and Chile, provides an advantageous GVC case to examine the role of market forces on GI products. Importantly and unusually, Peru and Chile both have GIs for pisco. The GIs connect pisco to two nations, rather than one. Shared linguistic, cultural, and historical backgrounds between the two cases allow for a comparison of how the two disparate pisco industries are organized. Namely, Peru has historically taken mainly an artisanal approach to pisco production, while Chile has actively pursued a more industrial route, offering an additional point of contrast.

Pisco exports from both countries have recently increased. In 2017, the United States was the largest or second largest export market for both (ADEX 2018, ODEPA 2019). Through a GVC study of the two pisco producing nations, this project demonstrates how market conditions shape local economic outcomes in GI regions. I argue that market considerations influence multiple dimensions of GIs, including authenticity and quality. Furthermore, the strategies adopted by leading alcoholic spirit multinational corporations (MNCs), as well as broader industry trends, limit possibilities for GI-driven upgrading and shape the organization of each pisco value chain. Consequently, industry-level dynamics influence local development outcomes within pisco-producing regions within each nation.²

² Given the focus of export markets, I define development outcomes as capture of higher economic value in the GI producing region. GVC scholars refer to this as economic upgrading (Gereffi and Fernandez-Stark 2011)

Global Food Systems and Alternative Food Networks

Scholars argue that the current global food system is a product of colonial-era relationships, where imperial powers used their satellites as production sites as well as export destinations for processed food commodities (McMichael 2009). Elevated levels of cross-national trade, large-scale industrial production, long supply and distribution chains, and complex politics around trade and safety regulations all characterize the current global food system. Furthermore, the vast distance between producers and consumers, understood both geographically and relationally, is a predominant feature (Burnett and Murphy 2014, Clapp 2014). The complex nature of industrial-scale farming and global distribution requires high levels of coordination, planning, and inputs (McMichael 1994). Consequently, some scholars argue that large firms are the principal actors of the current food system, replacing the nation-state as the primary locus of power (Busch and Bain 2004, Pechlaner and Otero 2008). Companies gain a competitive advantage in food systems through their ability to transcend national borders in production, their investments in crucial logistical and transportation infrastructures, and their easy access to finance capital and technological capacities. Large multinational corporations like Cargill operate large industrial farms and enact sourcing contracts across the globe.³ These arrangements rely not only on specialized seeds, vast tracks of land, and mechanized harvesting systems, but also on landless labor to maintain farm activities that meet market demand.⁴

³ Cargill engages in a variety of models to source production globally including contract farming, land leasing and land ownership. For example, in South America Cargill owns at least 50,000 Ha through its hedge fund Black River Asset Management (Grain 2011). In Indonesia the company owns four palm plantations (Cargill 2016). In the Philippines, however, land ownership laws dictate a structure based on contract farming and land leasing to source products (Salerno 2015).

⁴ Landless labor refers to agriculture workers who do not own or rent the land they harvest.

The current food system also links people across the globe. It allows for sourcing across the globe and offers a plethora of food options year-round. Food has become more convenient and accessible than in the past, and it is often less expensive. However, it is also placeless; the global trade sustains a system where consumers eat food from “a global everywhere, but nowhere that [consumers] know in particular” (Kloppenborg, Hendrickson and Stevenson 1996). The result is a “disembedding” of food from the social relations that historically supported the production and consumption of several products (Winter 2003). Despite the disembedding of food from areas of production, however, a counter trend is emerging with consumers increasingly seek greater knowledge of the people who grow their food and the conditions in which these producers live.

In a backlash against the globalized agri-food system, driven by concerns about the environmental, economic and social consequences of the conventional food system, many consumers now look to alternative food networks (AFN) to fill their plates (Hinrichs 2000, Reynolds 2000, Renting, Marsden and Banks 2003). AFNs are new market spaces for food. Outlets associated with alternative food movements, such as farmer markets and cooperatives, often promote local, direct, and arms-length interactions to reinforce social bonds between producers and consumers (Hinrichs 2000). In doing this, they challenge the large scale, global food production model. AFN scholars pay particular attention to both the spatial proximity of actors, as well as the social relations in the food system (Bowen and Mutersbaugh 2014). AFN scholarship draws heavily on Polanyi’s (1957a) theory of embeddedness. Polanyi argues that the economy is not a separate institution, but instead is formed by the preexisting social institutions and relationships of a society. Polanyi famously stated, “The human economy... is embedded and enmeshed in institutions, economic and noneconomic” (Polanyi 1957b). In doing so, he

highlights the need for social institutions to create, promote, and sustain the economy. Scholars in this tradition argue that the economy can never be divorced wholly from the state. Therefore, research must “focus on the mutually constitutive role of state, politics, and law in shaping market systems” (Krippner and Alvarez 2007). In the context of the food system, researchers use the concept of embeddedness to show how consumers connect to producers and how food production is part of larger social structures around food (Hinrichs 2000, Winter 2003). Scholars argue that by reembedding food into local communities, producers and consumers can reinforce social ties, even in commodity driven interactions (Hinrichs 2000). It also helps to minimize the distance between food producers and consumers (Feagan 2007). However, as Hinrichs (2000) points out, there is a tendency to misrepresent spatial proximity as social proximity. This misrepresentation limits the impact of AFNs and obscures exploitative practices still occurring at the local level. Consequently, the existing relationships in local food systems deserve further attention from the literature.

Building on the embeddedness literature, a sub-stream of the AFN literature looks at the role of value-based labels, such as fair trade and organic certifications (Bacon 2005, Bacon 2010, Jaffee 2012, Johnston, Szabo and Rodney 2011). Unlike farmers markets and CSA systems, this strand uses labels to convey information on production practices while often still embracing conventional retailing. These products employ institutional regulations and independent, third-party monitoring to address consumers’ concerns about production while allowing for large distances between consumers and producers (Guthman 2007). One such label, geographical indications (GIs), allows products to be re-embedded into the social structures of rural communities. GIs create value through collective labels that convey production practices and

quality that is tied to particular places (Barham 2003). These foods are typically marketed and sold as specialty products because of their limited availability (Van der Lans et al. 2001).

Geographical Indicators: A Brief Overview

Place-based quality conventions link quality not only to environmental characteristics, such as climate and soil quality but also to traditional production processes and local histories. Geographical indicators distinguish themselves from generic commodities, as in the case of Champagne versus sparkling wine, for instance. The grapes and production processes used in the Champagne region of France command a higher value than undifferentiated sparkling wine due to the particularities of the place. GIs promote the importance of place in the life of a product by highlighting the unique ways particular products are embedded into local agriculture systems and histories (Muchnik 2006). GIs highlight the singular geographic conditions of a region and the historic, place-based knowledge and traditions that surround the product. The implied embedding of these goods into specific places gives rise to the unique characteristics that many consumers value.⁵

Until the late 20th century, articulations of place as a determinant of quality mostly occurred at the national level and through the evolution of state classification and regulatory schemes.⁶ The first of these laws, passed in 1905 for French champagne producers, led to a variety of national legislation in various countries, mainly in Europe. A multilateral agreement around GIs did not occur until 1966, with the Lisbon Agreement for the Protection of

⁵ The use of GIs is like trademarks or other labels (organic, fair-trade, etc.). However, rather than highlighting the conditions or process of production, GIs promote the place of production. Furthermore, local community member share, rather than owned by one actor or administered by an international organization across the globe.

⁶ Despite their formal establishment in the 20th century, they are based on much older systems of classification, dating back to the 1700s in Hungary (See Stanziani 2004)

Appellations of Origin and their Recognition. The agreement concluded that the “contracting parties” (initially nine but now 28) would recognize other appellations of origin in return for recognition of their own (WIPO 2015). The Lisbon Agreement remains the most comprehensive multilateral agreement around GIs to date (Bowen 2015).

GIs are awarded first via national legislation and then inclusion into bilateral and multilateral agreements. The specific legal protections in country can either be *sui generis*, with legal protections that are specific to the product, a common feature for European GIs. In other cases, GIs follow the legal structure of trademarks and intellectual property rights, becoming a collective label granted by a certifying body. In both cases, a strong link between the product’s characteristics and the producing region is needed for recognition abroad (WIPO 2015).

Currently, GI protection and regulation occurs across multiple levels. On the international level, GI protection occurs through a set of bilateral and multilateral treaties by national governments, the European Union (through the European Court of Justice), and international bodies like the WTO. The World Intellectual Property Organization (WIPO) and the WTO’s Agreement on Trade-Related Aspects of International Property Rights (TRIPS Agreement) are the two primary institutions that administer international treaties related to GIs. The TRIPS Agreement and the WIPO advocates for and protects GIs through the establishment of agreements between nations to designate various products as unique to specific regions.

The WTO recognizes the importance of GIs and elaborates the regulations around GIs in section 3 of the TRIPS Agreement, specifically in articles 22 and 23. Article 22 defines a standard level of protection for all place-based products. It also provides legal protections against misleading uses of the label and from other activities that could constitute unfair competition. Article 23 provides further protections for GI wines and spirits and extends protections even to

cases where the misuse of a label would not mislead the public (WTO 2016). Advocates argue that GI labels help educate consumers, who desire greater information about the origins of their food and the way it was produced. They also argue that the information conveyed by GI labels allows for enhanced economic, social, and environmental rewards in production areas.

The Promise of GIs

Many researchers argue that GIs represent an opportunity for rural communities to distinguish themselves in the global market (Areté 2013, Barjolle and Sylvander 2002, Renting, Marsden and Banks 2003). By restricting both the sites and methods of production, GIs allow for the creation of economic rents and protection of cultural identity. Furthermore, scholars argue that regulations around the areas of production can help reestablish social relations at the local level and reinforce environmentally sustainable practices.

Economic Promises

Some research suggests that geographical indications have a higher value in markets compared to generic commodities because of reputational rents established from perceived higher quality (Areté 2013). GIs represent a type of club good that increases trust for distributors and retailers through quality certification mechanisms, such as regulatory boards (Sanz Cañada and Macías Vázquez 2005). Additionally, cost efficiencies from regional production and direct selling can potentially reduce the distance from farmer to consumer, which also helps spur economic benefits (Renting, Marsden and Banks 2003). Finally, studies suggest that GIs can enhance value by allowing labels to convey additional information to consumers about the conditions of production, helping cultivate demand among buyers.

Empirical studies of GIs support claims of economic benefits via price premiums. A meta-analysis of 22 different GI products found in each case that these products received a price

premium (averaging 15 %). However, the amount of benefit varied depending on the institutional arrangements (Deselnicu et al. 2013).⁷ Looking specifically at GIs in Europe, researchers found that 13 geographical indicators did earn a price premium compared to generic counterparts. For instance, La Mancha wine has higher prices compared to generic table wine produced in the same region with similar grape varieties. However, one study suggests the amount of benefit correlates with the degree of processing; less processed items, like vegetables, command lower premiums (Areté 2013). Arété (2013)'s comprehensive study of European GIs examines the economic factors that help explain the gross margin differentials typically associated with GI labels. However, the study did not look closely at how GI systems distribute value along the value chain, using input farmer/producer as the main distinguishing feature.

Social and Cultural Promises

Beyond economic benefits, research suggests that GIs can potentially safeguard social relationships in rural communities and serve as a mechanism to preserve and promote cultural heritage, mirroring features of the Slow Food movement. Exploring the ways GIs challenge individualist behavior by promoting collective action and shared ownership of the label, Barham (2003) argues that GIs allow products to be re-embedded into the social structures of rural communities. Instead of encouraging individual firm-level actions as typically seen in trademarks, GIs focus on shared features with collective labels that convey production practices and regional singularities.⁸ Furthermore, research on the French viniculture industry suggests

⁷ Within GIs there is a subset of classifications (PDO, PGI, and TSG). Protected designation of origin (PDO) is the most stringent version of GIs and requires that all stages of processes and production occur in a given geographic region and follow set guidelines. Protected Geographical Indication (PGI) is like PDOs but requires only one stage of production occur within the region. Traditional Specialty Guarantees (TSG) products use traditional production methods but are not bound by place.

⁸ While GIs following the European perspective see distinction of food and wine as the product of traditions maintained by producing communities and the specific places of production, the US approach views them more as

that GIs preserve local identities among participants by tying regional identity to “authentic agricultural products” (Gade 2004).

Feagan (2007) also argues that embedding food into communities of production reinforces social ties strengthening communities. However, despite this claim, the process by which reinforcement occurs remains unclear, and impacts on local communities need further scrutiny to determine the social value of GI labels.

Environmental Promises

The embedding of products into places of production may also contribute to environmental protection (Belletti et al. 2015, van der Ploeg and Renting 2004). GIs encompass a variety of localized crops, providing institutional protections that, in theory, ensure the sustainability of local ecosystems (Bérard and Marchenay 2006). Evidence from a study of eight GI products suggests that place-based labels not only promote biodiversity through their administrative bodies but can potentially reduce the environmental degradation associated with intensified agriculture production (Riccheri et al. 2006).

Despite these possibilities, the persistence of environmental protections is debatable, as many GI products shift towards more industrialized methods of production (Barjolle and Sylvander 2002). Research into the impacts of industrial transformations in GI products show a neutral, and in some cases negative, environmental impact (Bowen and Zapata 2009, Riccheri et al. 2006).

intellectual property and focus more on characteristics of individual firms and producers. In this sense, the US approach resembles a trademark to protect the commercial interest of the holder.

The Dilemma of GIs

Many scholars highlight the potential benefits of GIs. However, critics argue these labels can be problematic: privileging a select group of producers and adding additional costs for promotion and enforcement. Skeptics also postulate GIs reinforce neoliberalism's push for market forces as the quintessential organizational feature of food commodities.

The Economic Dilemma

From an economic perspective, GIs present both an opportunity and a dilemma. As mentioned above, GIs can command higher price premiums through the creation of reputational rents. However, enforcement of these protections comes at a cost. Kerr (2006) argues that the added expenses associated with GIs, including programs to minimize counterfeiting as well as the constant legal battles that often ensue, decrease positive developmental outcomes. Additionally, marketing costs associated with GI products can potentially erode many of the economic benefits for local communities.

In addition to the cost of promoting and maintaining GI systems, research suggests that there are significant variations in the price premium that producers receive. Price premiums for raw materials remain relatively small compared to highly processed products (wine and oil). As I explain in previous sections, price premiums also vary by the type of GI classification (PDO and PGO) and length of market chains for products (Areté 2013). However, no known studies examine if the same variations occur in developing nations with fewer in-country retail outlets.

The Power Dilemma

Geographical indicators, especially those from the Global South, often depend on international demand to capture price premiums. Unlike European GIs, which are often located within high-income nations and can capture high rents from both international and domestic

consumers, GIs from developing nations often seek international consumers to secure higher demand. For example, in 2012, Mexico exported two-thirds of all the tequila produced (CNIT 2012). Dependence on foreign consumers exposes producers to ever-changing consumer preferences. It also ties them to international distributors, who move final goods across national lines (Bowen and Gaytán 2012). Finally, by entering the export market, GI products become bound to rules and regulations surrounding global trade in food and agriculture products.

The demand to promote products in foreign markets can create situations that exclude local producers. Theoretically, one main purpose of GIs is to protect against counterfeit production. For example, in the case of Feni, a distilled spirit made from coconuts or cashews in India, local elites negotiated the details of the GI laws in the early 2000s, excluding 95 percent of producers from discussions of production specifications. Negotiations instead occurred in collaboration with the Indian government, who sought to enhance the global visibility of the liquor (Rangnekar 2011). The result reinforced and expanded local inequalities rather than spurring community development.

Furthermore, some scholars question the implications of shifting GIs into markets, domestic or local. Guthman (2007) argues that the use of voluntary labels, like GIs, rather than serving as a counter to conventional food systems, furthers neoliberal trends. She maintains this is due to a shift in power towards market systems. In neoliberal market systems, responsibility for social and environmental protections falls to consumers, often located outside the country of production.

The Distribution Dilemma

Producers do not equally benefit from GI protections; instead, GIs often reproduce existing social divisions and structures. GI regulations apply to all producers in a designated

region and, in theory, should protect everyone equally and promote economic gain for all. However, spatial relationships do not translate to social relationships and often can recreate local inequalities (Sonnino 2007a, Sonnino 2007b). Bowen (2010a) argues that the collective on-the-ground organizations that govern GIs help shape and are shaped by local power asymmetries. As a result, the status of local elites allows them to craft regulations and conceptions of quality in GI in ways that protect and enhance their position in the social structure. A study of the benefits in the *Queso Chontaleño* industry of Nicaragua found that elites benefited most from the GI specification due to the industrialization and certifications required for export markets (Mancini 2013b). Even more problematic, small producers suffered deleterious effects in participation and revenue generation by the introduction of a GI due to the addition of new regulations without the implementation of knowledge transfer programs. Small producers also suffered from the creation of market concentrations that benefit larger corporations. As a result, many small farmers ultimately went out of business (Belletti and Marescotti 2002, Mancini 2013a, Mancini 2013b).

Outcomes often cross beyond national borders because of the role of multinational firms. In the current agriculture system, MNCs are crucial for the export of goods, and therefore, can capture a portion of the value that GI labels create (Gaytán and Bowen 2015). Furthermore, MNCs have the distribution infrastructure and connections to retailers and consumers required for global commodities.

Factors Impacting GIs Success

Geographical Indications' impacts vary according to several structural factors. These factors influence the ability of GIs to successfully capture the economic, social, and environmental promises of place-based labels. Specifically, variations in the historical legacies of production, the institutional arrangements that promote, market, and protect GIs as well as the

governance structure of GIs each impact outcomes. This section explores the existing literature for each of these factors and concludes by highlighting a factor overlooked in studies of GIs: the role of market dynamics.

Historical Legacies and Power Relations

Researchers assert that GI systems often reproduce historical legacies of production, helping to protect and promote traditions associated with a place. In a study of the Makó onion, researchers found that GIs with longer legacies of communal organization fare better on the international market. They attribute this outcome to historical legacies, which facilitate the creation of stronger institutions (Tregear, Török and Gorton 2016).

Other researchers argue that increased consumer awareness about traditions and special considerations of products facilitates growth in demand (Johnston and Baumann 2015). However, as scholars acknowledge, by maintaining historical legacies, there is the risk that GIs are simultaneously reinforcing the status of local elites and perpetuating local systems of stratification. The degree to which reproductions of inequalities occur in GI products impacts the success of the label and who reaps the benefits.

Often, laborers' ability to capture the added value of GI products remains limited. Anthropologist Sarah Besky (2013, 2014), based on an in-depth analysis of the Darjeeling tea trade, argues that local politics and legacies influence outcomes in several important ways. Specifically, they protect the status quo while doing little good for marginalized groups involved in Darjeeling tea production, particularly the women who pick the tea leaves. Furthermore, the marketing agencies participating in the promotion of Darjeeling tea utilize a series of tools to mask the historical exploitation of workers, portraying workers as intrinsically tied to the fields while omitting the harsh realities of life on tea plantations. Besky ultimately concludes that

systems of production based on plantation organizations, and GIs that emerge from plantation labor schemes, are inherently unequal and will perpetuate systems of inequality.

Similarly, even though legacies of production remain significant and often give GIs value, fixation on these attributes can shift GI regions into “museums of production,” where change and technology adoption in the industry becomes difficult. The result is a stifling of innovation and continued reproduction of existing social structures (Bowen and De Master 2011). A study of historic preservation in the Boudreaux and Burgundy wine region reveals the importance of socially-constructed notions of terroir and tradition. Daynes (2012, 2013) shows that GI regulations lock French winemakers into existing systems of land tenure, limiting attempts at innovation by restricting producers to traditional arrangements. Furthermore, firms sell and trade wineries in the same manner as real estate, with limited ability to alter production techniques or winery names even with changes in ownership. Consequently, producers become trapped into certain practices even if they want to innovate.

Regulatory Arrangements

Regulatory arrangements are critical for the successful GIs. “Geographical indicator” is an umbrella term used to cover a vast array of goods across the globe. Biénabe and Marie-Vivien (2017) argue that GI institutions serve two purposes: ensuring quality and preventing infringement on intellectual property. However, the particular organization of GIs varies immensely across cases and is the result of international, national, and local rules and policies.

International Regulatory Arrangements. WTO protections allow regions to create monopolies over GI products and gain higher levels of rents as a result (Kerr 2006). One consequence of these arrangements is frequent, often heated, debates around GIs. Often, opponents of GI systems argue that the legal protections are too restrictive and create unfair

protections that distort markets (Kerr 2006). Other critics assert that changes in the enforcement of GIs at the international level have allowed for too much flexibility, diluting ties to place (Gangjee 2017). Supporters counter that these protections are vital for the protection and further development of rural areas in developed and developing nations (Josling 2006, Kerr 2006).

National/Regional Regulatory Arrangements. National level institutions are required to register GIs and establish protective agreements with other nations. Some scholars argue that the state plays a vital role in the institutionalization of GIs and the resulting impact on development with optimal strategies having hybrid state-community driven regulations (Biénabe and Marie-Vivien 2017). Often, GI regulation occurs through coordinated efforts involving various government and quasi-government agencies. Governments define and regulate GIs in ways that matter for their outcomes and their success. Research on tequila, a Mexican GI, offers an example of institutions that are oriented towards consumer protection and information transfer. At the national level, various industry associations, e.g., the *Consejo Regulador del Tequila* (CRT) and *Cámara Nacional de la Industria Tequilera* (CNIT), as well as government bodies, including the Mexican Institute for Industrial Property (IMPI), oversee tequila production. All of these understand GIs as protecting the validity of information for consumers and postulate themselves as regulators to verify quality in tequila (Bowen 2015). Alternatively, other nations organize and regulate GIs in ways that promote local heritage, pursuing agendas that reinforce the history of the production region (Bowen 2011, Sanz Cañada and Macías Vázquez 2005), engaging in what DeSoucey (2010) describes as gastronationalism.

Local Regulations. Finally, local level rules and frameworks impact the ways that producers relate to one another and market their products. Evidence from research on cooperatives offers one example. When local regulation is based in cooperatives that promote

GIs as a communal good, the returns are often higher than when producers operate under distinct brands (Areté 2013). Additionally, local level institutions and organizational structures help promote the place of production and the historical legacies involved.

A study of 21 GIs in seven European nations found significant degrees of variation across similar GI commodities and geographies (Barjolle and Sylvander 2002). Firms' linkages to one another and the specificity of the production process remained essential to the success of the GI. The findings suggest that products in which producers collaborate more fared better in terms of their reputational rents, and consequently, economic premiums. Furthermore, products with codified processing techniques also commanded higher price premiums than their counterparts.

Governance Structure

Broadly, governance refers to the “processes of interaction and decision-making among the actors involved in a collective problem that leads to the creation, reinforcement, or reproduction of social norms and institutions” (Hufty 2011). Widely used in studies of firms, governance explores the processes by which actors connect and reach decisions, and how power is distributed. Gangjee (2017) argues that the most successful GIs in terms of development outcomes have governance systems span the product life, collectively shared cost-benefit arrangements, and long-term marketing strategies. Institutional arrangements, a sub-type of governance structures, are well studied in the GI literature, but these studies restrict attention to a particular set of stakeholders. In the case of GIs, both governance and institutional arrangement studies often focus exclusively on production sites, ignoring the extralocal actors that are involved in distribution, retail, and consumption.

Governance structures impact the success of GIs in a variety of ways. Research suggests that both the heterogeneity of the producer's interests and the ability of GI organizations to

leverage public structures has an influence on development outcomes. A study of cooperatives in Spain shows that the governance structure emerges from the duality of social relationships (trust among producers and the propensity for collective action) and ties to the location (Moragues-Faus and Sonnino 2012). Furthermore, in a study of GI marketing efforts, Skilton and Wu (2013) differentiate between weak and strong governance and the impact of both types of governance on successful outcomes. Weak governance structures, which focus on the individual level, are often less favorable than strong governance structures, which concentrate on the group level to leverage shared resources. However, both these interpretations of the governance structure ignore in-group power asymmetries and restrict the set of actors to those within the GI region.

On a global scale, governance influences GIs via lead firms in the GI's primary industry. However, this facet of governance remains understudied. One notable exception is Neilson, Wright and Aklimawati (2018) study on value-capture in one GI case, the Indonesian coffee sector. Here the authors find that because the institutions supporting the Indonesian coffee GI did not align with lead coffee firm strategies, the nation failed to capture more value from export. Instead, the GI served to reinforce regional pride and cultural identity around the commodity. However, Neilson et al. again focused more on the institutions that support coffee than the lead firms or dynamics in the coffee industry, paying less attention to global market dynamics.

Governance structures and the evolution of these structures impact economic and social outcomes within GIs. Recent research on the French wine industry suggests a shift in governance, away from the traditional quasi-state collective groups and towards private and extralocal actors. The result is a weakening in the ability of these organizations to promote rural development and collectively protect heritage (Marie-Vivien et al. 2015). The role of private, extralocal actors, like alcoholic spirits MNC, government agencies, and consumers, which are

simultaneously part of GI supply chains and outside of the production areas, represent an important but often overlooked part of governance.

Research Gap and Organization of the Dissertation

Governance structures influence GIs' outcomes and the viability of GIs as a development strategy. However, the bulk of research on the GI governance focuses exclusively on the GI itself, ignoring the broader context of the market. Local and national institutional structures in these regions are necessary and important. However, it is also essential to examine the ways actors outside of production regions control commodities (Bowen 2010b). Many GI products, especially in developing nations, need to access markets in urban centers or the Global North to capture the price premiums. However, as Bowen (2008) argues, entering these markets can “permanently alter the organization of production and the nature of the product.” Extralocal factors, including the organization of global value chains (GVCs), national development strategies, and trade policies can influence governance in significant ways. Extralocal factors, specifically market dynamics, represent a crucial part of GI product life but remain understudied and under-theorized in the literature.

This dissertation seeks to expand knowledge of how extralocal actors and dynamics shape GI outcomes by looking at how markets shape GI stakeholders' understandings of authenticity and quality. I also provide an analysis of how GI producers integrate into international markets and describe the challenges to growth that global market integration presents. To date, an abundance of literature on GIs examines institutional factors that determine success while omitting global market factors. I fill this gap by exploring how the market influences stakeholders in two chains that produce the same commodity, pisco, using GVC analysis. GVC analysis provides unique insights into GIs because it specifically analyzes market

dynamics. Further, an examination of pisco allows me to hold the product constant in both cases, facilitating a better comparison of how the market shapes outcomes and how local factors shape market participation.

I organize my dissertation into the following sections: Chapter 2 introduces my two cases, describing the convergences and differences in each pisco value chain. I also provide an overview of my methodological approach. In Chapter 3, I focus how market dynamics influence actors' understandings of authenticity. I find that in the conceptualization of authenticity, actors use the dimension of collective knowledge, tradition and geographic specificity to make claims. However, these claims also depend on market dynamics: the scale of production, level of domestic consumption, and trade dynamics. Chapter 4 explores how firm-level characteristics influence how actors discuss quality. In this chapter I argue that as each pisco value chain evolves, new actors are transforming understandings of quality, positioning pisco in the niche premium spirit categories and using conventions suited for the global markets in ways that benefit brands but not the GI overall. Chapter 5 looks specifically at export activities, examining the factors that have facilitated Peruvian pisco's export success and limited Chilean exports. I find that the Peruvian pisco cluster benefits from industry synergies, firm rivalry and government support; however, these factors are not enough for sustained growth given that the pisco GVC is a sub-chain of the broader, highly competitive alcoholic spirits GVC. Further, Peru's limited success in export markets has not trickled down to local producers.

Collectively, these three analytical chapters show that GIs can be successful strategies for rural development in the Global South, but that government support and industry synergies are not enough. Success is contingent on local market dynamics and legacies of industrial organization that can limit the influence of external dynamics and extralocal actors. In Chapter 6,

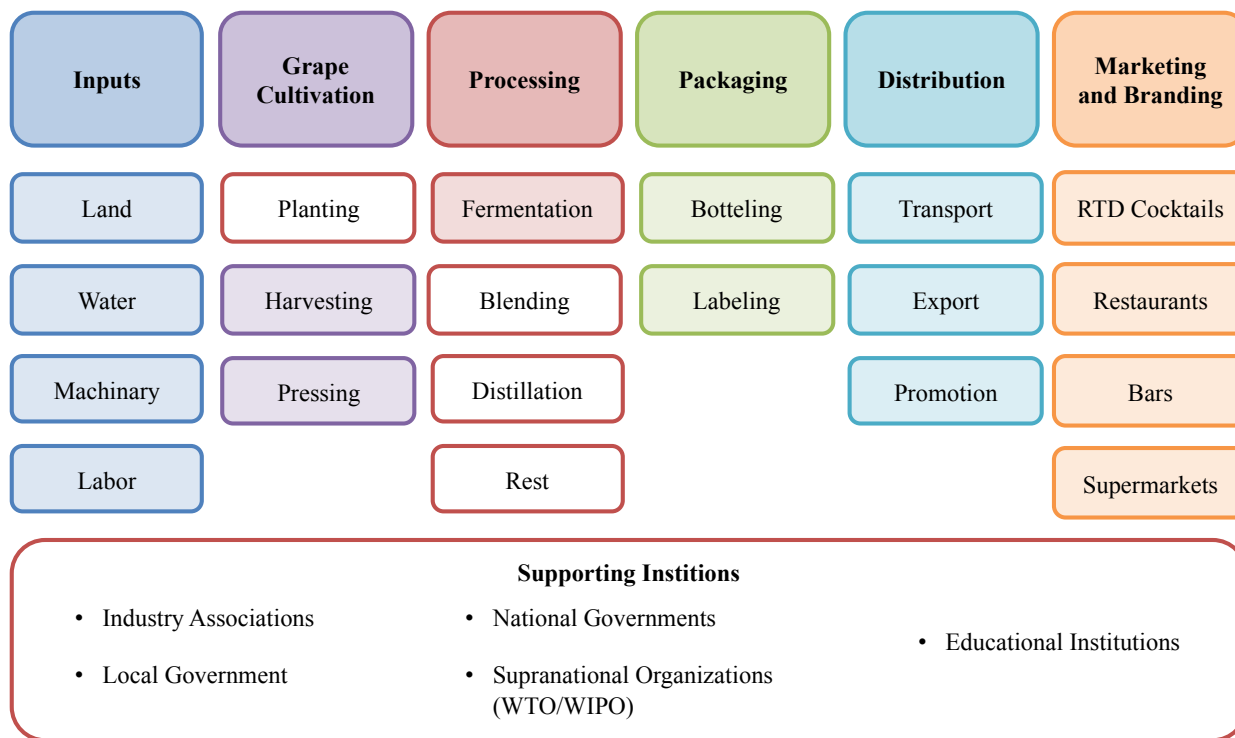
I discuss how findings in the pisco industries further our theoretical understanding of GVCs and of GIs. I conclude with a brief overview of the limitations of the project and avenues for future research. I also discuss the policy implications for those seeking to use GIs to foster rural development.

CHAPTER 2: CASES AND METHODS

This dissertation uses the two cases of pisco production to draw conclusions on how external market forces shape GIs. Most research on GIs limits its analysis to one case or a comparison of cases with widely different historical and territorial contexts. Consequently, while a robust literature on GIs exists, comparative cases frequently struggle to draw parallels because of widespread variation among cases. By studying one GI product, pisco, in two national contexts, I can hold the commodity constant across cases. This chapter introduces both cases, focusing on similarities between cases and how each case varies in terms of origins, production, and protection of pisco. I then provide an overview of the methods and data used to analyze both cases.

Overview of Cases

Actors in both Chile and Peru agree on several key facts about pisco. Stakeholders in both cases understand pisco as a grape-based distillate. Stakeholders agree that pisco is a colonial spirit that first emerged during the 16th century when Spanish settlers sought to find cheaper alternatives to imported orujo, a Spanish brandy (Cooley and Cooley 2012). Stakeholders in both chains also concur on the basic production steps (Figure 1). Despite these overlaps, critical differences in how each case organizes production exist (Table 1).



Differences in two cases

Source: Author

Figure 1. Generic Pisco Global Value Chain

Peruvian Pisco

To carry the label pisco, Peruvian producers must operate in one of five regions along Peru’s southern coast. According to distillers and industry experts in the Peruvian pisco GVC, the origin of the spirit is situated in colonial times but its popularity stems from present day efforts. Peruvian pisco dates to colonial times, with Spanish settlers first producing pisco in modern-day Ica. Following several centuries of marginal attention, the industry entered a period of renaissance in the 1990s, with the establishment of the PDO⁹ in 1991 and the subsequent entry of several new producers who sought to elevate the spirit from a rural oddity to a national and global spirit.

⁹ Peru and Chile use the PDO classification of GIs to protect pisco. However, to mirror the literature, I use the slightly broader GI terminology in this dissertation for both cases.

The GI provides strict production specifications for each stage of production. Producers can only use eight types of grapes, and they must source them from the five GI regions. The grapes, however, are varied, with aromatic (most often a white grape) and nonaromatic (usually a red grape) varieties used in production. Further, by law pisco GI regulations state that fermentation and distillation must also occur in one of the five regions identified in the GI. Grape harvesting and pressing occurs during Peruvian summers, with most pressing occurring in February. Peruvian pisco producers press grapes either manually or by machine to produce a grape juice for fermentation in ceramic or steel tanks. Producers leave fermenting wine in tanks for 8-14 days until the sugars convert into alcohol (Difford 2019).¹⁰ Several producers sell a portion of the fermented pisco grape juice as a fortified wine known as *Perfecto Amor*, although very few producers export this product. In most Peruvian pisco, distillation occurs after fermentation is complete. Distillation happens in gas heated copper kettles with swan necks, called Alembic stills, or the more traditional *falca* still, which contains some gold and has a horizontal cannon to catch the distillate (The Pisco People 2019). The distillation process yields a white liquor with a 38 to 43 ABV range, which then goes through a three-month aging process known as *repose* before bottling (Difford 2019). During distillation, distillers can blend fermented grape juice from multiple varieties to create a unique taste profile, though they can also choose to use only one type of grape. Aging of Peruvian pisco is done in ceramic, steel, or glass containers that do not interfere with the chemical properties of the beverage (Discover Pisco 2010). By law, pisco must be aged for a minimum of 3 months, though many producers exceed this to give the spirit more time to mature (Wilkinson 2015). The law does not specify

¹⁰ Between 11 and 14 percent alcohol (ABV).

that bottling occurs at the distillery. However, interview participants noted that the practice of bulk exports is not common in the Peruvian pisco value chain (Author Interviews 2018).

Peruvian producers classify pisco into three subcategories depending on the grapes and processes used. The first variety, *Pisco Puro*, represents pisco made from one grape varietal. The Quebranta grape is the most common grape input and typically used for pisco sours, the iconic pisco cocktail. The second type, *Pisco Acholado*, is made from blends of multiple grapes. Blending can occur before fermentation, before distillation, or before aging (Wakawaka 2014). The final type, *Pisco Mosto Verde*, is the most expensive because it requires more grapes and more complicated production. For *Pisco Mosto Verde*, distillation occurs sooner, while sugar is still present in the fermented wine, allowing for a smoother end-product. The process yields lower quantities, requiring more grapes per bottle (Wilkinson 2015).

In total, experts estimate that the industry consists of 480 to 600 official and illicit pisco producers (Emen 2015). According to those in the industry, most producers are small, with only 59 producers registering exports in 2017. Of these exporters, ten operate as a large-scale enterprise, while 15-25 firms have medium-sized operations (Author Interviews 2018, Emen 2015). The rest are small local producers.

Beyond private sector actors, a collection of public and quasi-public institutions support the industry. To officially produce pisco, producers must register and receive approval from *El Instituto Nacional de Defensa de la Competencia y de la Protección de la Propiedad Intelectual* (INDECOPI), the government agency overseeing intellectual property issues in Peru. The government also provides technical support through the *Centro de Innovación, Productiva, y Transferencia Tecnológica Agroindustrial* (CITE AGROINDUSTRIAL), a center housed in the Ministry of Production, and the *Ministerio de Agricultura* (MINAGRI) supports grape

cultivation and establishes community processing centers for small producers (Diario Correo 2019). The *Comisión de Promoción del Perú para la Exportación y el Turismo* (PROMPERÚ) and the Peruvian Exporters Association (ADEX) are the government bodies that aid in the promotion of pisco abroad. Outside of government support, the industry benefits from an industry association, *La Comisión Nacional del Pisco* (CONAPISCO), which brings together academics, producers, and other stakeholders to support the industry.

Table 1. Key Production Differences in Peruvian and Chilean Pisco by GVC Segment

GVC Segment	Subsegment	Peru	Chile
Grape Cultivation	Planting	<ul style="list-style-type: none"> • Aromatic/Non-Aromatic Grapes • 8 varieties 	<ul style="list-style-type: none"> • Aromatic Grapes • 13 varieties
	Processing	<ul style="list-style-type: none"> • Blending featured in pisco branding 	<ul style="list-style-type: none"> • Blending not discussed in detail
Processing	Distillation	<ul style="list-style-type: none"> • Alembic stills • Falca stills 	<ul style="list-style-type: none"> • Alembic stills • Column stills
	Rest	<ul style="list-style-type: none"> • 3-month minimum • Stainless Steel Vessels 	<ul style="list-style-type: none"> • 60 day minimum • Stainless Steel or wooden vessels
Supporting Industry	Government regulating body	<ul style="list-style-type: none"> • GI protected and regulated by intellectually property body 	<ul style="list-style-type: none"> • GI regulated by office within Ministry of Agriculture

Source: Author

Chilean Pisco

Chileans produce pisco in the northern part of Chile, in two regions (Coquimbo and Atacama) marked by their arid climate. Despite originating in colonial times, discussions of pisco often focuses on the formalization of the industry that occurred in the 1930s in response to economic hardships from the Great Depression and rising counterfeits. The industry enjoyed a sustained period of growth given strong local demand and limited competition from other spirits. In recent years, as new spirits permeate the market there, Chilean pisco producers have begun focusing on outside markets for future growth (Pérez-Almeida 2017).

Law N ° 181, ratified in 1931, situates production in two regions. The law also allows 13 varieties of grapes, yet all are aromatic grapes. Of the 13 varieties, most producers use only five varieties; the most common are Muscat of Alexandra and Pink Muscat (Author Interviews 2018, Wilkinson 2015). Despite its colonial (Spanish) origins, Chilean methods closely resemble those of French cognac production. Fermentation, following the French tradition, initially used wooden and cement barrels, but more recently, producers have shifted to stainless steel tanks to help regulate and maintain low temperatures, a practice also used in Peru (Wilkinson 2015). Distillation uses either alembic-style copper pot stills or column stills (Wilkinson 2015). Unlike in Peru, Chileans do not have to distill to proof and can dilute the distillate with water from the Andes river. Also, the law allows Chilean producers to use multiple distillations, removing more impurities in the process. Chilean pisco distillers must age their distillate for at least 60 days, though they can do this in wooden or stainless still vessels. Pisco aged in oak barrels has a golden color (PiscoChile 2014c).

The Chilean GI classifies pisco by aging time and the technique employed, as well as the %ABV of the distillate. *Pisco Tradicional* and *Pisco Especial* have lower minimum alcohol contents, at 30 and 35 %ABV respectively. In contrast, *Pisco Reservado* and *Gran Pisco*, classifications convey that pisco is aged in wooden barrels and has a minimum ABV of 40 and 43%. *Pisco Reservado* and *Gran Pisco* generally have longer aging times, on average 540 days (PiscoChile 2014c).

Unlike Peru, cooperatives, namely *Cooperativa Control Pisquero* (CCP) and *Cooperativa Agrícola Pisquera Elqui Limitada* (CAPEL), drive production in Chile. Collectively, these two organizations account for most Chilean pisco production (Author Interviews 2018, Pérez Trujillo 2017). The remaining production is attributed to smaller

producers who focus on low-priced local markets or the premium and ultra-premium markets in Chile and abroad. In total, only 20 distilleries produce pisco in Chile, with only 60 brands on the market.

Two public and quasi-public institutions support the industry: *Productores de Pisco AG* (PISCOCHILE) and the *Servicio Agrícola y Ganadero* (SAG). SAG, part of the Ministry of Agriculture, regulates pisco production and certifies production. PISCOCHILE is the principal association for the industry and works within Chile and abroad, through a liaison with the Chilean Export Promotion office (PROCHILE), to promote the industry. PISCOCHILE, in conjunction with PROCHILE, frequently holds international competitions using Chilean. PISCOCHILE often invite the winning bartenders to Chile to tour the various distilleries.

Methodological Approach

For this project, I use the comparative case method to analyze data gleaned from a Global Value Chain (GVC) study of the two pisco producing nations, Peru and Chile. Pisco offers a strong case for a comparative case study approach because it provides a most-similar design¹¹ (Van Evera 1997) given similarities in geographic location, climate, and colonial past of my two cases. The fundamental difference in the two cases arises from different histories of production and variations in how actors articulate these production differences along the value chain. Peru historically employed a primarily artisanal approach to pisco, only recently shifting towards international markets, while Chile actively followed an industrial route and has only recently began moving towards premium production.

To compare the two cases, I use GVC analysis. GVC is unique in that it is both a theoretical framework for understanding the global economy and an analytical tool (Bair 2009b,

¹¹ Most-similar case studies design come originates from political science.

Gereffi and Fernandez-Stark 2011). GVC analysis allows me to explore the ways various actors link to one another. Building on the GVC concept of governance, I first mapped the stages of the pisco value chain and actors involved in each segment. I then identified the ways various actors leverage their position in each of the pisco chains to capture value and how actors in both chains enter into global markets, looking specifically at export success. Finally, I analyzed how the organization of the industry created power asymmetries, or inequalities, within and between the two pisco chains.

Comparative Case Study

Case studies offer a complementary methodological approach to GVC analysis via thick description. Thick description, where context matters, allows researchers to look in-depth at social phenomenon and how external factors shape outcomes (Yin 2003). This builds directly on Burawoy's extended case method, an approach that helps reveal the phenomenon of larger social structures in which the case is embedded (Burawoy et al. 1991). Small (2009) argues that Burawoy's method is best suited for "improving theories, by proposing (as many others have) the use of unique or deviant cases to improve on existing theories," the primary aim of this dissertation. I extend on Burawoy's extended case study method by taking a comparative approach. Comparative case studies' underlying strength is they allow for the discovery of patterns and divergence while maintaining in-depth, rigorous qualitative analysis (Ragin 1987). As anthropologists Bartlett and Vavrus (2017) argue, the comparative case method also allows researchers to study social phenomenon at multiple levels (micro-, meso-, and macro-) to glean theoretical insights.

A comparative case study approach allows me to examine the ways different actors' contextual factors influence the success of GIs. Pisco offers an unusual situation for comparison

because two GIs exist in similar regions and for the same product. However, because each industry evolved in different countries, with differing trajectories and approaches to entering the global economy, they have different statuses in the global marketplace. These differences help us to see how actors in each case cultivate demand for one GI over another, and the rationale used to create differentiation. Additionally, I paid attention to the discourse involved in each case exploring how value chain actors utilized advertising and marketing materials and how they describe the historical legacy of production. I also look at how narratives and discussions of these legacies shape connections to domestic and global markets and how market connections shape narratives and discourses of production legacies.

Global Value Chain Analysis and the Global Value Chain Framework

My comparative case looks specifically at two value chains to better understand how the market influences GI products. Taking two commodity chains as her unit of analysis, Bowen (2010b), shows how a global commodity chain approach to GIs helps researchers explore power dynamics within a GI industry and also examine the institutional and territorial context of the chains. I take a similar approach, using the closely related global value chain approach. However, I focus my study on the market dynamics that influence the organization of a chain and development outcomes.

The GVC approach considers the full range of activities involved in a products' creation, distribution and consumption, exploring linkages among actors and how these linkages create power asymmetries within an industry (Gibbon and Ponte 2005). A key benefit of GVC analysis is its rigorous approach to the study of governance structures and the ways various actors involved in a single product's life organize the industry in ways that influence development outcomes for others participating in the chain. GVC analysis views governance as the "authority

and power relationships that determine how financial, material and human resources are allocated and flow within a chain” (Gereffi 1994). By taking a chain perspective and placing strong emphasis on tracking goods through the sequential stages of production, researchers can glean valuable insights regarding critical leverage points and how value and power become concentrated at specific nodes. GVC analysis provides a systems-based approach to examine the organization of economic sectors, geographies of activities and actors, governance arrangements, shifts in production and consumption, and social and environmental impacts. The value chain describes the full range of activities that firms, and workers perform to bring a product from its conception to end-use and beyond. Activities in value chains include design, production, marketing, distribution, and retail. GVC analysis utilizes a combination of primary and secondary research, relying on both field observations and organizational interviews, as well as trade data and secondary sources.

Global value chain analysis includes several dimensions: (1) the input-output structure, describing the multi-step and multi-actor process of transforming raw materials into final products; (2) the geographic distribution, which includes the firms and countries participating in the chain and primary production and consumption points; (3) the governance structure, which determines how resources and knowledge are generated and distributed along the chain (Gereffi 1994, Humphrey and Schmitz 2002); and (4) the institutional structure, which focuses on how local industry actors coordinate and collaborate via industry associations and government support (Gereffi, Lee and Christian 2009, Gereffi and Fernandez-Stark 2011).

Global value chain analysis offers many contributions to the study of the global economy. These theoretical insights are collectively known as the GVC framework. The GVC framework is a multidisciplinary approach to understanding the international economy and the flow of goods

and services (Bair 2009a). Drawing on insights from the global commodity chain literature, transaction cost economics, and international business strategy, the GVC framework explores how the geographic distribution of economic activity and/or the governance of these arrangements influence development outcomes. Building on theoretical understandings of governance, researchers and practitioners frequently seek to identify the best policy options for growth, referred to in the GVC framework as “upgrading” (Barrientos, Gereffi and Rossi 2011, Gereffi and Fernandez-Stark 2011).

The GVC framework pulls from many traditions and disciplines, including world systems theory, international business, and economic sociology. Further, the framework is part of a collection of chain and network-based approaches to studying commodities. Table 2 briefly introduces and compares four major chain frameworks: commodity chains, global commodity chains, global value chains, and global production networks.

Initially, chain studies, particularly under the GVC framework, examined economic outcomes for actors involved in various stages of a product's life. However, more recently, the focus has shifted to look at social and environmental issues, including the experience of labor, inequality along the value chain in value creation and capture and environmental sustainability. In a study of South African wine producers, Ponte and Ewert (2009) argue against thinking of upgrading through a purely value-added lens, instead calling for scholars to think of upgrading as “getting a better deal” or capturing more economic and social gains. Broader understandings of upgrading allow for a more comprehensive view of growth and can incorporate more actors along the value chain. GVC analysis also provides a tool to evaluate upgrading pathways and to identify policy steps that have the best likelihood to maximize local economic and social outcomes. Findings indicate that despite the general trend of economic growth through

participation in the global economy, the gains are not equally distributed (Bair and Gereffi 2003, Schrank 2004).

Table 2: Comparing Chain Frameworks

	Commodity Chains	Global Commodity Chains	Global Value Chains	Global Production Networks
Theoretical Foundation	<ul style="list-style-type: none"> World systems theory 	<ul style="list-style-type: none"> World systems theory Organizational sociology 	<ul style="list-style-type: none"> International business literature Global commodity chains 	<ul style="list-style-type: none"> Global Value Chains Actor- Network Theory Varieties of Capitalism
Object of Inquiry	World-capitalist economy	Inter-firm networks	Sectoral logics of global industries	Multidimensional layers of production in global industries
Orienting Concepts	<ul style="list-style-type: none"> International division of labor Core-periphery-semi-periphery Unequal exchange Kondratieff cycles 	<ul style="list-style-type: none"> Industry structure Governance (PDCC/BDCC distinction) Organizational learning/Industrial upgrading 	<ul style="list-style-type: none"> Value-added chains Governance models (market, modular, relational, captive, hierarchy) Transaction costs Industrial upgrading and rents 	<ul style="list-style-type: none"> Inter-firm networks <i>Territoriality</i> Institutions as actors Embeddedness Governance as power asymmetries in relationships
Intellectual Influences	<ul style="list-style-type: none"> Dependency theory Structuralist development economics 	<ul style="list-style-type: none"> MNC literature Comparative development literature 	<ul style="list-style-type: none"> International business/ Industrial organization Trade economics Global/international production networks/ systems 	<ul style="list-style-type: none"> Business systems literature Global/international production networks/ systems Strategic management literature
Key texts	Hopkins & Wallerstein (1977; 1986) Arrighi & Drangel (1986), Arrighi (1990), Wallerstein (2000)	Gereffi & Korzeniewicz (1994) Appelbaum & Gereffi (1994) Gereffi (1999), Bair & Gereffi (2001), Bair 2009	Humphrey & Schmitz (2000), Gereffi, Humphrey and Kaplinsky (2001), Sturgeon (2001), Gereffi <i>et al.</i> (2005), Bair (2009), Sturgeon (2009)	Henderson <i>et al.</i> (2002); Ernst and Kim (2002); Coe <i>et al.</i> (2004); Coe <i>et al.</i> (2008); Dicken (2011)

Source: Commodity chains, global commodity chains and global value chain from Bair 2005, p 160. Global production network based on review of Hess and Yeung 2006; Coe *et al.* 2008; Henderson *et al.* 2002.

Data Collection

This project relies on both primary and secondary data. First, I used secondary data, including industry and trade data available online from a variety of databases and providers. I supplemented this with online media and press releases from 2014 to 2018. Collecting media and press releases over this period allowed me to track key trends and events in both cases. In addition to the secondary data, I collected further data via fieldwork in both countries. Field research focused on semi-structured interviews and participant observation to provide greater context and nuance to trends discovered in secondary data sources. The specifics of my field research varied slightly in each location.

Field Research in Peru

I conducted field research in Peru during February 2018. Before my arrival, I used my personal network to connect to Peruvian pisco value chain actors. To help ensure a representative sample, I also contacted a leading Peruvian pisco academic and the operations manager for a leading pisco bar chain in Peru. I then used a snowball sampling technique to connect with other interview participants. In total, I conducted 16 semi-structured interviews with actors in the Peru pisco value chain across multiple cities in Peru and the United States.

Elaborated in Table 3, interviews covered a variety of GVC activities and spanned Peru and the United States. In Peru, I conducted interviews with brand owners, master distillers, production engineers, government agency representatives, academic experts, industry experts, brand ambassadors, retailers, and bartenders at pisco bars catering to international tourists. In the United States, I conducted interviews with bartenders and retailers. All US interview participants used both Peruvian and Chilean piscos. I list them in the Peruvian sample because they each stated that Peruvian piscos are the most important type of pisco. One challenge with US-based

actors is that many US-based actors declined to participate, citing the limited significance of pisco for their overall business. To help draw more in-depth insights about US actors, I found secondary data helpful, especially postings on company websites and media interviews.

My interview guide was developed based on previous GVC analyses of global spirits, critical themes identified in my preliminary research, and common questions for GVC research. The primary driver of the interview guide was a better understanding of how firms within the chain operate and how the industry responds to key opportunities and constraints in the global market. Interviews varied slightly based on GVC role but followed the interview guides provided in the Appendix. Interviews lasted 1 to 3 hours, with longer interviews including tours of production facilities or tastings. Interviews occurred at participants' places of work or in public spaces. In each interview, I outlined the project and requested permission to record the interviews. I uploaded the recordings to my personal computer following the interview.

Beyond interviews, I engaged in participant observation at both prominent bars and distilleries. Participant observation included distillery tours offered to the public at firms operating on different scales, from small scale, artisanal producers to leading international brands. Many of these took place with other tourists, and I followed up on each of these tours by interviewing a firm representative. The only variation was at two distilleries that focused on premium piscos for exports, where the interview participant offered a private tour and tasting. Additionally, I participated in pisco tastings: at an industry-run resort that offers guests a chance to learn more about their product offerings and at a bar with a US-based owner. The bar, which operated in four locations across Peru, sought to educate international visitors on pisco production processes and brand varieties and offered workshops on how to make pisco sours and other pisco-based cocktails.

Field Research in Chile

I conducted field research in Chile in October 2018 across three locations: Santiago; La Serena, a prominent coastal city in Coquimbo; and the Elqui Valley. Before my arrival, I used personal contacts to link with a former engineer for one of the leading cooperatives, who now runs his own ready to drink spirits company who facilitated introductions with other actors. I also reached out to actors who I had previously identified in my research, specifically industry experts and high-profile bartenders. During interviews with stakeholders, I asked for further contacts to build my sample.

In total, I conducted 16 interviews with Chilean actors (Table 3). Interviews spanned the value chain and consisted of brand owners, distillers, cooperative directors and managers, current and former cooperative engineers, industry association representatives and industry experts, bartenders/bar managers and importers/distributors. While some of the US-based interviews discussed in the Peruvian section also involved discussions of Chilean producers, only one US-based interview focused exclusively on the Chilean pisco value chain. Interviews often occurred at participants' place of work or homes, though some took place in public locations. When interview participants consented, I recorded interviews on a personal device and uploaded them to my personal computer following the interview. I used the same transcription and quality control procedures for the Chilean case as I did for Peru.

For consistency, I used the same interview guide that guided the Peruvian field research. Like in Peru, interview questions varied slightly based on participant's specific roles. All but two interviews took place in Spanish, and all interviews ranged from 1 to 2 hours in length.

One key difference from my Peru field experiences is that several participants requested that interviews be over the phone because of their travel schedules. Further, some actors asked

that I did not record the interviews, or that the recording pause during discussions of sensitive or controversial matters. As in the Peru case, I began interviews in Spanish, and if the interviewee asked what language to use, I suggest they select the language they preferred.

In Chile, I also collected data through participant observation at five events. These included a meeting with invited bartenders, distillery tours of small and large operations, and pisco tastings at two leading bars in Santiago, one of which focused exclusively on pisco from both Peru and Chile. I also toured two distilleries to learn more about the production process and how it varied across distilleries.

Secondary Sources

A key aspect of GVC research is that it goes beyond the information given in interviews and uses industry literature and other data sources to situate the field research data collected at the firm or individual level within broader industry dynamics. Beyond my interviews, I utilize a wide range of secondary data from news outlets, industry publications, brand and industry expert websites, and trade statistics.

Trade and production data. To analyze production and trade trends, I relied on data from national government offices, looking at figures over the last 20 years. I also used UNCOMTRADE data when available. I look specifically at the last 20 years because it gives adequate time to discern trends before each nation began to seek out external markets and after. When government statistics were not available, I looked for secondary sources in industry databases and media coverage.

Industry reports and analysis. I used several industry and media publications, such as research outputs from international research databases like Passport, industry-focused associations, festivals, and private institutions (e.g., Distilled Spirits Council of the United States

(DISCUS), Tales of the Cocktail, and Difford's Guide). I also drew on information from private industry analysis groups including the Beverage Information Group and Park Street. These publications were crucial to my analysis because they allowed me to understand the dynamics within both pisco chains as well as trends within the broader alcoholic spirits industry that influence pisco value chain actors.

Media coverage. Beginning in 2014, I followed media reports on the industry, tracing evolutions and trends and major debates within and between the cases. I did this using a google alert with daily media coverage containing the keyword "pisco" sent to my inbox. Coverage came from Chile, Peru, and the United States. I saved all articles relating to GI law, production trends, or consumption. Specifically, I looked for quotes from various value chain actors that could provide further evidence for analysis.

Data Analysis

I analyze both cases using GVC analysis, drawing on a wide array of primary and secondary sources. Here, I describe the basic steps of GVC analysis and discuss how I analyzed primary data collected for this project.

Undertaking Global Value Chain Research

As mentioned above, GVC analysis considers four dimensions: input-output structure, geography, governance, and institutions (Gereffi and Fernandez-Stark 2011). In analyzing these dimensions, researchers perform two steps: GVC mapping and GVC analysis (Frederick Forthcoming). The first step, mapping, is mainly descriptive and allows researchers to understand the first two dimensions of GVC research: the input-output structure and geography. GVC analysis, in contrast, enables researchers to capture and scrutinize governance and institutional dynamics and how they influence outcomes (Frederick Forthcoming).

During the GVC mapping stage, my goal was mostly descriptive and sought to answer the following questions, which mirror typical questions asked during GVC research:

- What are the primary activities in the pisco GVC? Does it vary by country?
- What are the key trends in each pisco GVC? in the alcoholic spirits GVC?
- What are the overarching trends in production, trade, and consumption in each pisco GVC? In the alcoholic spirits GVC?

To capture the various activities in the pisco industry, from input provisions to consumption, I used industry websites, academic and technical publications, as well as field research. I supplemented this data with trade data from national and international organizations and production and consumption data. Industry and trade data allowed me to detect key trends in the areas of production, the number of producers, and the location and intensity of consumption. At this stage, I also identified the number of firms active in each stage of the value chain and discovered the essential differences in production and industry composition between my cases.

GVC analysis, the primary step in my project, sought to answer the following questions:

- Which firms are active in each segment of the pisco GVC? What is their global footprint?
- How are alcoholic spirit MNCs integrating into the industry?
- How are market dynamics shaping local activities?
- How do local institutions and forms of coordination help the industry succeed?

To answer these questions, I use the input-output map layering firm-level information to track value and information flows among actors. For this stage, I relied on secondary sources, namely industry and media publications, as well as primary data I collected through industry interviews. Through interviews, I explored how actor linked or failed to link, not only to one

another but also to the global market. This allowed me to develop a deeper understanding of the governance structure of each pisco chain.

Once I had answered the basic questions that GVC analysis seeks to answer, I was better able to answer the theoretical questions of my dissertation about how market dynamics are shaping the pisco industry and what this can tell us about GIs in general.

Analyzing Interviews and Participant Observations

I had all recorded interviews transcribed by an outside company. After transcription, I quality controlled each recording before coding interviews in NVivo for specific themes developed based on a review of secondary material. Beyond the interview recordings, I also kept a recording of impressions after each interview. Short time gaps between interviews did not allow me to type these observations immediately. Instead, I recorded my thoughts and then wrote a brief memo based on these recordings to capture critical details of the interview.

I constantly moved between collecting and analyzing data, which was especially helpful given the time lag between each phase of field research and strengthened my analysis (Charmaz 2014). By continually coding Peruvian interviews while also analyzing trade and industry data during my time in Chile, I was consistently reflective and able to explore comparisons in depth. I used a deductive, closed coding method around using codes I identified from a preliminary analysis of the industry using secondary sources.

I adapted my interview guide throughout the process based on my reflections. For example, I learned early on that an ongoing controversy in Peru was on labeling of pisco as *aguardiente de uva* for export to Chile.¹² As a result, I made a point to discuss this dynamic

¹² Chile accepts pisco imports from Peru but prohibits the use of the term “pisco” and instead requires the generic label “*aguardiente de uva*.” However, many servers and consumers use the term “Peruvian pisco” when ordering at bars, restaurants, or retail outlets. Despite wide acceptance that the product is pisco

when talking to firms exporting to Chile. I also adapted my interview guide to include discussions of outsourcing of specific GVC activities, like distilling or grape cultivation versus having a totally vertically integrated operation. These modifications allowed me to understand the organization of value chain activities better and see which value chain activities are most important for lead firms in each chain.

among Chilean nationals, some Peruvian stakeholders advocate for a cease of all exports to Chile until their product can carry the term, “pisco” on the bottle.

Table 3. Interviews and Observations by Pisco Value Chain

Peruvian Pisco Value Chain Interviews			
	Value Chain Role	Description	Location
1	Owner	Owner of a medium-sized family ran pisco distillery	Ica
2	Producer	Production supervisor for emerging national pisco firm	Ica
3	Production Engineer	Production supervisor for a leading national pisco firm	Ica
4	Owner	Owner of small firm focusing on local sales	Ica
5	Distiller	Master distiller of a leading international pisco firm	Ica
6	Government Official	Representative of agricultural support office	Ica
7	Owner/Distiller	Owner of a leading international pisco firm	Ica
8	Academic Expert	Historian specializing in evolution of pisco market	Lima
9	Retailer	Head buyer for major Peruvian supermarket chain	Lima
10	Industry Expert	Prominent industry journalist/blogger	Lima
11	Bar Manager	Bartender at bar catering to international tourists	Cusco
12	Bar owner	Owner of oldest and most iconic pisco bar	Lima
13	Brand Ambassador	Promoter for new domestic brands in Peru	Ica
14	Bartender*	Bartender at trendy urban bar offering premium cocktails	Washington, DC USA
15	Retailer*	Latin American spirits, wine and beer retailer	Washington DC, USA
16	Bar Manager*	Bar manager for Latin American	North Carolina, USA
Peruvian Pisco Value Chain Participant Observations			
	GVC Segment	Description	
1	Marketing/Branding	Tasting and cocktail creation demonstration at pisco bar chain operating in 4 Peruvian cities catering to international visitors	
2	Marketing/Branding	Group tasting of a leading national firm focused on pisco and wine	
3	Production	Group tour of Artisanal distillery and bodega	
4	Production	Personal tour of distillery catering focused on premium pisco	
5	Production	Group tour of Artisanal and historic distillery and bodega	

Table 3 (continued).

Chilean Pisco Value Chain			
	Value Chain Role	Description	Location
1	Academic Expert	Foreign born historian focusing on Chilean pisco	Santiago
2	Bar Manager	Manager for high profile pisco bar	Santiago
3	Brand Owner	Former engineer with a cooperative who now co-owns RTD cocktail brand	Santiago
4	Brand Owner/Marketing	Former engineer with a cooperative who now co-owns premium pisco brand and oversees marketing	Santiago
5	Marketing	Director of marketing for a cooperative	Phone
6	Marketing	Director of exports for a cooperative	Phone
7	Brand Owner/Production	Owner of a new ultra-premium pisco brand who oversees production process	Phone
8	Marketing	Former Director with industry cooperative who specialized in marketing	Elqui Valley
9	Production	Executive of a national cooperative	Elqui Valley
10	Production	Oenological Engineer for major cooperative	Elqui Valley
11	Association Representative	Representative for the quasi-governmental producer agency	Elqui Valley
12	Distiller	Distiller who provides pisco to multiple brands	Elqui Valley
13	Brand Owner/Distiller	Owner and Distiller of a historical pisco distillery seeking to enter premium markets	Elqui Valley
14	Brand Owner	Owner of a small scale premium pisco brand	Elqui Valley
15	Importer	Former importer of a premium pisco brand	New York, USA (phone)
16	Importer	Importer of a premium pisco brand	New York, USA (phone)
Chilean Pisco Value Chain Participant Observations			
	GVC Segment	Description	
1	Marketing/Branding	Pisco tasting at upscale bar that specializes pisco cocktails	
2	Marketing/Branding	Pisco tasting at a bar that focuses on premium Peruvian and Chilean piscos	
3	Production	Tour of oldest function distillery still using traditional methods	
4	Production	Guided tour of small-scale producer turning to premium markets	
5	Production	Meeting between cooperative executives and two international bartenders to discuss how Chilean pisco fits into their cocktail creations	

Note: (*) Indicates that interview covered Peruvian and Chilean pisco dynamics

Source: Author

CHAPTER 3: CULTIVATING AUTHENTICITY

In October 2018, a delegation of Chilean officials and business owners traveled to the city of Fortaleza, Brazil. The purpose of their trip was to promote the Chilean tourism industry. During the visit, Chile's National Tourism Service (SERNATUR) tweeted several photos of an event they organized to spotlight traditional Chilean cuisine and beverages. The photos included images of ceviche (a Latin American seafood dish) and a pisco sour, a traditional cocktail made using pisco. SERNATUR's post sparked swift attention from Chile's northern neighbors in Peru, who framed the event as the latest example of Chilean appropriation of Peruvian identity. One Peruvian national posted on SERNATUR's twitter feed, "Chile! Always stealing [our] IDENTITY! Damn, they have no shame. Pisco and ceviche are Peruvian from here to China (Cifuentes 2018)."

Chilean citizens immediately responded, with one countering, "True, in the last 20 years Peruvian style ceviche has outpaced Chilean ceviche [in popularity], though ceviche dishes span from Mexico to Chile." The tweet went on to question claims by Peruvian citizens that pisco is a Peruvian product, stating: "The same thing happened with the Pisco Sour, but the simple syrup [used in the cocktail] is Chilean, and we are the main consumers of pisco (Cifuentes 2018)!"

Debates like these, ostensibly about the origins of certain foods or spirits, are indicative of deeper narratives about authenticity and identity. Food purchases increasingly take on symbolic meanings, where individuals convey status and image of self through the products consumed (Heine, Phan and Atwal 2016). Although authenticity has multiple meanings, actors most often conceptualize it in food discourses as food that is geographically specific and tied to traditions or ethnicities (Johnston and Baumann 2015, Lin and Mao 2015, Sims 2009). Since the 1980s, consumers have increasingly sought out food that has these connotations as a means of

conveying elite status and global awareness (Johnston and Baumann 2015). Laudan (2016) documents how many “authentic” culinary traditions, are recent inventions while further research by Johnston and Baumann (2015) suggests that authenticity is a social construct and crafted through the use of several dimensions--geographic specificity, history, simplicity, personal connection and ethnic connection. Consumers often struggle to identify authenticity, and the concept is often most useful when contrasted to an “inauthentic” or fake “alternative” (Taylor 2001). The creation of authenticity is a continual process; producers actively construct and reconstruct narratives to espouse their product as an authentic good (Koontz 2010, Leigh, Peters and Shelton 2006, Wherry 2006). For example, in a study of craft beer, Paulsen and Tuller (2017) find that breweries make connections with specific figures, folklore, traditions, and places in order to convey authenticity to consumers.

Authenticity also contributes to nation-building, extending beyond the economic realm and into the political arena. In a study of foie gras, DeSoucey (2010) argues that the symbolic boundaries created around select foods help shape national identity, facilitating enhanced appreciation among citizens for authenticity and tradition in food and beverages while obscuring problematic aspects of production. DeSoucey’s concept of gastrationalism underscores the way actors seek to protect themselves from globalization’s homogenizing tendencies via claims of authenticity.

In short, authenticity has political, cultural and economic power. One way that producers convey authenticity is through geographical indications (GIs). GIs allow producers to link their goods to specific locations and traditions, facilitating the creating of economic rents by connecting reputations of quality to particular areas of production (Areté 2013). Further, as legal institutions, GIs provide producers with safeguards that restrict the entry of producers who offer

“inauthentic” alternatives. For example, producers cannot sell sparkling wine as Prosecco unless they produce their wine in the Prosecco regions of Italy and follow procedures codified by law. Given these protections, GI labels like Prosecco convey to consumers knowledge about the place and method of production, resulting in higher prices (Tomasi, Gaiotti and Jones 2013).

Formal recognition of a GI often requires claims based around geographic and climatic factors. However, they also evoke local traditions and histories, allowing the GI label to serve a secondary function, protecting cultural legacies of producing communities (Broude 2005).

Terroir embodies two of the prominent dimensions of authenticity conveyed by GIs: geography and traditions. Terroir refers to the singularities of specific production places and histories that impart unique qualities on products (Gade 2004). Scholarship on terroir seeks to understand place not only according to its biological and environmental features, but also its historical context and social structures (Bérard and Marchenay 2006, Bowen and De Master 2014).

Research on GIs and other “authentic” cuisines demonstrates how the realities of production, such as shortages or surpluses of raw materials, can influence how producers discuss and define authenticity. For example, Bowen (2015) demonstrates that booms and busts in agave prices affect how actors understand tequila production. During shortages, tequila distilleries pushed to loosen the rules around the amount of agave required to produce tequila, allowing for the use of other sugar sources. The malleability of authenticity is so prevalent that some scholars call it “stylized versions of the truth,” pointing to how discussions of authenticity often mask commercial motives (Beverland 2006).

Extralocal dynamics and contexts also influence stakeholders’ claims of authenticity and are critical to our understanding of how actors construct authenticity. Koontz (2010) argues that the existing scholarship needs a deeper “understanding of how context influences what and how

variations of authentication are implemented.” The limited existing research on contextual influences and external dynamics often focus on one case, making it difficult to draw comparisons of how actors respond to external stimuli in divergent ways.

Pisco, a South American brandy, offers a useful comparative case to explore how external dynamics shape how value chain actors understand and articulate authenticity because both Peru and Chile produce the spirit. Peruvian actors’ discussions of pisco celebrate the diversity in grapes and producing region within their distillate. In contrast, Chilean actors’ understanding of pisco is narrower in scope, spanning fewer producing regions and more tightly defined production processes. Existing literature suggests that given these dynamics (diverse production places and practices in Peru and more homogenous production locations and inputs in Chile), we expect that Peru would have a more inclusive understanding of authentic pisco, while Chile would have a more closed definition of authentic pisco. However, the opposite occurs. Peruvian actors argue that pisco is a uniquely Peruvian product, while Chilean stakeholders understand pisco as a binational spirit, shared between both nations. I argue that market factors influence how actors in both cases understand authentic pisco. Determinants of authenticity extends past conventional dimensions, such as tradition and geography, to encompass economic factors like production, domestic consumption and trade values. Because Peruvian actors export most of their pisco and therefore enter the highly competitive spirits GVC with multiple offerings, they are sensitive to competition and understand authentic pisco as exclusively Peruvian. In contrast, in Chile, despite its more narrowly defined production spaces and production traditions, production fluctuations, high domestic demand for pisco, and limited exports lead Chilean actors to advocate for a broader understanding of pisco that encompasses both nations.

In this chapter, I explore the ways actors in both the Peruvian and Chilean pisco value chains discuss authenticity. For each case, I look at how actors discuss the history of pisco in their respective nation. I then examine how actors in both cases understand pisco through two dimensions of authenticity: geography and heritage/tradition. I conclude with a discussion of how market factors influence Peruvian understandings of pisco as a national spirit and Chilean perceptions of pisco as a colonial, shared distillate.

Overview of Cases

A Brief History of Peruvian Pisco

In discussing the history of pisco, Peruvians emphasize how national events influenced the industry. Discussions of pisco's origin focus on Peru's colonial history. Peruvians generally maintain that the grapes used for pisco production first arrived in 1553 by the Marquis Francisco de Caravantes, who brought the fruit from the Canary Islands to the newly conquered Incan territory, renamed the Viceroyalty of Peru.¹³ Spanish *conquistadores* initially hoped to use the grapes for wine production and selected the Ica land for grape cultivation due to the sunny, arid climate and water provided by its coastal location. Under the Jesuits, the wine industry flourished, and the Viceroyalty quickly became the dominant wine producer on the continent, a position it maintained throughout the 17th century (Museo del Pisco 2019). From the booming wine industry, the 38-40% ABV distillate, pisco, emerged as a use for leftover grapes.

Gaps remain, however, regarding exactly how the distillate became known by the name "pisco." Many historians claim that although local indigenous farmers produced the distillate, the name comes from the location where it gained notoriety, the port of Pisco in the town of

¹³ The Spanish first arrived in 1532. Soon after, the conquistadors brought grapes to the newly discovered land (The Pisco People 2019).

Santa María Magdalena.¹⁴ Due to the large number of sailors and traders passing through the port of Pisco, it was here that the world first tasted pisco (The Pisco People 2019).

Other Peruvian historians contend that the word originated from the indigenous language of the region, Quichuan. As historian Lorenzo Huertas recounts, the name of the clay vessels originally used to store the distillate became known as pisco, a variation of the Quichuan word *pishqus*, meaning little bird (Museo del Pisco 2019). Industry experts and producers support this account, explaining that producers originally used the word “pisco” as a unit of measurement. When explaining the history of the industry, a master distiller explained that in colonial times buyers would place orders by saying, “Give me five piscos of liquor,” referencing the clay jars used for aging and transport (Author Interviews 2018, Museo del Pisco 2019). Over time, the spirit itself became known by the name of the vessel.

After centuries of expansion and growth, the War of the Pacific in 1879 presented a major crisis for the pisco industry. The war originated from territorial disputes between Chile and Bolivia and quickly engulfed Peru. At the beginning of the conflict, Peru sought to be a mediating party. However, after Chile intercepted reports of covert Peruvian support for Bolivia, the nation responded by declaring war on Peru as well. Peru and Bolivia lost the ensuing war, which lasted until 1883. The consequence was a massive shift in geographical boundaries, with Chile gaining vast amounts of coastal land that had formerly belonged to Peru and Bolivia (Bratzel and Rout 1986).¹⁵ Peruvian historians attest that the destruction of their wine and grape industry was a secondary consequence, destroyed because both industries threatened Chilean economic interests.

¹⁴ The port remained so prominent in the area that by this account the town, Santa María Magdalena, eventually became known as Pisco as well.

¹⁵ Peru maintained a coast, Bolivia lost all coastal access and became a landlocked nation.

Following the war, pisco sustained a gradual decline. Beyond the impact of the war, the arrival of phylloxera, a vine pest, and rising prices for cotton and corn, pushed many farmers to abandon grape cultivation for other crops (Emol 2018b, Paan 2017). As a result, supplies dwindled and throughout the 20th century, Peruvians came to see pisco as a rural oddity, comparable to moonshine in the southern United States. Further, land reform in the mid 20th century broke up most large plantations, limiting the ability for industrialized production and further relegating pisco to a small-scale, cottage industry.

Combined, the War of the Pacific, waning consumption, and new agrarian laws had a strong negative impact. Production shrank from over 150,000 hectares dedicated to pisco production before the war to less than 11,500 hectares in 2002 (Museo del Pisco 2019). However, the industry managed to survive. In the 1990s, the government and other actors began efforts to rebrand the entire nation of Peru following a long period of nationwide internal unrest linked to conflicts between the Shining Path and government administrations in the late 20th century¹⁶. Rebranding efforts focused intensely on Peru's national cuisine, with the government investing heavily in select traditional food products, including pisco, engaging in gastrodiploacy of cultural branding via food (Wilson 2011). These campaigns intensified in the 2000s. In 2006, Peru's Export and Tourism Promotion Board launched a coordinated effort, *Peru Mucho Gusto*, to fund the publication of Peruvian cookbooks, to spotlight world-class Peruvian restaurants and chefs, and to create food-centric events domestically and abroad. *Peru Mucho Gusto* also lobbied (albeit unsuccessfully) for the recognition of Peruvian food as a cultural heritage of the Americas by the Organization of American States (OAS) and United Nations

¹⁶ Shining Path, a communist revolutionary group in Peru, engaged in a series of violent attacks throughout the 1980s (see Gorriti, 2000).

Educational, Scientific and Cultural Organization (UNESCO) (Singh 2015). By 2015, the Peruvian embassy estimated that 40% of all tourism in the country was motivated primarily by food (Singh 2015). Estimates further project that gastronomy tourism contributes 3% to the nation's GDP and is growing faster than the country's average growth rate. Today, gastrotourism is a US\$5 billion industry in Peru (Dempsey 2019). A survey of Peruvians further found that gastronomy was a significant source of national pride, outperforming heritage sites and Incan culture (Tegel 2016). Peruvian restaurants abroad are also booming in popularity and critical recognition. One prominent Peruvian chef, Gáston Acurio, owns over 37 restaurants in 11 nations (Star Chefs 2011). The revenue of his ventures alone surpasses US\$100 million annually (The Economist 2014).

The growing popularity of Peruvian gastronomy has had important implications for pisco. Until the 1990s, protecting pisco was not a priority for Peruvians. However, growing demand for traditional Peruvian food spurred new interest in protecting pisco as uniquely Peruvian and rebranding it as a world-class spirit. Rebranding culminated in the passage of legislation in 1991 to officially declare pisco a Peruvian Protected Denomination of Origin (PDO), a specialized GI (Indecopi 2007, Indecopi 2017, The Pisco People 2019). The law restricted production to five regions along the coast and limited inputs to eight grape varieties. It also sets very strict production requirements, forbidding the use of any additives or multiple distillations, and requiring producers to distill pisco to proof. The GI for pisco gave the spirit increased legitimacy via enhanced protections for producers and producing regions. Further support, including government initiatives in 2003 to bolster pisco grape planting and pisco promotion, has helped propel the industry.

In discussing the history of pisco, Peruvian actors link the spirit to the nation, focusing on national-level historical events. While stakeholders do draw on specific references to places, such as the port of Pisco, they also discuss how wars impacted the region as a whole and how branding efforts at the national level came to include pisco. Further, the relatively recent establishment of a formal PDO law reinforces the notion that national rebranding helped drive the resurgence of pisco and its elevation to a national drink. Pisco became prominent only when government officials worked to elevate pisco's status as part of an ongoing effort to expand the tourism and gastronomy industries. The development trajectory centered on the cultural resources of the nation pushed pisco from an obscure rural spirit to Peru's national beverage.

A Brief History of Chilean Pisco

Historical narratives of Chilean pisco are tightly bound to specific places, with the Valle Elqui being most prominent. According to Chilean history, Spaniards were the first to produce pisco, beginning during colonial times as a cheap alternative to imported brandy (Lacoste 2016). Chilean accounts agree that the word "pisco" derives from the Quechuan word for bird, but focus on the process of city-making and agricultural initiatives occurring simultaneously in both nations throughout the 16th Century rather than focusing on the origin of the words.

The first documented reference in Chile dates to 1548, in the coastal town of La Serena, along the Elqui river in the Atacama region (La Bodega 2016). During colonial time, growers switched from Spanish grape varieties to French varieties, mainly Muscat grapes. Producers argued that Muscat grapes were better suited to the land and provided a more aromatic taste (PiscoChile 2014c). As a colonial spirit, Chilean actors often discuss how the early history of the spirit crossed nations. Due to colonial control and much of Chile being part of the Viceroyalty of

Peru, much of the pisco produced in Chile went to Peru's Port of Pisco for export, despite production occurring in Chile.

Following the end of colonial rule in 1818, the industry continued as a cottage industry, with few formal brands and production occurring in rural areas in the north of the country. However, during the latter half of the 19th century the first pisco brands emerged, coinciding with the formalization of viticulture in the region (Lacoste, et al 2014). At the same time, many historians recounted the use of pisco in cocktails with pisco, sugar, and citrus juice (Guy 2009). However, during this time pisco was not specifically bound to any one region. While the spirit originated in the Elqui Valley, historians who study pisco's history in Chile attest that producers throughout Chile and Peru produced distillations under the name (Lacoste et al, 2014).

The 20th century saw sustained growth of pisco in Chile, facilitated by strong industry coordination and sustained domestic demand. A key event that facilitated growth throughout the 1900s was the establishment of the PDO for pisco. In 1931, Chile set an official GI norm to protect pisco. Chilean scholars claim that this is the first PDO outside of Europe and the second for a spirit, after cognac (Author Interviews 2018, Lacoste et al. 2014).¹⁷ The PDO, officially known as law N ° 181, stipulated that "the pisco appellation is reserved for products directly related to wine production and that are obtained from the wine grapes distillation" (BCN 1931). The norm delineated production regions, restricting them to the Atacama and Coquimbo regions. The GI also restricted permitted grape varieties, limiting it to three aromatic grapes. Finally, it outlined production processes, but left these broad, allowing for the use of water to dilute distillations, differing aging processes and permitting multiple distillations. Following the formal establishment of the PDO/GI, Chileans took additional actions to link pisco production to the

¹⁷ This is a contentious point. Mexico, for example, claims that tequila was the first product outside of Europe to have a PDO (Bowen 2015).

nation. Most notable was a decree in 1936 which changed the name of La Union, a small town in the Valley of Elqui, to Pisco Elqui.

The rise of cooperatives also facilitated industry growth throughout the 20th century. As Chapter 4 explains, 20th century production in Chile centered on a cooperative model in which producers pooled resources to distill pisco. Over time, cooperatives merged until two large-scale operations remained. Both are operational today and account for most of Chilean pisco production and sales (Author Interviews 2018, Pérez Trujillo 2017).

Further, the 20th century saw a growth in consumption at the national level. Import taxes on spirits remained high, making global spirits unaffordable for many Chileans until the sector liberalized in the 1990s. Instead, Chileans grew accustomed to consuming their national spirit, pisco, along with their domestic wines. This trend is still evident today, with many Chileans preferring pisco to other alcoholic beverages.

Higher rates of consumption continued throughout the early 21st century. However, the early 21st century also saw a shift towards premium markets, with a focus on higher-quality production, new branding efforts, and the development of luxury markets. The private sector led most of these efforts, with few government initiatives seeking to build or promote the industry, outside of defending the cultural and historic based right to produce spirits under the name pisco during trade disputes with Peru. These disputes culminated in the European Commission arguing that both nations can use the term for their distillate, but only Peru can claim geographic linkages to production (European Commission 2013, Mitchell and Terry 2011).¹⁸

¹⁸ This ruling was controversial. The implication is that Peruvians can seek a PGI production for their pisco but Chilean cannot. However, both can have PDO status. Interestingly, PDO products generally have higher price premiums (Areté 2013).

In discussing the history of pisco, Chilean stakeholders link the spirit to colonial legacies and focus on specific places, most notably the Elqui Valley. However, they also discuss how key events, such as the formalization of the viniculture industry in the nation, the rise of cooperatives, and import tariffs in the 20th century facilitated industry growth. The industry, formalized in the 1930s, has had nearly 100 years of growth and is now moving into premium markets. The private sector has driven many of the recent developments in the industry. The government has taken a backseat in industry growth in recent years, involved only in international trade disputes with Peru about use of the term “pisco.”

Cultivating Authenticity

Actors in both value chains emphasize collective knowledge and traditions, as well as place, when establishing the authenticity of their pisco. By highlighting collective knowledge and shared traditions, producers establish authenticity by linking production, and in some cases consumption, to select groups of people (Gaytán 2014). Secondly, actors often evoke notions of place to argue that their pisco is authentic, with more specific locations, such as towns instead of nations, carrying more prestige (Conneely and Mahon 2015, Johnston and Baumann 2015). Actors extend the conception of geographic specificity to include the concept of terroir, discussing how environmental factors influence the taste and quality of their product (Trubek 2008). In the case of pisco, both nations have formal understandings of terroir codified in their respective GIs, though differences in the specific laws exist. Further, differences arise in the way actors discuss history, collective knowledge and traditions, and geography when making authenticity claims. In this chapter, I explore how actors in both cases use these dimensions to discuss authenticity.

Peruvian Authenticity Claims

In Peru, actors evoke claims of authenticity based on collective knowledge and traditions and geographic specificity. These dimensions celebrate the diversity and variety found in Peruvian pisco. While formal regulations regarding production practices are strict, regulations on grape sourcing and permitted varieties are broad and allow for diversity. Peruvians celebrate the diversity found in their pisco, but also see pisco as a symbol of national identity.

Authenticity as Collective Knowledge and Traditions

To make authenticity claims by highlighting collective knowledge and traditions, actors in the Peruvian pisco value chain often discuss the concentration of knowledge in family networks, as well as the importance of traditions that center pisco as a national symbol. As Peterson (2005) points out, creating authenticity claims is a continual process, with actors consistently engaging in tradition-building, as seen in recent pushes to further integrate pisco into the lives of Peruvian elites.

The concentration of knowledge among family networks, especially in the Ica region, supports authenticity claims by evoking regional and family connections to the industry. As the owner of one brand explained, “Everybody’s somehow related to grapes. Their father produced pisco; their grandfather produced pisco; their mother produced pisco. Everybody!” This quote illustrates the importance of family-based production knowledge in the Ica region, which has an abundance of available labor because of the traditional organization of production. Even brand owners who grew up outside of the GI region acknowledge the value of collective knowledge found in GI regions. This producer went on to explain that the familial connection to pisco knowledge transfers is vital for pisco production and grape cultivation, “Basically, a little bit of

the advantage of being in Ica... is everybody in the field knows how to prune because [at] a certain time of the year all the mothers of Ica have to go to the field to prune.”

Family networks frequently found in Ica, and the collective knowledge they hold, help producers maintain traditions and aid producers in making authenticity arguments. However, in many interviews, producers did not discuss family traditions, but instead conceptualized traditions in broader terms. This is most apparent in bodegas found along the touristic *Ruta del Pisco*. The *Ruta del Pisco* offers national and international visitors the opportunity to learn about pisco by visiting different producers and touring various distilleries. While operations of various size participate, the *Ruta del Pisco* is vital for many small, artisanal distilleries who sell their pisco exclusively to visitors. They do not sell their spirits in stores. During visits, guides discuss the history and traditions surrounding pisco. Often these discussions do not center on the individual bodega or the region, instead focusing on the national level. For example, during a visit to a small producer in Ica, a guide recounted the history of pisco, evoking national and historical claims to assert Peru as the only producer of the spirit:

The word pisco is a distinctly Peruvian word and it is a distinctly Peruvian drink. Understand? The word pisco involves everything about the nation. When the Spaniards initially arrived, they exported it as aguardiente from the port of Pisco. But before that even, how did that city grab the name of Pisco? From the settlers, from the cultures of before, from Paracas [a neighboring town]. Pisco is a word, which means bird. That is how Peru demonstrated why it has the right, the Denomination of Origin for the word pisco.

This quote reveals how actors understand the traditions and legends surrounding pisco as representing a key part of Peru’s national identity. While they acknowledge the importance of the Spanish colonialists in developing the industry, they simultaneously understand the cultural history behind the drink as Peruvian. These understandings depend on traditions around the port of Pisco and the historical legacies of coastal towns throughout Ica and other producing regions.

These references, however tenuous, cement the idea that pisco is an exclusively Peruvian product.

The government also actively promotes pisco as a key part of Peruvian culture. In 1999, through *Resolución Ministerial N° 055-99-ITINCI/DM*, the Peruvian government set the 4th Sunday in July as the National Day of Pisco, and communities across the country celebrate the spirit as part of the national identity. Further, in 2003, the Peruvian government recognized February 8th as National Pisco Sour Day, to recognize the iconic cocktail that uses pisco as a base (El Comercio 2011).¹⁹ Both actions were steps to help link pisco to the country and reinforce producers' claims as authentic *pisqueros* (pisco producers).

Finally, additional pushes by various government and private sector actors seek to create new practices around pisco. These efforts focus on elite settings and attempt to further separate pisco from its image as a rural oddity and help elevate it to a high-class liquor. Efforts to push pisco into formal and elite settings also help forge the image of pisco as a national spirit. Diplomatic interactions offer a striking example. As part of a concerted effort to rebrand pisco as a national drink, by law, all toasts in Peruvian embassies must use pisco, not traditional beverages found in other embassies, such as Champagne or wine (Morveli 2015). Peruvian pisco producers celebrate this fact. As one explained, “[It is] not a toast with wine or not a toast with Champagne, a toast with Pisco. In some public events a Pisco Sour [is served].” The insertion of pisco into diplomatic functions not only reinforces the spirit as Peruvian, but also helps weave pisco into modern history and traditions. Furthermore, by moving it into the embassy, it helps to elevate the status of the drink, moving it away from the countryside and forming connections to Peruvian and international elites.

¹⁹ After Chile set a similar pisco holiday on the same day, Peru changed their laws to celebrate the holiday the first Saturday of February.

Authenticity as Geographic Specificity

In addition to collective knowledge and traditions, geographic specificity, understood as historic landmarks and locations and the terroir of producing regions, is central to Peruvian claims of authenticity. Paradoxically, while Peruvians evoke specific places when discussing the history of the industry, arguments about terroir often center on the diversity (across places) of Peruvian pisco.

For many Peruvians, the town of Pisco and the Port of Pisco provide firm linkages between pisco and Peru. In an interview, one Peruvian distiller stated definitively, “The Port of Pisco exists by name since the mid-1500s in Peru.” He then explained this conclusion using maps as evidence. “I have over 300 maps from the mid-1500s. [The] 15th, 16th, 17th, 18th, 19th, 20th century. They are all authentic and certified. I buy tons of maps, cheap ones, expensive ones, all original.” As this quote shows, Peruvian actors place a lot of importance on specific locations when making claims of authenticity. In their view, these maps that reference locations with the name pisco justify their claims as authentic producers.

Actors also evoke notions of terroir when making claims of authenticity, although they do this in a way that celebrates diversity in the spirit. In constructing authenticity through geographic places and features, Peruvian stakeholders often discuss the diversity of grapes and tastes that come from having a vast production area. A broad understanding of pisco regions also facilitates stakeholders’ national-level understandings of authentic pisco. The laws around Peruvian pisco allow for production across multiple regions, which five of the nation’s 25 departments (Figure 2) (Indecopi 2017). The expansive area of production leads to a rich diversity in the distillate, with actors celebrating the different grape varieties harvested as well as

the type of pisco produced in each region. It also helps to facilitate linkages between authentic pisco and other national industries in Peru, such as restaurants and tourism.

In many respects, Ica is the epicenter of Peruvian pisco production. While official production data is not available, industry experts estimate that nearly 75% of Peru's pisco production occurs in the Valle de Ica, home to the port of Pisco (Author Interviews 2018). Further, four of the top five exporters are located in Ica (ADEX 2018). Despite this, the regions that can legally produce pisco are vast, totaling 12% of the nation's land. The diversity of production areas facilitates a national understanding of authenticity and results in a rich variation in piscos, with the terroir of each sub-region impacting the final product. As one retailer explained:

The climate, the soil, they are different. It is not that one is better; it is just they are different. That's how I see it. And that is important to me. They are all under the same denomination, Pisco, but Lima is totally different than Ica and Arequipa and Moquegua. The truth is they should be sub-divided. Pisco from Lima, pisco from Ica, pisco from Arequipa, pisco from Moquegua, pisco from Tacna, because they are all totally distinct.

For this retailer, pisco is not a uniform distillate, and its diversity is rooted in place. This retailer advocated further classification of pisco by producing region, due to the uniqueness of each location's product. However, the retailer admitted that all of locations under the GI produce authentic pisco, even if the category is broad. Statements like these situate pisco exclusively in Peru, yet also highlight variation in pisco throughout the nation, similarly to Bowen's (2015) discussion of mezcal in Mexico.



Source: Author based on information from Indecopi (2017)

Figure 2. Peru's Pisco Producing Regions

While others did not necessarily share this vision of sub-dividing pisco by region, many acknowledged the importance of diversity when discussing the linkage between authenticity and place for Peruvian pisco. When comparing Peruvian pisco to another grape distillate from Bolivia (singani), the owner of one pisco brand argued, “Peruvian pisco is like a rainbow and singani is monochromatic (Catchpole 2018).” She went further, explicitly evoking the concept of terroir to compare the two spirits, stating:

Spirits depend on their terroir and the character of each is representative of the land and climate, which is quite different in Peru than it is in Bolivia. It’s like saying a French Pinot Noir is the same as a Spanish Tempranillo. Just because they are neighbors doesn’t mean the grapes are the same.

For this owner, pisco is a singular product that reflects the geographic singularities of Peru.

While she invoked the concept of *terroir*, her understanding of terroir in pisco is at the national level.

Stipulations in the GI law mirror this view of pisco as a “rainbow.” However, in doing so the singularities of sub-regions become less prominent, as the retailer above lamented when calling for a GI law that subdivides pisco regions. Currently, the Peruvian law restricts the location of pisco distilleries to one of the five regions delineated in the GI, and it restricts the sourcing of inputs to grapes from the five GI regions. However, the GI allows distilleries to procure grapes from any pisco region in the country allowing distilleries blend grapes from multiple places or own various brands based on grapes from distinct areas. For example, distilleries in Ica may source grapes from Arequipa. As a master distiller explained:

[Grapes are] not specified by each [region] but they each have higher quantities than the others [of certain grape varieties]. In Ica you can find almost all [types of grapes] because it is very big, but the most common is the quebranta. The Italia [variety of grape], I don't know where you find it. In Moquegua you have more of the negras criollas. In Lima you have a little bit of everything. But there are all under the same denomination of origin which allows producers to buy grapes from all the regions. For example, you find a lot of quebranta grapes in Arequipa, but the grape is not really from there. It is from Ica.

As the quote alludes to, by allowing sourcing across the five GI regions, producers can access more grape varieties. The ability to source from multiple regions, consequently, also facilitates a national understanding of pisco. At the same time, the use of grapes from multiple regions diminishes subnational diversity and the linkages to specific places. By allowing multiple producing regions and several grape varieties, the Peruvian GI legislation creates a wide diversity in pisco spirits, yet undermines links to terroir, as the inputs are varied and geographically disperse. However, by allowing for the flow across regions, it limits the unique characteristics of any one place.

Chilean Authenticity Claims

Chilean claims of authenticity mirror Peru's in some respects, focusing on collective knowledge and traditions and place. However, divergences exist. Chilean actors discuss

authenticity by focusing on the terroir and uniqueness of the GI region, evoking fewer national-level constructs. They also focus less on traditions, instead discussing pisco as a part of everyday life. Interestingly, despite making authenticity claims tied to specific locales, Chileans actors do not restrict authenticity to the nation. Instead they tend to see pisco as a binational product, shared between Peru and Chile.

Authenticity as Collective Knowledge and National Traditions

To assert authenticity in the pisco industry, Chilean actors discuss collective knowledge and traditions, though less frequently and to a lesser extent than Peruvians do. Actors proudly discuss with pride how collective knowledge is a feature of individual family legacies and part of the industry cooperatives. Additionally, actors discuss pisco as a national drink, with several holidays marking its importance and given pisco's widespread popularity throughout the country.

When Chilean actors reference heritage, they often discuss linkages to major pisco cooperatives. These claims focus on the transfer of knowledge, often occurring at the family level, and on the success of pisco cooperatives in the nation. For example, the owner of one small firm, stated, "Our contribution as a family to the pisco industry has been constant throughout the last 89 years. Our pisco is made with great precision and careful selection, a requirement that my grandfather encouraged and that today is a tradition that has been passed down for generations (PiscoChile 2014b)."

Small firms who are starting new brands rely heavily on family legacies to gain legitimacy as authentic producers. This is especially true for newly established operations that lack brand awareness among Chilean buyers. For example, a co-owner of one new Chilean company mentioned early in the interview that even though he was not being from the GI region, another co-owner came from a long line of pisco producers. In saying this, he sought to establish

legitimacy for his brand. “I’m not [from the pisco producing region]. My colleague’s family has been in the industry for 150 years. Yes, five generations doing pisco. Her grandfather founded a cooperative.” Associations like this help link producers to lead Chilean firms and historic industry drivers. These linkages also help new producers and brands convey that they possess traditional production knowledge and an appreciation for pisco heritages.

As in the quote above, some Chilean actors discussed their family legacies by discussing how ancestors helped to found the first pisco cooperatives in Chile. They also discuss the overall importance of the cooperative in the industry. As one cooperative member explained, “We are a cooperative with 80 years of existence. We have over 1000 members with 70% being small producers.” This producer saw membership in the cooperative a key feature of Chilean pisco. He argued, “It is not just the “terroir” [of the region]; it is also the people.” For this producer, and others, the cooperatives are the industry driver, pooling resources and knowledge from multiple farmers and distillers and helping to build a national industry.

An interesting trend emerges in discussions of collective knowledge in Chilean pisco. Often, the actors place the historical source of knowledge within a family legacy or a connection to the cooperative. However, unlike Peruvian discussions of knowledge based in the region of Ica, Chilean actors’ discussion of collective knowledge often links to a specific pisco brand’s authenticity, rather than a national or regional base of knowledge.

National holidays further exemplify pisco traditions. In Chile, pisco has two national holidays. The first holiday, set in 2003, sought to celebrate the highly popular *piscola*, a pisco and coke mix and most widely consumed pisco cocktail in Chile. Some people estimate that 80% or more of pisco consumed in Chile is in *piscola* cocktails (El Comercio 2011, El Mostrador 2018). In 2009, the Ministry of Agriculture issued a decree that Chile would also observe May

15th, the anniversary of the GI ratification in Chile, as the annual pisco day throughout the nation (La Tercera 2018). Prominent features of both holidays include pisco promotions at bars across the nation, live music in public spaces, and pisco tastings.

Beyond holidays celebrating the spirit, Chileans often discuss how pisco is a staple of Chilean social life. As one producer remarked, “In Chile, 60% of [alcohol] consumption is pisco. So, for our culture pisco is very easy to find. [It is] everywhere; maybe even in the pharmacy.” because pisco is widely available across the nation, as this producer says, it becomes deeply embedded in everyday Chilean life, frequently found in parties and gatherings.

Authenticity as Geographic Specificity

Parallel to authenticity claims based on collective knowledge and tradition, Chilean actors make authenticity claims by linking pisco to specific locations within the nation and by evoking terroir-based arguments. Geographic claims of authenticity primarily situate production in the Elqui Valley, even though the GI recognizes five valleys across two regions. Actors often include a key caveat when making place-based arguments—that pisco is a colonial spirit and that national claims are tenuous as a result.

Chileans stakeholders, drawing on archival data, argue that the Elqui valley represents the birthplace of pisco. They argue that it was here that Spanish conquistadors first distilled grapes, sending them to the Port of Pisco for export. They further support this using archival data that situates the first discussion of pisco in Chile. As an industry expert recounted, “The first historical record [of pisco] is from 1733, and it appeared in the hacienda “La Torre” which is here, in Chile, stating ‘and to add two drops of pisco.’” These arguments seek to establish authenticity by showing that historical discussions of pisco first occurred in modern-day Chile. However, unlike Peruvian value chain actors, Chilean stakeholders acknowledge the problematic

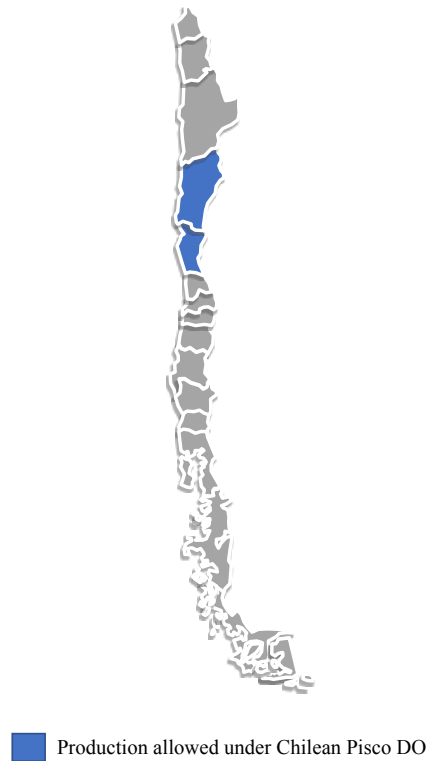
issue of using historical data, given Peru's and Chile's shared colonial past. In the same discussion where the industry actor asserted Chile's claim to the birthplace of pisco, he continued, "We are talking about the year 1733, and this [Chile] was then the Viceroyalty of Peru. So, neither Chile nor Peru nor Bolivia nor Argentina nor any other [country] existed. They were all the same." These contradictory statements reflect how Chilean actors understand the geographic specificity of pisco. For Chilean stakeholders pisco began in Chile, but since it began while it was still a colony, the link of historic locations to modern nations is problematic.

Specific places referenced in archival data help Chilean stakeholders justify claims of authenticity by supporting claims that Chile is the birthplace of pisco. Chilean actors also evoke terroir to assert their authenticity. For Chileans, the uniqueness centers on climatic and geographic factors of the production region such as elevations, water sources, and temperatures.

Chile's GI limits allowable grapes to only specific white grape varieties. While the GI allows for producers to use 13 grape varieties in pisco, Chilean farmers currently only produce five varieties in sufficient quantities for use in pisco distillation (Author Interviews 2018, Wilkinson 2015). Further, unlike the diversity found in Peruvian grapes, Chilean grapes are all aromatic sweet grapes used to produce white wines and depending on the aging method have either a transparent or golden color when bottled (Wilkinson 2015).

Chilean law limits pisco production to the III and IV regions (Atacama and Coquimbo), only two of the nation's 16 regions (Figure 3). Collectively, these two regions are home to several valleys that are each connected to distinct rivers. Because of their low humidity, desert terrain, and the high degree of variation in temperatures, Chilean stakeholders argue that these valleys are ideal for Muscat grapes, the primary grape used in Chilean pisco (Brennan 2018, Smith 2015). GI law highlights five valleys, in particular, that have the appropriate climate to

produce pisco grapes: Choapa, Copiapó, Elqui, Huasco, and Limarí (PiscoChile 2014a). While the law does not go so far as to restrict production only to these valleys, it does explicitly name them as having the necessary conditions to produce pisco grapes. Actors attribute this to these valleys' reputation as ideal for Chilean pisco. Many I interviewed also stated that most, if not all, pisco production occurs inside these five valleys (Author Interviews, 2018).



Source: Author based on BCN (1931)

Figure 3. Chilean Pisco Producing Regions

Of the five pisco valleys, Elqui is the most emblematic, and actors often evoke the terroir of the valley when discussing Chilean pisco. As the founder of a premium brand of Chilean pisco recounted in a magazine publication:

[With] elevations that vary from sea level to 1500m and a broad range of soil types, Elqui is home to amazingly dry mountains full of quartz with ample water flowing from the Andes mountains. The dramatic temperature swings between day and night also help give us the ideal array of grapes for making complex, aromatic pisco” (Bieler 2012).

For this producer, the diversity of elevations and soils, along with the climate, contribute to unique conditions in Elqui that are ideal for pisco grapes. Others see the location of their specific bodega as helping them produce a premium product. For example, one multigenerational producer, who had shifted to premium production, explained in a news article featured on the Chilean pisco association website why the location of his bodega was beneficial. He recounted, “We plant the grape at 1,200 meters above sea level, so it has a more delicate flavor and a pleasant aroma” (PiscoChile 2014b).

Current initiatives by many stakeholders seek to bring greater attention to the terroir of the region. As one representative of a national cooperative explained, in a discussion of recent efforts to move into premium markets, “Currently, our focus is in making [Chilean pisco] more like wine, with a unique terroir.” He went on to explain the unique terroir he finds in the Chilean pisco region. “We have a unique “Terroir.” We are the sixth driest [place] in the world, the waters we use to irrigate our vines are from the valleys of the Andes. We have the cleanest skies in the world. We have a “terroir” that’s distinct.” In this discussion, the producer mirrors the claims of other actors about how geographic properties influence Chilean pisco but also discusses the social aspect of terroir, discussing how cooperative members must promote and distinguish their product.

Authenticity constructs, compared

Both Peruvian and Chilean pisco stakeholders make claims of authenticity based on collective knowledge and tradition and on geographic specificity. However, the way they make claims around these factors varies, and in some cases diverges from expected understandings of authenticity dimensions (Table 4). Further, there is variation in the way actors in both value chains determine what is authentic pisco and what is inauthentic.

Table 4. Authenticity Constructs, Compared

	Collective Knowledge and Tradition		Geographic Specificity	
	<u>Collective Knowledge</u>	<u>Traditions</u>	<u>Locations</u>	<u>Terroir</u>
Peru	Family-Based <ul style="list-style-type: none"> • Everyone linked to grape cultivation • Gives Ica added advantage 	National Spirit: <ul style="list-style-type: none"> • Holidays • National identity 	Historic Landmarks: <ul style="list-style-type: none"> • Port of Pisco • Pisco river • Town of Pisco 	Discussed using grapes
		Tradition building <ul style="list-style-type: none"> • Move to elite settings 		Focus on diversity
Chile	Family-Based: <ul style="list-style-type: none"> • Multi-generational • Historic relationship to cooperatives 	National Drink: <ul style="list-style-type: none"> • Holidays • Sold everywhere 	Archival Data <ul style="list-style-type: none"> • Link to specific Chilean places • Colonial ties to Peru 	Discussed using valleys
				Focus on uniqueness

Source: Author

For Peruvian producers, pisco represents the country as a whole and simultaneously references specific places, mirroring trends Gaytán (2014) found regarding tequila as a national symbol of Mexico. Marketing materials for pisco often evoke national images. Even the bottles of some brands carry explicit references to Peru, and in some instances the national flag. For example, the master distiller of a large pisco brand with operations in Ica discussed his product as inherently Peruvian, rather than evoking the long history of his bodega or the Ica region. When talking about authentic pisco, he vehemently stated, “I’m defending the historic traditional geographical name of my product as a Peruvian name. The Peruvian flag is on the bottle!” For this producer, who exports half of his production, it is vital that his brand uses the Peruvian symbols and the flag to link his product to the nation. He is exporting a product, but he is also representing his nation in the global market. Intriguingly, despite scholarship that shows authenticity is strongest when it is geographically specific, in Peru references to a particular region are less crucial. Other actors in the Peruvian pisco value chain evoked similar national sentiments when discussing authenticity. As the sommelier for a leading retailer described, “You

start to try [pisco], to consume [pisco] and you match that with the press, newspapers, television coverage. Then, it is a more Peruvian feeling of consuming what is yours; [an understanding of] pisco as the only national drink.” Both actors’ despite different positions in the value chain, express sentiments held by many interviewed, an idea of pisco as a national good. Producers expressed the “Peruviness” of pisco using national images on bottles and in marketing material. For retailers, the linkage of pisco to the country in a variety of media features further links the spirit to the nation and drives understanding of pisco as Peruvian.

Actors in Peru and Chile focus on collective knowledge and national traditions around pisco. Both nations acknowledge the importance of family-based knowledge for producers and for the industry. However, in Peru actors often expand on family knowledge by discussing its concentration within key producing regions, like Ica. In Chile actors link family knowledge and heritage to national cooperatives. Peruvians discuss how the concentration of knowledge gives Ica an advantage, but Chilean actors did not mention the epicenter of pisco production, the Elqui Valley, when discussing collective knowledge.

When discussing national traditions, some overlaps emerge, but key differences remain. Peruvians traditions focus on pisco as a national spirit, while Chileans focus on pisco as the national drink. Both nations have national holidays to recognize and promote the spirit. However, Peruvian actors are building new traditions that push pisco into elite spaces, such as making pisco the official beverage used for toasts in diplomatic functions. In contrast, Chilean discussions of traditions focus on its widespread availability and ubiquitous presence in everyday life.

Beyond collective knowledge and traditions, actors in the Peruvian and Chilean value chains discuss authenticity through the lens of geographic specificity. Actors in both cases

reference specific historical places and tie them to the industry, though Chileans often focus on archival references to production facilities in the nation, while Peruvians reference specific cities and landmarks, like the Port of Pisco. Both also discuss terroir, although with considerable divergences in how they use the concept. Peruvian actors discuss the diversity of production locations and the grapes they use as the defining aspect of the industry and the primary facet of terroir, which imparts a special quality to the product. However, despite a construction of terroir that celebrates diversity, Peruvian actors ultimately conclude that pisco is a national spirit and lobby for exclusive use of the term pisco. In contrast, Chileans focus on the unique properties of pisco producing valleys, highlighting the special properties they impart to grapes. However, Chilean actors often discuss pisco as a colonial spirit and advocate for shared use among the two nations.

Explaining Divergent Understanding of Authenticity

Peruvian and Chilean actors discuss authenticity using similar themes that resonate with consumers. Actors focus on collective knowledge that propels the industry, national traditions and geographic specificity of pisco production. However, there are subtle differences in how actors in each case evoke terroir. Chilean discussions of geographic specificity remain tightly embedded in specific places and GI regulations are stringent in regard to inputs. Therefore, we might expect that Chilean value chain actors would hold a stringent understanding of authentic pisco. Furthermore, based on Peruvian actor's celebrations of diversity in producing regions and diversity in the permitted grapes for pisco, we would expect Peruvian actors would maintain a more inclusive understanding of authentic pisco. The opposite is true. Pisco value chain actors in Peru understand pisco as distinctly Peruvian, while Chileans lobby for shared use of the term. Variations in the industry and market environments within which each chain is embedded

partially explain these divergences. This section looks at three aspects of the market environment for each case that facilitate differences in authenticity constructions: national production volumes, domestic market demand, and trade trends.

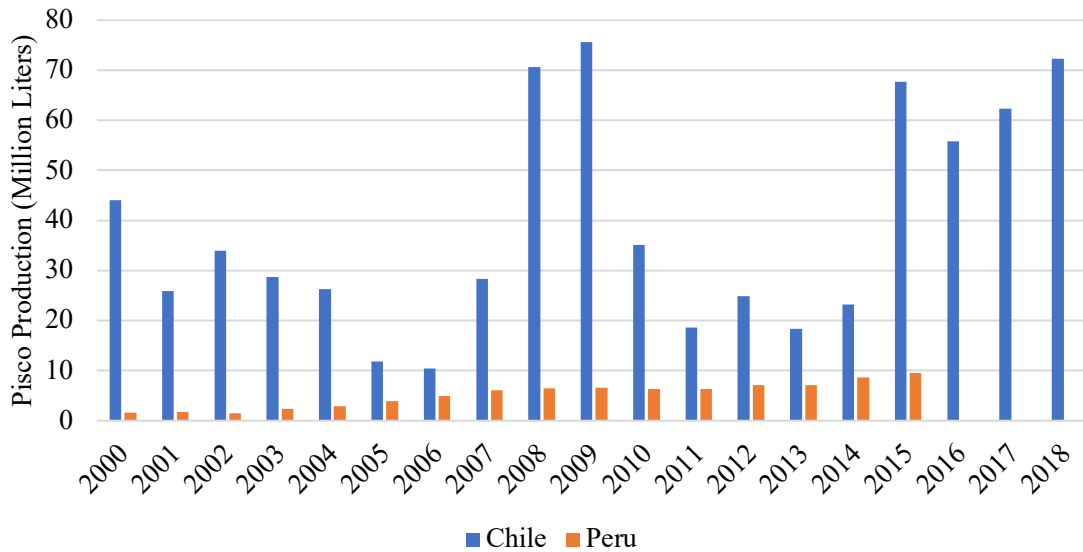
National Production Volumes

Peruvian pisco struggles to reach Chilean levels in production volumes, although the industry is gaining traction. The Peruvian government and private actors have invested in production, and volumes are growing consistently, increasing from 1.6 million liters in 2000 to 9.5 million in 2015. However, Chilean production volumes are higher, albeit volatile. In 2015, the last year data was available for both cases, Peru's total production was less than 15% of Chilean pisco production (Figure 4).

In Peru, government programs facilitated the growth in pisco production by targeting grape cultivation. For example, the Development Funding Corporation (COFIDE) provided loans to farmers to upgrade vineyards using new technologies and production methods to improve yields and facilitate movement into premium markets by cultivating organic grapes (Kuramoto 2011). However, despite government efforts, various challenges continue to threaten the future growth of the industry. As discussed in Chapter 5, the rise of the table grape industry poses a constraint to future pisco growth in the region.

In comparison to Peru's consistent growth via coordinated stakeholder efforts, growth in Chilean production is sporadic, with wide variation in production volumes. Chilean government officials explain the variation in production volumes mainly as an outcome of unpredictable and adverse meteorological conditions, yet also acknowledge that this is not the only issue impacting production, and allude to competitive industries pulling farmers away from pisco grape

production (Horta 2017). However, no one who I interviewed cited variations in production volumes as a constraint to the Chilean pisco industry.



Source: CONAPISCO, 2015; SAG, 2018

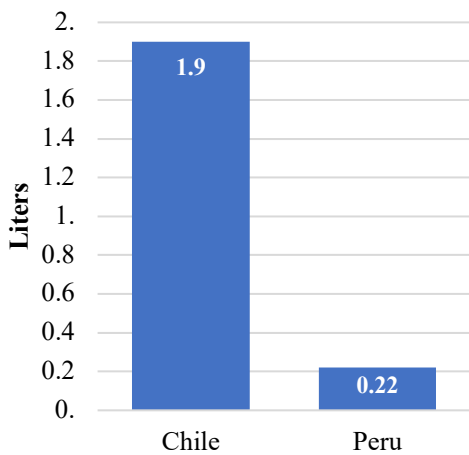
Figure 4. Pisco Production in Peru and Chile, 2000-2017

Domestic Market Demand

Peru also lacks a strong domestic market for pisco consumption (Figure 5). Domestic pisco consumption in Peru is low, with many actors lamenting Peruvian’s preference for beer, rum, and whiskey (Author Interviews 2018, Euromonitor 2017). As one producer asked rhetorically, “Why do [we] drink more rum than pisco in Peru?” Empirical data support this argument. In 2016, Peruvians consumed less than 0.25L per capita of pisco, even though total alcohol consumption in the nation totaled 6.2L per capita (Statista 2016a, Statista 2016b). Sales data show a similar trend, with pisco volumes totaling approximately 2 million liters in Peru for 2017 (Andina 2019a, Emol 2018a), compared to 4.8 million liters for whiskey and 10.3 million liters for rum (Euromonitor 2017).

Despite a preference for other spirits, Peruvians are rediscovering pisco as they seek to integrate it into global markets. From 2016 to 2017, domestic consumption grew 14.3%, and

since 2014 domestic consumption has grown consistently, with an average annual growth rate of 5.6% (Andina 2018). Further, many Peruvian stakeholders discussed how pisco quality had previously been poor. For example, one producer recalled, “The piscos available in the 70’s, 80’s and 90’s were not that great. The few that were out there were questionable and normally what you heard from your few friends was it was lethal – it was terrible the next day.” Another participant described the recent growth in pisco consumption by saying, “I think [pisco appreciation among Peruvians] has started and that is stronger in younger people.” Despite the growth, domestic consumption remains relatively low. As a result, many large Peruvian producers must connect to external markets to find consumers.



Source: Statista, 2016

Figure 5. Pisco Consumption per Capita by Nation, 2016

While Chile’s higher production volumes could facilitate a narrow (Chile-based) view of authenticity, the annual variation in production, coupled with sustained high domestic consumption, produce the opposite effect. In 2017, domestic sales of pisco in Chile totaled US\$606M, making it the largest market in the world for pisco. Chilean per capita consumption, at 1.9L per person, is nearly 10 times higher than Peru (Emol 2018a, Statista 2016a). To explain such a strong domestic market, many interviewed cited the low price of the spirit. For example,

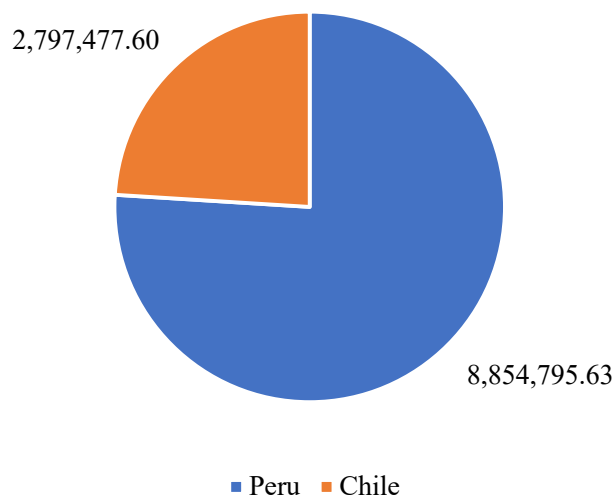
one Chilean stakeholder explained, “I need to have a brand that is the cheapest on the market.” Traditionally, domestic consumers saw Chilean pisco as a cheap alcohol to mix with soda, a practice so common that instead of celebrating the pisco sour, the Chilean holiday is for piscola. However, in addition to the low cost/low quality model of production, tax laws also helped spur domestic consumption. As one cooperative representative explained, “Until 1989 or 1990 it was very difficult for a Chilean to access imported spirits because there was a specific tax that made it more expensive. [Imported alcohol] was very inaccessible for Chileans.” This trend continued into the mid-1990s, with the Chilean government imposing alcoholic beverage taxes that allowed most Chilean pisco to receive a lower tax rate than other spirits (27% compared to 47% for most imported spirits). The result was that Chilean pisco remained more price competitive. WTO rulings challenging these tax practices caused the Chilean government to implement a new tax policy that had consistent tax rates across spirits (WTO 2017). However, by this time, Chile had cemented a strong national demand for pisco.

Demand for Chilean pisco remains strong, but new products are gaining ground, as Chilean consumers slowly gravitate towards new spirits, such as whiskey and gin. In 2017, whiskey and gin both saw double digit growth by volume and value, while pisco consumption fell slightly (Euromonitor 2017). Pisco remains the primary spirit consumed in Chile; however, in response to growing competition from other alcohols, producers are beginning to shift towards premium brands with high profit margins (Euromonitor 2017).

Trade Trends

Despite its smaller production and consumption volumes, Peruvian pisco outpaces Chilean pisco in exports (Figure 6). Peruvians producers export most of their pisco production,

with only an estimated 29% consumed locally (Andina 2019a).^{20,21} One consequence of having an underdeveloped domestic market is that Peruvian pisco producers aggressively seek to enter global markets. Therefore, Peruvian pisco must compete with many alcoholic spirits from around the world. Export dependency has led producers to make exclusive claims to pisco to mitigate competition and help establish more specific links to place, a feature many consumers value (Johnston and Baumann 2015).



Source: ADEX, 2018; ODEPA, 2019

Figure 6. Pisco Exports (US\$) by Nation, 2017

In contrast to the export-oriented activities of Peru, Chilean pisco actors focus primarily on the domestic market. Although Chilean producers participate in export markets, it is less vital to the industry and makes up a minor portion of revenue.²² Instead of exporting pisco, Chile imports pisco. In fact, Chilean consumption is so high that it is the primary importer of Peruvian pisco, purchasing 36% of Peru’s total pisco exports in 2017 (ADEX 2018). Pisco trade between the two nations is contentious, because Peru cannot use the term pisco in Chile, and instead must

²⁰ In 2017, pisco exports from Peru totaled US\$8.8M (ADEX 2018).

²¹ Percentage based on author calculations based on data from Andina (2019).

²² Chilean pisco exports totaled US\$2.8M in 2017 (ODEPA 2019).

use the generic *aguardiente de uva*. As a result, some Peruvian stakeholders argue that Peruvian pisco producers should not export to Chile unless Peru can sell their distillate under the term pisco. Other Peruvian stakeholders advocate for more extreme restrictions, arguing that Peruvians should not send their product to Chile until Chileans stop using the term “pisco.” Although Peruvians lobby for exclusive access to the term pisco, several producers simultaneously acknowledged the importance of the Chilean market, rejecting notions that sells to Chile should cease. As one Peruvian distiller recounted, “How do I find other markets? What other markets? They buy one pallet. One pallet! Chile buys 12 containers from me. One pallet is shit!”²³ As seen above, Peruvians balk at Chilean claims to pisco, but also benefit from Chilean’s culture of pisco consumption. The relationship is mutually beneficial. For Chileans, importing of Peruvian pisco ensures more stable supplies and diverse market offerings.

Conclusion

Producers across the globe increasingly make claims of authenticity to distinguish their products on global market shelves and tables. As Johnston and Baumann (2015) describe, authenticity is a broad term conveying multiple concepts. In the analysis above, I showed how actors in two countries use two dimensions of authenticity (collective knowledge/traditions and geographic specificity) to make authenticity claims for the same product. Despite the use of similar dimensions, actors arrive at divergent understandings of what constitutes authentic pisco. Peruvian actors understand pisco as exclusively Peruvian, while Chileans actors advocate for shared use of the term. This chapter demonstrates how divergences in the boundaries of authenticity stem from the distinct markets within which actors in each pisco chain are

²³ A pallet holds approximately 80 cases of a spirit. A 20-foot container can hold up to 10 pallets (WSSA 2019).

embedded. Peruvians, who focus primarily on export markets, benefit from narrower definitions of authenticity because it limits competition. Conversely, Chileans, with a strong domestic market, favor broader understandings of pisco to ensure stable supplies.

A plethora of research shows how cultural resources and understandings shape economic outcomes. Using the term “gastronationalism,” DeSoucey (2010) shows how states use food to build and reinforce national identities. DeSoucey (2010) acknowledges that gastronationalism “remains politically rooted and shaped by markets,” yet existing research on GIs has focused on how cultural and historical factors shape market dynamics, rather than considering the features of the market itself. Here I explore the reverse relationship explicitly, examining how economic factors shape culture and meaning making in place-based products, focusing on one GI commodity produced and protected in two locations. I show how market factors influence meaning-making, with actors responding to different market stimuli when conceptualizing authenticity.

In both cases, market dynamics push distinct understandings of authenticity in GI products, showing how economic factors external to the GI region matter. For Peruvians, pisco is an export good and must enter the competitive alcoholic spirits industry characterized by multiple spirit categories and numerous brands. As a result, authenticity matters for Peruvians, whose pisco competes with multiple small volume, place-based spirits on international shelves. In contrast, Chilean pisco is a domestic product with limited export. Further, a long history of consumption helps pisco to be a well understood spirit among Chilean consumers. As a result, for Chileans authenticity is less crucial from at the product level and instead matters most for new Chilean pisco brands seeking to establish linkages to traditional pisco providers.

CHAPTER 4: FERMENTING QUALITY

“When you are stepping on the grape it is not like the beautiful, you know, movies, you know, where the beautiful girl with her many, you know, constant steps, you know, with the raw foot. The acid in that juice, you know, breaks my cement basin, so can you imagine what it’s going to do to those toes?”

- Extralocal Peruvian Producer

As the distance between sites of food production and consumption has grown (Clapp 2014), quality standards have become increasingly important (Gereffi, Lee and Christian 2009, Ponte and Gibbon 2005). These standards, at their most basic level, seek to protect consumer safety and standardize products, allowing powerful multinational corporations (MNCs) to source from a variety of locations and ensure a year-round supply of goods for consumers (Dolan and Humphrey 2000, Nadvi 2008). Such standards also have the potential to create vast power asymmetries among value chain actors, allowing dominant lead firms to capture more value and hampering the economic outcomes for small producers (Bacon 2010, Ponte and Gibbon 2005).

To counter power asymmetries, producers and consumers are adopting a variety of alternative food system approaches. Geographical indications (GIs) represent one of these alternatives. GIs are place-based labels that impart information to consumers by linking quality to specific production locations and legacies (Barham and Sylvander 2011). They also have the potential to enhance the economic returns for producers by allowing actors to use the place of production as a proxy for quality, thus establishing reputational rents (Areté 2013).

By situating production in specific places, GIs allow rural communities to maintain a competitive advantage and capture economic rents while still participating in global value chains (GVCs) (Belletti and Marescotti 2002). One way GIs allow producers to collect economic rents is via collective institutions that define and certify quality for GI products (Sanz Cañada and Macías Vázquez 2005). However, previous research shows that these institutions do not

necessarily alleviate power asymmetries among GI actors (Bowen 2010a, Goodman 2004, Mancini 2013a). In some cases, these inequalities become more apparent as powerful actors lobby for GI norms that facilitate their interests, at the expense of traditional producers (Sonnino and Marsden 2005). For example, in the case of tequila, Bowen (2010a, 2011) documents how local elites and powerful MNCs influenced the historical evolution of the tequila industry and supporting institutions, which in turn impacted how actors understand quality in tequila. The GI legislation situates tequila in specific areas, but the quality standards establish a highly technical definition of quality that fails to reinforce tequila's tie to place or tradition. Ultimately, Bowen (2015) concludes that "the mechanisms by which standards are evaluated privilege elites with college degrees and not farmers or workers." She further clarifies, "The system provides no effective mechanism for keeping the power of the Mexican tequila and multinational spirit companies in check."

Beyond the strong influences that local elites and MNCs have over collective institutions, brand differentiation remains vital for firms, even when operating under a GI. In many ways, GIs function as economic clusters; producers and firms simultaneously promote the attractiveness of a region of production to spur collective growth in the cluster and also attempt to differentiate their product or brand from others within the cluster. In their research on specialty food, Ilbery and Kneafsey (2000) find that producers in southwest England use personal connections to products to convey quality to consumers, differentiating themselves from other producers in the same region. Research on GI wine clusters in Spain similarly finds that brand differentiation has become increasingly vital for GI producers (Parga-Dans and Alonso González 2017). In the absence of detailed information on wine bottles, consumers look to awards, expert reviews, and other signals to differentiate themselves on market shelves (Overton 2010). Collectively, the

prevalence of individual branding in GIs results in what Parga-Dans and Alonso González (2017) describe as a shift in understandings of quality: away from the physical properties of wine and towards a symbolic function focused on individual producers and geared at increasing market share.

In theory, GIs are collective institutions that link quality to specific communities and production practices, but not to individual brands. However, within GIs, individual brands compete on the market. But despite their importance, firms and their strategy often remain understudied in the existing GI literature that looks at developing economies. A wealth of GI scholarship explores how elites benefit from GI systems by capturing and structuring institutions to their needs (Besky 2014, Bowen 2010b, Mancini 2013a). However, these studies tend to focus on collective understandings of quality set by institutions within the GI region; they do not consider how specific GI firms define and convey quality in different ways. In this chapter, I use the cases of Peruvian and Chilean pisco to show how changes in the organization of the pisco industry over the last century, as well as the entry of new extralocal producers, influence how each chain articulates and understands quality. In each case, I first explore recent shifts in the industry, focusing on the conditions that facilitated the entry of new actors. I then compare how actors in both cases construct quality by linking it to specific production practices, types of production knowledge, and external validations. Ultimately, I conclude that the way firms discuss quality is a response to shifts in the organization of production models within the GI. As a result, discussions of quality within pisco follow a similar path as has occurred with conventional food and beverage products; they privilege powerful actors and exclude small-scale producers.

The Industrialization of Peruvian Pisco

As Peruvian pisco stakeholders seek to increase pisco's global prominence, the production model has shifted from small-scale, family-run operations to larger-scale and industrial operations as large investors took interest in pisco. Many of these industrial operations are moving into premium and export markets. Increasingly, extralocal owners, who lack familial or geographical ties to the DO region, own these firms.

Historically, pisco was a cottage industry in Peru, with families fermenting and distilling grape juice for personal consumption or sale in informal markets. The few large-scale distilleries in the country that did produce pisco were the product of the colonial land tenure system and based on massive haciendas, like the still-operational Tacama, which produces wine and pisco using grapes grown on its 445-acre property (Tacama 2019). Despite their massive land holdings, most of these distilleries did not have large-scale operations, but instead distilled for local grape farmers who then sold or shared pisco under their personal brands in local markets (Author Interviews 2018).

Land reform in the 1960s reinforced the cottage industry approach to pisco production in Peru. During this time, the government divided many large colonial haciendas into smaller family plots. In Ica, many producers shifted away from grape cultivation and began growing more lucrative crops, like maize or corn (Wilkinson 2015). While the grape industry remained prominent in Ica, its importance to the region's overall economy declined.²⁴ Plots remained small through much of the 20th Century, with over 80% of plots being less than 10 ha in size (Chaléard and Marshall 2015, INEI 2012). This contributed to the cottage industry production model. Even longstanding distilleries with larger operations had to source their grapes from small farmers,

²⁴ Notably, Tacama, mentioned above, maintained its size during land reform efforts yet focused primarily on wine.

given the limited amount of land they had. The vestiges of this approach remain, with many large companies continuing to purchase pisco grapes from local farmers on spot markets.

In the 1990s, the implementation of liberalization policies across the country disrupted the historical organization of the industry. Large-scale national firms emerged. It was at this time that Peruvian pisco production began to formalize and industrialize production. Several key transformations happened in Peruvian pisco. First, changes in the organization of production shifted pisco knowledge from producing families to technocrats. Second, the production model shifted from artisanal, small-scale production towards larger scale, industrial operations. Finally, formalization and legitimation at the industry level, established via the GI in 1991, allowed some of these firms to shift to premium markets, although they remain heavily focused on national and regional markets (Indecopi 2017).

The entry of several new producers, many of whom had few previous ties to the region or the product, defines the current Peruvian pisco industry. Because of policy initiatives in the early 2000s that aimed to bolster production, as well as the global culinary and cocktail revolution, the pisco industry grew as outsiders began to enter production. Extralocal producers use two different production models and as a result, encompass two distinct firm types: vertically integrated firms and brand-driven firms. Vertical integrators closely oversee, and in many cases own, all stages of production, allowing these firms to control quality along the entire value chain. In contrast, brand-driven exporters focus more attention on linkages to buyers and marketing activities, depending on local networks to facilitate and complete the actual production processes. Despite this divergence in ownership structure, both types of extralocal firms focus on international markets and premium production. Interestingly, the GVC literature would expect less variation among firm types in the same industry, showing how GI firms, even when in the

same space, can employ diverse governance approaches (Gereffi, Humphrey and Sturgeon 2005). Further, it is crucial to note that new firms entering the Peruvian pisco value chain are not replacing traditional producers. Instead, they are coexisting, with each type of producer focusing on distinct markets.

In sum, the evolution of pisco production in Peru occurred in three waves (Table 1). The first wave, which dominated production until the 1990s, centered on family production with a cottage industry approach. The second wave, coinciding with a general liberalization trend in the nation, centered on the rise of large-scale, industrialized production for domestic markets and export to Chile. The entry of extralocal actors focused on export markets and having diverse firm strategies characterize the third phase, which began in the mid-2000s.

Table 5. Three Waves of Peruvian Pisco Production

Wave	Industry Drivers	Key Characteristics
Wave 1 (1800s- 1990s)	Family Bodegas	<ul style="list-style-type: none"> ● Cottage-Industry Organizational Model ● Traditional Production Methods ● Oriented towards local markets
Wave 2 (1990s-mid 2000s)	Large Domestic Firms	<ul style="list-style-type: none"> ● Large, Peruvian owned bodegas that sourced inputs from local community ● Industrial production methods ● Oriented towards national markets
Wave 3 (mid-2000s to present)	Extralocal Firms	<ul style="list-style-type: none"> ● Two organizational models <ul style="list-style-type: none"> -Vertically-integrated- controlling all aspects from seed to bottle -Brand oriented-focusing exclusively on end market linkages ● Industrial production ● International market focus

Source: Author

Peru’s industrial shift in pisco occurred under a GI system that strictly regulates production. All actors, even extralocal actors, must certify with regulatory agencies, like *El Instituto Nacional de Defensa de la Competencia y de la Protección de la Propiedad Intelectual* (INDECOPI), that they follow established production protocols. While the GI norm allows for variety in the grape variety used and permits blending and sourcing from multiple GI regions,

production processes remain codified. Distillers may not add anything to their process, like sugar or water. Further, they cannot use multiple distillations. Finally, the GI norm forbids aging in wooden barrels, which will alter the taste of the grapes. Instead, actors must use neutral vessels like stainless steel or ceramic tanks. Such strict regulations should lead to tighter consistency in quality among actors, however, as I show below the opposite occurs. Firms highlight brand level features rather than standards across the GI when discussing quality.

The Artisanal Turn in Chilean Pisco

Chilean producers are also seeking to enter premium markets, yet their approach and starting point are distinct from Peruvian producers. The Chilean pisco value chain is increasingly moving away from the highly industrial production model that dominated 20th-century production. The cooperatives that drove mass production are still operational, but the industry is diversifying as other actors begin to capture more of the market. These actors, especially new producers entering the Chilean pisco value chain, are now adopting niche and artisanal methods as they seek to elevate Chilean pisco brands into the premium spirit category.

Like Peruvian pisco, Chilean pisco began as a cottage, small-scale industry. However, while Peruvian land reform solidified a small-scale production system throughout the 20th century, a cooperative-centered production system in Chile led to the early industrialization and formalization of the pisco industry. While a handful of small-scale operations remain, most small enterprises are no longer operational. Instead, they are now part of the national pisco cooperatives.

In 1931, the same year that the GI for pisco was ratified in Chile, producers established the first pisco cooperative, *Cooperativa Control Pisco* (CCP). The original purpose of CCP was to control the industry, with the end goal of regulating grape prices for members who,

impacted by the Great Depression, sought more market stability (Lacoste et al. 2014).²⁵ In 1938, a group of 30 farmers formed the *Cooperativa Agrícola Pisquera Elqui Limitada* (CAPEL). CCP and CAPEL were two of many cooperatives that existed at the time, but as other cooperatives fell apart, members joined the surviving cooperatives, helping propel both cooperatives' size and industry power (Pérez Trujillo 2017). By the 1980s, CCP had considerable influence in Chile, accounting for 70% of pisco sales nationally (Pérez Trujillo 2017). CAPEL had less success but still emerged as a national company, selling pisco across Chile by the 1980s (Capel 2018). At the same time, a favorable tax environment, detailed in Chapter 3, helped safeguard demand for pisco, given its low prices compared to imported spirits, which allowed both cooperatives to operate with minimal competition.

At the end of the 20th century, CAPEL and CCU controlled the Chilean pisco market; however, competition from imported spirits (namely rum and whiskey) spurred a reorganization of production. With the reduction in tariff rates for imported spirits, pisco producers experienced new competition, and an industry crisis began. The older model, based on low cost and low quality, was no longer enough to guarantee market share. As a result, the industry underwent a shift in its production model.

Since the early 2000s, the Chilean pisco industry has become increasingly diversified resulting in an overall return to artisanal production techniques. However, Chile's shift towards artisanal production is less pronounced than the rise of industrial production has been in Peru. Further, many of the new producers focus on ultra-niche markets with low volumes and high unit prices. Rising incomes in Chile have driven consumer demand for premium spirits, understood

²⁵ The Great Depression impacted multiple nations in the 1930s and had devastating impacts in Chile (Lüders and Wagner 2003).

by consumers as artisanal and small-scale production (Euromonitor 2014a, Euromonitor 2015).²⁶ New brands, such as Kappa and El Gobernador, focus on these niche and premium markets, a departure from traditional mass-scale production. Many of these new producers also own well-known Chilean wine brands, and their entry into pisco sprung from a desire to expand into new product lines at multiple price points. Many of these distillers are not from the pisco regions, but they are not necessarily new to grape-based distillates. Many actors involved with new firms bring knowledge from wine production, distillation experience gained in Europe or are former cooperative technocrats. These are not the only producers of premium pisco. Both cooperatives are also launching premium brands; and some of the older, artisanal brands like Bauza, which existed before and alongside the cooperatives, are mirroring this trend of premiumization, demonstrating a perceived growth in demand for high-quality distillates (PiscoChile 2014b).

Historically, the Chilean pisco industry had less variation among production models. The cooperatives, using standardized processes and formalized production knowledge, defined Chilean pisco production for much of the last century (Table 6). However, since the late-2000s new actors have entered production. New actors integrate into the industry in varying ways but share a common feature, a focus on premiumization. Further, many of these new producers are not from the GI region. As the following section shows, the emergence of new producers, and a general industry shift towards premiumization resulted in debates surrounding how to define pisco quality within the country.

²⁶ A second type of premiumization exists and focuses on product innovations such as infusions and flavors. Preference for these premium products are generally more prevalent in developing countries (Euromonitor 2015). Interestingly, Chile does not follow this trend in pisco with discerning consumers preferring more artisanal products.

Table 6. Three Waves of Chilean Pisco Production

Wave	Industry Drivers	Key Characteristics
Wave 1 (1800s- 1930s)	Family Bodegas	<ul style="list-style-type: none">● Cottage industry production● Local market focus
Wave 2 (1930s-late 2000s)	Cooperatives	<ul style="list-style-type: none">● Period of industry consolidation driven by pooling grape production● Low cost, low quality image● National market focus
Wave 3 (late-2000s to present)	Cooperatives Niche Producers	<ul style="list-style-type: none">● Shift into premium product lines and Niche production● Entry of new, extralocal producers● International focus

Source: Author

Shifts in the Chilean pisco industry, towards premium niche production occurs under a GI system that is flexible and allows for diverse production techniques. As I describe in Chapter 3, input and sourcing norms are strict, however the production norms allow for considerable variation. Actors can use a variety of distillation techniques, including multiple distillations and the addition of sugar and water to influence the final product. They also allow for variation in aging, permitting the use of oak barrels which changes the color and the taste of the distillate. The result is a GI norm that is less cohesive in an industry that is traditionally highly coordinated around cooperatives. A consequence of this is value chain actors link Chilean pisco quality to specific brands and the techniques used for each brand's distillate.²⁷

Debates over Quality among Pisco Firms

Producers, in general, often conceptualize quality in diverse ways. Producers define quality according to different dimensions, looking at the product itself (taste, appearance), the production process (craft, mechanized, artisanal), and external factors (location, condition of work, sustainability) (Ponte and Gibbon 2005). In this section, I look at how actors in both value chains draw on different dimensions of quality to differentiate their product. Specifically, I

²⁷ In Chile it is common for firms to have multiple brands that deploy distinct production processes. In Peru, firms produce brands that vary based on grape varieties and blends.

explore how firm-level characteristics within each pisco value chain shape how actors evoke three dimensions of quality: production processes, production knowledge, and external validation.

Asserting Quality in the Peruvian Value Chain

As Peru's pisco industry shifts increasingly towards industrial methods, a paradox emerges. Consumers often associate Peruvian pisco with small-scale production, which lends status to Peruvian pisco as a premium artisanal distillate. But this production model is no longer prominent in Peru, and few well-known brands maintain the artisanal approach. Instead, as Peru's pisco industry evolves, firms are moving to industrialized production techniques. This shift has also influenced the way value chain actors understand quality. This section provides an overview of key debates among Peruvian producers, focusing on three dimensions of quality: production processes, sources of production knowledge, and external validations to legitimize and distinguish a firm's brand(s).

Production Processes

Actors in the Peruvian value chain discuss quality by linking it to production processes. These discussions reveal ongoing tensions among Peruvian supply chain actors. Most of these tensions relate to debates about the use of new technologies in the production process. While producers using traditional methods reject the use of machinery, arguing that it impacts the final taste of the product, industrial producers laud new technologies as increasing quality by allowing for standardization across the production process.

Peruvian pisco producers debate the rise of mechanization in the production process. Small-scale and cottage producers and their advocates often assert the superiority of traditional methods, explicitly linking quality to an adherence to traditional practices. For example, an

industry expert who lobbied for small scale producers stated that traditional methods-- specifically manual grape stomping (by foot) -- generated better pisco. He explained, "Why is it done by foot? Because if we use other types of pressers, there is a risk that machines will press the seed and emit acids that in the end reduce the quality and flavor of the grapes used in the piscos and wines." Here, he defended a production practice (manual grape stomping) not only by establishing it as a traditional approach but also by arguing that this method contributes to a superior product. Traditional producers emphasized that mechanization created small imperfections, such as the emission of unwanted acids. This helped them claim that traditional methods imparted better quality, negating the need for machinery they cannot afford.

Traditional producers, while defending their methods, recognize the challenge of using historical approaches to pisco production. The stills and heating sources used during distillation provide a salient example. Many producers, large and small, continue to use traditional *falcas* or *alambiques*: ground level copper stills surrounded in concrete and brick with the heating source located underground. Distillers following traditional methods use wood fire to heat the stills, while industrial operations use gas (Emen 2015, The Pisco People 2018). The use of wood as a heating source is difficult to standardize and, according to some in the industry, damaging to the environment (Author Interviews 2018). As a result, many distillers who can afford to use gas heat. In fact, for actors seeking to enter international markets, the use of wood presents a significant challenge. As one distiller for a traditional, small-scale brand explained, "We still work with firewood. That is our weak point, our Achilles heel if we want to go to Europe." He explained that import requirements for many European nations prohibit certain practices deemed environmentally dangerous, including the use of wood fires for distillation. As a result,

traditional distillers seeking to enter these markets must alter production, abandoning traditional practices.

While traditional producers acknowledged the challenges of using traditional production methods, they still lobbied for their use. In contrast, actors representing large-scale, industrialized operations rejected them entirely. A production engineer for an industrial pisco firm argued, “It [mechanized production] works very well. If you asked me if the old pisco is better than the new one, I would say no.” For industrial producers with large-scale operations, quality stemmed from the standardization of production and the ability to control the entire production process and not from traditional methods.

A key facet of quality for industrial producers is standardization and formalization of production processes. Industrial producers and distillers expressed a technical understanding of pisco production that is quantifiable and replicable. For example, in a tour of an industrial distillery that sold its piscos across Peru, one production engineer went into great technical detail about the fermentation process, using precise details to convey how to create quality pisco:

In our case, we do malolactic fermentation usually [because] it gives more fullness [of flavor]. It provides more aromas and other qualities because malolactic fermentation has special conditions. First, the pH does not have to be very low. The pH must be around 5. You also must lower the temperature to start the malolactic fermentation. For this we should be [at] 21, 22 degrees [Celsius].

As this quote shows, industrial producers value link quality to codified and measurable production techniques. The highly codified process allows their pisco to be consistent across batches, limiting variation and helping meet consumer expectations regarding taste. Large-scale retailers often demand such standardization in production, even for domestic market products (Henson 2008, Reynolds 2004).

Production Knowledge

Peruvian pisco firms further differentiate quality by the source of production knowledge, distinguishing between family knowledge and formalized technical knowledge. Cottage operations tend to emphasize the importance of family knowledge. In contrast, industrial firms focus on formalized education.

Small producers often link quality production to familial knowledge not easily transferred in more formal settings. Interestingly, although family members may own individual plots of land and distill their own pisco, they sell under the same brand to maintain links to heritage and convey quality. As one small producer explained, “This is a family company that has years [of experience]. Imagine, since 1856. Then, as the years go by, the family became so big that not everyone wants to work together. Everyone makes their small space here and there, but still, all have the same brand. They are family but imagine your family in 1850 [and now]. So many [more] relatives and so many [more] branches!” This producer’s quote reveals important facets of industry evolution and quality. Given the families’ long legacies of production, the descendants are numerous, and each has distinct ideas about production techniques. However, because they link quality to family heritage, they continue to pool resources and market under one brand.

Despite the affinity for family knowledge, many producers acknowledge that the organization of Peruvian pisco is evolving. For example, one producer, whose firm is in the process of industrialization, discussed how pisco knowledge has recently become more formalized, with new actors, technocrats, and engineers, playing a prominent role. The producer stated:

Before the owner was the general manager, was the grape presser, was the truck driver was the one that did everything, right? He was the seller. The [model] began to change in

the 90s, 1995 or 1996... it was then that the national competitions started. It then grew a lot in the 2000s. In that year, 2000, began this push, this wave of pisco training and courses in agricultural engineering focused on pisco began. Then bodegas began to include professional technicians and agricultural engineers. Before it was not like this. Before it was just my cousin and my nephew, just the owners of the bodega.

As the quote above demonstrates, in the 1990s and early 2000s, knowledge shifted away from family networks. Instead, industrial pisco firms now hire formally trained workers who bring standardized and formalized experience. These engineers, who are not owners of pisco brands, are the new gatekeepers of production knowledge, passing it on to new generations. They not only train new employees within the firm, but also teach at local technical colleges, shaping how new workers understand pisco production techniques. Engineers see their gatekeeper status as a privilege. As one stated, "I am lucky to teach there [in Ica], I teach classes on quality, as well as several [additional pisco] topics." The ability to participate in the formal codification of production techniques is a privilege for actors in the large-scale operations and helps to elevate the industry beyond a rustic spirit to something more established. The formalization of production knowledge away from the family also facilitates new evaluation efforts. The engineer introduced above elaborated, "Ica is already entering into more in-depth studies on the subject of evaluating piscos, distillates, wines, etc." One key feature of formalization is the creation of studies to aid in the evaluation of pisco. Peruvian producers and firms, especially those using industrial methods, codify knowledge to allow for replication and comparison across distillation batches, further situating knowledge among technocratic workers.

Some new producers question the need for family knowledge, explaining that production knowledge is mainly about monitoring the production process. For example, one master distiller proudly recounted his first foray into pisco production, "All of a sudden, I became a producer without being a producer, because I had never produced, but I had 15 or 20 years [experience] of

drinking nothing but pisco.” For this distiller, traditional knowledge was less crucial. What mattered more was his experience as a consumer, which gave him an understanding of what the final product should be.

For extralocal producers who lack family ties to the industry, the quality of the pisco stems from a total process management approach to production. New, vertically integrated extralocal firms maintain very technical understandings of quality. Like large Peruvian producers, they understand quality in the ability to standardize and quantify all aspects of production. However, their perspective varies in that they define quality as spanning all aspects of production, from inputs to bottling. The result is a notion of quality built on total process management. As the master distiller above, who worked at the oldest operating bodega in Peru, recounted, “We make pisco the authentic way. That’s why we buy our own we bought land, and we planted our own grapes.” He later clarified, “I buy [only] one [variety of] grape because I respect grapes and their natural habitat. Each grape has a liking for a certain type of climate.” Control of the entire value chain is necessary because it allows operators to control the process from start to finish; they even monitor the cultivation of the grapes. Later, the distiller elaborated:

We have four vineyards; we’re harvesting today. I was there at 5:00 in the morning watching the harvest. So, nothing we do here is by chance. We think everything out. [The owner] is a fantastic investor. We need to have state of the art everything. We are the only distillery in Peru that has HACCAP. Why? Because not only were we going to sell it, [in Peru] we’re going to export it to the United States and Europe.

As this quote shows, for extralocal firms, one strategy to establish and maintain quality is to control everything. Despite serving as the master distiller, this actor monitors all processes, even the grape harvesting, to make sure they meet his standards. These decisions are strategic. For him, and other industrial producers participating in export markets, international quality

certifications not only show that their firms meet global minimum standards but also highlight how companies, like the one this distiller works for, are going beyond national standards, helping them stand out in the Peruvian market.

External Validations

As new, extralocal firms enter the Peruvian pisco industry, many brands are orienting towards premium and international markets. As a result, Peruvian understandings of quality are changing. Extralocal producers care about production processes and production knowledge, but they also focus on external validations because they resonate with global consumers. Specifically, when seeking external validations, new Peruvian firms focus on awards and reviews, ethical accolades, and unique connections to end-markets. None of these external validations are related to the GI region; instead, they are brand focused and mirror trends in the conventional food system.

Extralocal firms face a unique set of challenges. They do not have the historical linkages to production that other Peruvian brands possess. They also have the challenge of appealing to international consumers, who may or may not be familiar with pisco traditions and might lack the knowledge to judge the quality of pisco. To compensate, extralocal producers often seek external validation for quality through awards and reviews. Extralocal pisco producers often feature their brands in industry showcases like Tales of the Cocktail or the San Francisco World Spirits Competitions (Author Interviews 2018). By participating in, and winning these contests, brand owners seek evidence that they offer a high-quality product. As one master distiller, who had never produced pisco before starting an operation, explained, “I am empiric, I am self-taught, self-learned but I’m proud to show the medals and show the diplomas and international, national competitions that we are one of the top pisco brands in the world.” In this discussion,

the distiller acknowledged that he lacks traditional sources of knowledge or technical training. However, he justified his product as high-quality because it has received medals and awards from international competitions.

Beyond awards and competitions, extralocal producers seek to legitimize their product as high-quality by using ethical accolades or descriptors that resonate with consumers. Often, narratives that appeal to consumers' ethical concerns focus on individual firms rather than the Peruvian pisco in general. For example, one of the most popular pisco brands in the United States prominently incorporates gender into their branding strategy, focusing on the personal narratives of the owners/distillers and their partnerships with female grape farmers. In numerous interviews, the two female owners of the brand created stories that link their product to female family members. For example, one story focused on family histories, specifically the grandmother. One of the distillers stated that her grandmother, who has a sip of pisco each night before bed, "still tastes every blend of our ultra-premium line before we officially bottle it (Tales of the Cocktail 2015)." Extralocal producers use these narratives because they resonate with US consumers by inserting a brand into a family's history, even if that family does not have a history of producing pisco. It also underscores the prominent role of women in a traditionally male-dominated activity like distilling (Newman 2013).

The same brand also to connect with their consumers by underscoring the social activism behind its brand, again focusing on gender dynamics. One interview is particularly telling. One of the owners explained, "We work with a co-op of women farmers and make sure to coordinate an organization helping women and children in the Ica region where we produce our pisco, to recruit women to work as our grape pickers (Karydes 2016)." By focusing on ethical concerns, such as gender empowerment, this brand owner helps to extend the notion of quality beyond the

characteristics of the product itself, adding social dimensions of production. By focusing on ethical production and family stories, this brand owner does not reinforce the reputation of the GI region, but instead focuses on their individual brand.

Appealing to consumers' ethical concerns is one strategy extralocal actors use to establish shift discussions of quality from the GI region to the brand. Connections to end-markets represent yet another way. One Peruvian pisco brand, heavily focused on the US market, exemplifies this trend. The brand is the result of a partnership between a well-known bartender in the United States and a master distiller in Peru. The bartender, who is the main face of the brand, frequently discusses his history as a bartender to assert quality, claiming that he possesses a deeper understanding of what bartenders want in a pisco or in a spirit in general. As the owner said in an interview with an online magazine, "Time and time again throughout the years of our Distiller's Apprentice Program, we saw our bartenders gravitating toward the bold aromatics of the Torontel grape...With our next pisco expression, we wanted to create something for our bartenders – a cocktail-driven, aromatic, Torontel-dominant style, so very different from any pisco available. A 'bartender's choice,' if you will (Sherry 2015)." This brand owner used his connection to bartenders to argue that his deep understanding of end-market actors' needs is equally or even more crucial to quality than the GI. The ability to meet bartender needs helps differentiate and legitimize the quality of their pisco brand, but it does little to build the reputation of pisco on the product category level.

Extralocal actors use a variety of external validations to build reputations of quality, including the use of brand awards, ethical accolades, and connections to end-users. These approaches to defining and conveying quality are especially important for firms oriented towards international markets where consumers have less familiarity with pisco as a category. However,

these approaches to quality are brand centric. They do little to promote the GI region collectively or to help build awareness about pisco abroad.

Asserting Quality in the Chilean Value Chain

The rise of premium and ultra-premium piscos in Chile is diversifying how Chilean producers discuss quality. While Chilean producers discuss quality along the same lines as Peruvian firms (focusing on the production processes, production knowledge, and external validations), the specifics differ. This section provides an overview of quality debates among Chilean pisco producers.

Production Processes

Quality claims among different actors demonstrate tensions in the region around tradition versus innovation, in ways that mirror Peruvian debates. Chilean GI laws have a strict understanding of terroir and limit the types of grapes allowed in pisco production. However, the rules governing Chilean pisco distillation are quite flexible. Consequently, Chilean firms use a variety of distillation methods with actors arguing the specific techniques they employ results in a superior final product.

Cooperatives and the firms whose production predates them often argue that the traditional methods they use gives their pisco an advantage in terms of quality. Cooperative members discuss traditional methods, but these claims often focus on grape cultivation and not on distillation. For example, one executive for a cooperative explained, “We harvest everything by hand.” However, in saying “by hand,” he focused on how the grapes were harvested, but not the actual distillation process, which is very mechanized. Cooperatives use machines to aid in grape pressing, fermentation, heating of stills for distillation and monitoring the process to ensure consistent output.

In contrast, many older distilleries still use artisanal approaches. One fifth-generation distiller, who focused on domestic markets, claimed that he was able to use a traditional heating method for distillation and maintain the quality of the final product, something no other producer could do. While he saw gas heated distillation, a technique used by the cooperatives and other new firms, as an easier way to control the distillation process, he argued that the use of wood fire was superior because it was more traditional. He explained, “Well, we have always used wood. But to use wood is difficult, it is hard to control the temperature and have the same output each time.” He went on to compare his method to that of other Chilean producers. He stated, “Many are changing to gas. Because of the cost, and because with gas, you can regulate the heat more and have a better distillation with less difficulty. We are the only high-quality producer still using wood.” For this producer, fluctuations of temperature, common with wood-fired distillation, can harm the final quality of the pisco unless producers have knowledge on how to use wood fire correctly. He maintained that his firm can do thanks to generations of experience in pisco production.

An ongoing theme among Chilean distillers when discussing quality is how to capture the heart of the distillation better. The distillation process for pisco, like all alcohols, results in a liquid that distillers divide into three parts: the head, the heart, and the tail. The head is volatile, with a dangerously high ABV, and it is potentially lethal if ingested. Distillers must remove this section of the distillate before bottling or aging their product. The heart is the most flavorful and most desired part of the distillation process that producers seek to bottle. The tail, while not harmful, contains many impurities, and producers strive to minimize its use (Author Interviews 2018, Ramírez de la Torre 2010).

Chilean distillers emphasized that piscos were of higher quality when they had more of the distillation heart. Industrialized distillers compared traditional Chilean distillation methods, which they argued were similar to the processes used in Peru, to their process. They argued that traditional methods resulted in bigger “tails” and therefore lower quality pisco. For example, one former engineer for a large cooperative recounted, “The Peruvian pisco is something strained. It [has a lot of tail] and the ancestral Chilean producers that use old techniques, also have a lot of tail for my taste.” He went on to explain that such an approach is no longer acceptable for many. “But a modern pisco, a pisco that Chile is going to sell in the United States, the standard of alcohols is high.” Others echoed this sentiment, even if they had liked the taste of the piscos produced the traditional way. As a current cooperative executive explained, “We were shrinking the hearts [of distillation] because in the past you could not add water to pisco. You did the distillation [and what was] left [you] packaged. [The pisco had] a very long heart that included the tail. It gives a very interesting product, but the problem is that it has all the impurities that give a headache.” This executive compared the new approach to the past not by constructing traditionally produced piscos as a poor-quality product, since brands using traditional methods were, and still are, key to the cooperative. Instead, he seeks to show how new pisco brands represent an improvement.

Beyond capturing more of the heart, some distillers discussed producing higher quality piscos by using multiple distillations.²⁸ Unlike Peruvian GI laws, which prohibit multiple distillations, Chileans distillers frequently use multiple distillations to refine their product. Even traditional firms and some of the cooperatives, citing growing demand for premium spirits, are double or triple distilling some of their pisco brands. As a marketing and export executive for

²⁸ Multiple distillation refers to a second or third distilling of the output captured from the original distillation process to further remove impurities.

one of the cooperatives explained, “The only option we had was [to increase] quality, and pisco began to reinvent itself and [Chileans] completely changed the piscos they consumed. At one time, it was mass consumption, and today, we are increasing the “premium” products. Today, piscos [are] even double distilled.” As Chilean firms are shifting to premium production, the focus remains on the production process, with distillers citing the addition of multiple distillations as one-way they improved upon traditional pisco and made niche pisco for luxury markets.

Many mixologists agree that the distillation process matters and that multiple distillations improve quality. When asked to describe high-quality pisco, one Chilean bartender explained that it was “a grape distillate, a Chilean wine distillate, which has excellent quality standards and [undergoes] double distillation, many filtrations. A highly mixable product.” For this bartender, multiple filtrations contribute to a smoother or more “mixable” product, situating quality as part of cocktail creation and not related to the specific properties of the spirit.

However, some producers, especially those in the ultra-premium pisco market, question the use of multiple distillations. A brand owner for one ultra-premium Chilean pisco brand specifically cited how multiple distillations led to a less flavorful product. He stated, “The industry keeps 87% of the heart, and after that, they distill [multiple times]. And we are getting 52, 53% of the heart.” He went further, explaining, “You lose more flavor [with multiple distillations].” As a result, he noted, his company only does only one distillation. He concludes that the strict controls his company uses, “[It] is the doubling of the cost of the product. But the quality is five times better.” As these quotes show, this company sees that by limiting the distillations, it can command much higher prices on the market.

Actors in Chile agree that distillation is critical for quality, yet they disagree on the best method. Some traditional actors see the heat source as the key factor, while larger, industrial firms see the number of distillations as the key determinant of quality. Still, others see quality not in the number of distillations, but in the percentage of the heart bottled. These variations, as I discuss later, depend on a variety of firm-level features.

Production Knowledge

Because the industrial turn in the Chilean pisco industry occurred over 80 years ago, debates about production knowledge are less prominent in Chile than in Peru. Most workers in the Chilean pisco value chain are now technocrats, with agricultural engineering degrees from universities and technical schools. Knowledge derived from family connections to the industry remains prominent, however, and some (but not all) actors still discussed their family linkages to the industry. This is especially true for newly established firms, which almost always referenced family connections to pisco or similar spirits when they discuss quality. However, because the industry developed out of the cooperative model of production, firms' discussions of the linkages between production knowledge and quality almost always referred back to the cooperative.

The Chilean pisco industry no longer mirrors the cottage-style industry of the 19th century. Two remaining cooperatives and a handful of small-scale producers now embody that segment of Chilean pisco production. However, that does not mean that the family has declined in significance in Chilean production. As I discussed in chapter 3, distillers often seek to embed themselves in broader traditions, frequently pointing out how their family has been in the industry for centuries and taught them how to make pisco. For example, one distiller stated at the very beginning of the interview, "We have been here for 150 years. It is my turn to be the fifth-generation distiller." This quote is interesting for several reasons. First, the distiller situates

himself in production that spans centuries; second, he discusses his work as a birthright when he said, “it is my turn.” Even some extralocal producers made quality claims that connected their production knowledge to family legacies, albeit in other spirits industry. For example, one brand draws on the French heritage of its owner, including using a cognac still for some of the distillation. Their motto even seeks to create quality by connecting the French heritage of the family and Chilean culture around pisco. In doing so, extralocal actors convey they are bringing new production knowledge into pisco to elevate the quality of their brand by linking their pisco production to the family knowledge they bring from other spirits, like cognac.

While family legacies exist and matter for conveying knowledge, most of the time references of production knowledge revert to the cooperatives. These cooperative focused discussions do not talk about the historical source of knowledge, but rather the advantages that cooperative members have in terms of market and production insights, and how this specialized information helps them produce better piscos.

Producers felt they had access to more information on grapes and other key steps of production, because they were part of the cooperative, the main driver of the industry. According to these producers belonging to the cooperative provided additional information on inputs and allowed them to obtain higher quality grapes for their pisco. An oenological engineer for one cooperative explained, “We know where the high-end grapes, the medium-sized grapes, the passive grapes [are]. We understand how [the production process] works.” He went on to explain how this knowledge lets the cooperative offer a variety of piscos of varying quality, “[The cooperative] has mass-market products. But we also have [niche] products that [use select] grapes.” This quote shows how production knowledge, in this interaction related to grape production, allows the large-scale cooperatives to offer a variety of products. It also shows the

range of obtainable inputs, given the size of the cooperative and its geographical spread across the GI region.

Beyond information about grape cultivation, cooperative members pool resources to engage in research to help improve quality. Again, grape cultivation remains the primary focus of research activities. Because of their size, cooperatives have the resources needed to invest in research and development activities in grape cultivation. The president of one cooperative mentioned this is a crucial part of the cooperative's strategy, saying, "Today we are harvesting [grapes] by zones to rescue different qualities [of distinct grapes]." Even though Chile has fewer permitted grape varieties than Peru, actors see grape variety as important in the overall pisco taste.

External Validations

For some Chilean pisco brand owners, external validations help them enter into international markets. While some, like the cooperatives, can draw on their history, many argue that this is not enough to attract global consumers who do not know what pisco is or how to discern quality on their own. Instead, Chilean pisco firms depend on validations from renowned bartenders and international spirit contests and comparisons to popular international spirits.

Like Peruvian brands who participate in export markets, Chilean firms use awards and external reviews to convey quality. Many of the new, ultra-premium brands prominently showcase awards from various international competitions, like the *Concours Mondial de Bruxelles*, a traveling international spirit competition, or the San Francisco World Spirits Competition (Author Interviews, 2018). Premium and ultra-premium brands also convey quality by highlighting reviews and scores from industry publications, such as *Wine Enthusiast*. Finally, Chilean pisco producers seek out well-known bartenders outside of Chile to discuss their specific

pisco brands on social media. For example, one brand partners with one of the best bars in the world in London. In previous years, they had the bartenders promote their pisco brand by tweeting a photo of the pisco inside the bar along with bartender commentary on the pisco. The goal was to use the reputation of these bars to establish an image of high quality among consumers who were not familiar with the specific brand, or with Chilean pisco more generally. The strategy was successful, and the Chilean firm is continuing to recreate the approach in other highly ranked bars across Europe (Author Interviews 2018). However, such an approach is brand-centered and does not extend quality connotations to Chilean pisco as a category, making it challenging for other producers, especially smaller Chilean pisco firms, to enter the same retail spaces.

While Peruvian brand owners appeal to external consumers by focusing on ethical issues and bartender needs, Chilean firms often seek to validate their product's quality by comparing it to other premium spirits. Because Chilean pisco has historically had a reputation of being a low-quality spirit, new Chilean producers seek to situate their product in a distinct category, comparing their pisco to ultra-luxury brands in other alcoholic spirit categories, including, most commonly, cognac. Chilean piscos, especially those aged in wooden barrels, have many similar features to cognac. One extralocal pisco brand even brought in a cognac still (Author Interviews 2018). As one extralocal brand owner told an online magazine, "It [his brand of pisco] has the soul of cognac, the versatility of vodka, the complexity of gin and the smoothness of tequila" (Shaw 2013). In this quote, the owner links their pisco to the soul of cognac, a spirit his family traditionally made. However, these connections are exclusive to his brand and do not connect to the category in general, which he discusses via the terroir of the Elqui Valley.

When discussing prices, new Chilean firms producing ultra-premium pisco do not compare their prices to those of other Chilean piscos, because of the skepticism in Chile for high-priced piscos. A co-owner of a new Chilean pisco brand explained, “We put our benchmark with some brands like Monkey 47 [Gin]. Our price was 42 Euros. At that moment, there was not any [Chilean pisco] brands doing that. So many of our friends and even CAPEL told me that we were crazy; that it [was] impossible, and in Chile, it could be impossible to sell. The price is very high. At the time, it was ten times the average.” In this case, a high price helped them gain legitimacy as a premium, high-quality product; the logic is they demand a higher price because they offer a superior product (Kalita, Jagpal and Lehmann 2004). In the view of the new, niche, and ultra-premium brands, their market is consumers who will pay more for something unique. This is a market that pisco traditionally has not operated in, and as a result, these producers maintain a niche status via high prices and dissociating with traditional Chilean pisco.

Fermenting Quality Across Pisco Value Chains

In both pisco value chains, actors are increasingly discussing quality at the firm level. While GI regulations seek to codify and define quality standards via institutional norms (Bowen 2010a), firms go beyond these definitions when as they must compete with other producers operating under the same GI (Parga-Dans and Alonso González 2017). In this section, I argue that the way pisco firms discuss quality is less rooted in the GI regulations and increasingly links to the industry evolution and firm-level characteristics in each case. In both cases, the way producers and other value chain actors define and convey quality to consumers focuses on the brand and not on the producing region, a primary goal of GI labels, even in Peru which has stringent production norms. Instead, discussions of pisco quality discussions mirror the demand in the global marketplace for technical and process-oriented judgments at the individual firm

level, as well as brand specific judgments. In the long run this does little for traditional producers.

Country-level comparisons (Peruvian vs. Chilean pisco) matter for authenticity, but despite different quality standards—Peruvian pisco laws have strict production regulations while Chilean pisco production norms are flexible- firm level quality considerations matter more than institutional standards in both cases. Some actors did emphasize how Peruvian and Chilean piscos differed; for example, Peruvian producers often emphasized the multiple distillations permitted by the Chilean GI, along with Chilean pisco producers' ability to dilute with water, as essential differences. Chilean actors discussed how Peruvian distillers used the tail to alter the taste of the final product. However, while actors acknowledged these differences, they did not elaborate on how these differences impacted quality. Instead, stakeholders linked quality to firm characteristics, citing the methods of specific producers and distillers as the paramount determinant of quality. These firm-level distinctions are often the product of broader shifts in the industry.

Instead of discussing quality as defined by the parameters set in the GI regulations, shifts in both pisco chains have caused actors to reframe how they conceptualize quality. In both cases, global and premium markets are becoming increasingly attractive. In Peru, as the industry becomes more industrialized, actors focus on more technical and standardized aspects of quality, yet remain constrained by relatively stringent production regulations. Conversely, in Chile, as small and niche producers have entered the market, discussions of quality focus more on innovations in production, but within a GI that is flexible and geared towards industrial production. In both cases, interview participants linked quality to the firm and not to the GI in general.

In Peru, as liberalization paved the way for a scaling up and consolidation of production, industrial methods have become increasingly important for producers. Industrial and mechanized production allow producers to standardize their product and discuss their pisco in technical ways, both necessary to engage with global buyers who want consistency (Lee, Gereffi and Beauvais 2012). However, this is only one approach to production and one understanding of quality. In Peru, industrial firms co-exist with traditional producers who depend on manual production techniques and have different understandings of quality, rooted in historical methods. Beyond this dichotomy, the recent entry of extralocal producers, who invoke a variety of quality dimensions that are not related to production, also characterizes the Peruvian pisco industry.

Ultimately, the way actors discuss quality, despite operating in a GI that provides stringent production regulations, focuses little on the product category and more on the specific firm or brand. The initial shifts in quality conventions in Peru focused on standardizing and formalizing industry production practices. However, pisco institutions in Peru do not regulate many debated aspects of production, such as the heating source or type of still used for distillation. As a result, quality becomes linked to a firm's specific production process or the knowledge of their formally trained workers. The shift towards formal knowledge allows firms to disembed quality from the collective region and instead situate it in the brand, resembling products that operate outside of the GI system. Further, as extralocal actors enter Peru pisco production, they go beyond debates on process and knowledge to link the quality of their brands to ethical and social considerations, such as gender empowerment or a deep understanding of the needs of bartenders. All these aspects, evoked by extralocal producers, are external to the regulations and protections of the GI norms. Instead, these branding efforts, performed by

individual firms, overshadow and obscure quality conventions within the GI in favor of more individualized constructs that benefit specific firms, but not pisco producers as a collective.

In contrast, Chilean pisco is shifting toward niche production. In doing so, actors hope to integrate into premium markets, which producers see as the future of alcoholic spirits. Traditional Chilean production depended on keeping costs low to remain competitive, capitalizing on a national tax system that favored local spirits. To keep prices low, producers often gave quality a lower priority. However, Chilean pisco producers are moving increasingly into premium production, as a combination of tariff reductions and rising national incomes make imported spirits more affordable for Chileans, and an increased interest in export markets among Chilean pisco firms forces them to alter their product offerings.

As Chilean pisco firms seek to escape their historical reputation as a low-cost, low-quality spirit, they frequently compare their brand to other spirits entirely. For example, one ultra-premium producer said that their benchmark was high-end gin brands. Another, explaining how they draw on traditions of cognac production to make pisco, embedded their brand among diverse luxury spirits and distanced their product from other Chilean piscos because these piscos often carry negative images of quality among many consumers.

Even Chilean cooperatives, which are industrial operations, seek to establish themselves as premium producers by launching special brands that impart a higher quality. People who are connected to the cooperatives see the cooperative model as a critical strength. However, cooperative brands often carry a reputation for lower-quality production. In response, cooperatives are launching new brands that emphasize innovations in distillation and other changes to increase quality. For example, two cooperative-owned premium brands prominently display distillation information on the bottle, for example noting their pisco is triple distilled.

However, like in Peru, the focus is on individual brands. The Chilean GI, which allows for wide variation in production, facilitates firm's construction of quality at the brand level, limiting the promotion and discussion of quality for Chilean pisco as a collective category.

Conclusion

Existing research on quality within GI systems often focuses on how actors craft quality norms at the institutional level. Bowen (2015) argues that institutions, often shaped by local elites, define quality in ways that exclude small producers. However, studies that look at institutional factors tend to ignore the way firms define and convey quality at the brand level. While institutions regulate quality in GIs by setting production protocols and standards, firms convey quality to consumers using a variety of constructions. As Ponte and Gibbon (2005) argue, quality conventions have multiple typologies, ranging from the product attributes to the method of production. In such an ecosystem, GI labels, which connect quality to place, represent just one dimension of quality. However, while GI brands draw on these place-based reputations when making quality claims, they also strongly emphasize individual brand factors. In a study of the wine industry, Parga-Dans and Alonso González (2017) argue that GI-protected wine producers are moving away from collective valuations and quality norms and towards those focused at brand level features, increasing the alignment of GIs with the conventional food system. Consequently, variations in how actors define and convey quality results from distinct approaches to GVC participation and producer's focus on different end markets (Mancini 2013b). However, the way diverse actors inside GI regions define and convey quality remains underexplored in the literature.

Using the two pisco cases, I show how shifts in the organization of the industry, primarily facilitated by the entry of new producers in both cases, alters firm-level constructions of quality

and centers quality at the brand level. As the Peruvian pisco industry seeks to industrialize and enter into global markets as a modern spirit, Chilean pisco producers are scaling down production, moving towards premium and niche brands. In both cases, firms must convey quality in a way that links to production processes and knowledge. Further, as pisco firms move into global markets, they also must obtain external validations of quality to attract consumers. Ultimately, the disembedding of quality from the terroir of the region and into firm level practices limit the ability of smallholders to reap benefits of the quality turn. As a result, new actors are able to align pisco quality with global spirit trends, disembedding quality from local communities and instead situating it in global spaces, limiting the effectiveness of the GI. This occurs in both cases, which have divergent norms regarding quality and distinct institutional arrangements to protect pisco and different industrial organization models to support producers. However, despite these differences, in both cases quality is part of particular brands and not to the region, mirroring trends in European wine (Marie-Vivien et al. 2015, Overton 2010). Pisco mirrors conventional products and shows the limits of GIs for rural development in the producing regions of both nations, due to the market focus on brands.

Ultimately, these cases show the importance of looking at individual firms when assessing how GIs experience integration into the global economy. Institutions matter and often influence the success or failure of small producers in the global market. However, to only focus on GI institutions, is to overlook both the key leaders of an industry, the firms, as well as firm-level characteristics that determine how actors understand and convey quality at the brand level.

CHAPTER 5: DISTILLING THE MARKET IN PISCO VALUE CHAINS

Geographical indicators (GIs) represent one attempt to counter the disembedding of commodities from places of production, a common feature of globalization, yet this was not their original purpose (Belletti and Marescotti 2002, Dogan and Gokovali 2012). One of the first GI systems, the French *appellation d'origine contrôlée*, sought to protect French products from counterfeits by granting a government seal to verify that goods meet origin and production requirements (Trubek 2008). The result was a spread of similar labeling institutions around the world, all of which aim to shield or mitigate the impact of counterfeits and protect the reputation of historic products and the people that make them. Over time, the focus shifted as stakeholders came to understand GIs as a way of both protecting and promoting economic interests. GIs facilitate reputational rents, allowing producers to command higher prices and restrict competitions. For example, while wine production spans the globe, only producers in specific locations in Spain who use select grape varieties can sell Rioja wine.

The shift in understandings of GIs from a mechanism to prevent counterfeits to a safeguard against competition also helped transform GIs into a tool for rural development, including in the Global South, where many countries have adopted GI systems in recent decades. However, as Kerr (2006) points out, “Most products of developing countries do not have the cachet of Champagne or Scotch and will require a considerable marketing campaign to convince consumers they should pay a premium.” GIs in developing countries face the challenge of reaching consumers and cultivating demand. Marketing efforts for GI regions and products often involve a combination of institutional and private sector efforts. For example, previous research traced the growth of the tequila market to growing demand from American consumers, attributing this in part to the shared border between Mexico and the United States. Geographical

proximity made Mexico an easy destination for US tourists and a cheap source of labor for US businesses. As workers migrated to the US, they brought their customs and products, helping weave these goods into American life (Gaytán 2014, Gaytán 2017). However, tequila also benefited from concerted efforts by the Mexican government, including “the creation of a state-backed culture of credibility that legitimized tequila as an internationally viable product, codified it as a good worthy of formal protection, and enabled the introduction of internal categories of distinctions” (Gaytán 2017). Similarly, in the case of Colombian coffee, marketing efforts by members of coffee cooperatives helped create an image of quality and distinction, while the government used the National Coffee Fund to provide monetary assistance geared to extension services and marketing and promotion initiatives (FNC 2016).

The tequila and Colombian coffee cases underscore Bowen (2010b)’s argument that “some level of state involvement, is a necessary, although not sufficient, precondition for successful and sustainable GIs.” But while state involvement is necessary, other conditions are essential to make GIs successful in foreign markets. These are especially evident as GI firms seek to brand themselves and integrate into global markets. In addition to state involvement, successful GIs depend on a deep understanding of the industry within which GI goods operate. Based on an analysis of pisco export trends and actors’ perceptions of export markets, I argue that Peru is outpacing Chile in global markets because of a combination of three key factors: supporting industries, firm strategies, and market focus. However, to exclusively examine pisco dynamics is to take a myopic view of the industry. Pisco is a subsegment or subchain of the broader alcoholic spirits global value chain (GVC), and therefore, researchers should analyze pisco trends within the organization and dynamics of the alcoholic spirits GVC. By examining how the broader alcoholic spirit GVC functions, I show that the comparative advantages Peru

enjoys are not enough for sustained economic or social upgrading. The same trend holds for Chilean pisco actors, who have even less involvement in the alcoholic spirits GVC. My analysis of the two pisco cases raises concerns about the viability of GIs as a tool for rural development in the Global South. It also serves as a warning to GVC scholars of analyzing industries as siloed chains and failing to recognize the broader chain dynamics in which subchains embed.

I organize this chapter as follows. First, I provide a brief overview of the available literature on GVC mapping, showing how industry conceptualization remains under-theorized. Second, I highlight export trends in the two pisco value chains, showing how Peruvian pisco is outpacing Chilean pisco. Third, I analyze the alcoholic spirits GVC, describing the organization of the industry and providing a discussion of three industry features that could impede pisco firms in both cases as they seek to upgrade. I conclude by discussing the implications for development scholars and policy practitioners.

Conceptualizing Value Chains

Scholars from a variety of theoretical backgrounds draw on the GVC framework and utilize GVC analysis to gain deeper understandings of the global economy (Sturgeon, Van Biesebroeck and Gereffi 2008). The approach, which originated in the world systems literature, looks at connections among actors in the same commodity chain at the global scale (Bair 2009b). Two critical elements of the GVC framework are governance and upgrading (Gereffi and Fernandez-Stark 2011). GVC governance focuses on how specific industries operate and how lead firms leverage their resources to drive an industry (Gereffi, Humphrey and Sturgeon 2005, Humphrey and Schmitz 2002, Ponte and Sturgeon 2014). In contrast, GVC upgrading refers to the way actors (individuals, firms, and nations) can improve outcomes from GVC participation by improving the efficiency of production (process upgrading), enhancing the quality of goods or

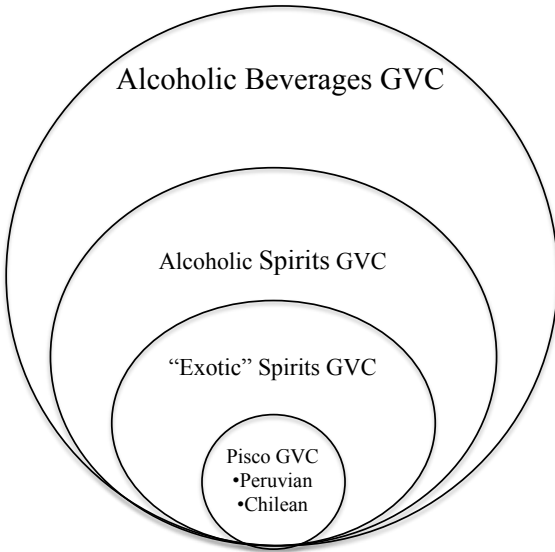
services (product upgrading), expanding the tasks they perform within the GVC (functional upgrading), or changing the specific chain in which they participate (chain upgrading) (Giuliani, Pietrobelli and Rabellotti 2005, Humphrey and Schmitz 2002, Lee, Gereffi and Beauvais 2012). More recent additional research has extended beyond these classic discussions of GVC upgrading to explore the social and environmental outcomes of GVC participation (Barrientos, Gereffi and Rossi 2011, Marchi, Maria and Micelli 2013).

A plethora of GVC studies have analyzed a variety of industries along the dimensions of governance and upgrading. The bulk of GVC research centers on case studies of specific industries, which can facilitate broader understandings of the organization of these industries at the global level (Bair and Gereffi 2001, Barrientos 2014, Sturgeon, Van Biesebroeck and Gereffi 2008). A smaller body of work explores shifts across multiple industries, using trade data at the national and firm level to build theoretical understanding of globalization (Ahmed, Hamrick and Gereffi 2014, Alfaro et al. 2019, Gereffi 2014). A final subset of research seeks to outline methodological approaches and considerations for GVC analysis (Frederick Forthcoming, Timmer et al. 2014). Ongoing debates include how to best measure GVC participation (Gereffi and Lee 2012, Sturgeon and Gereffi 2012), how to conceptualize and measure upgrading (Frederick Forthcoming, Sturgeon 2008), and how shifts in trade patterns following the global financial crisis altered the organization of GVCs (Cattaneo, Gereffi and Staritz 2010, Milberg and Winkler 2010).

Despite the vast body of GVC literature, insights into how to define industry boundaries remain underdeveloped. Historically, GVC research studied narrowly defined industries, such as cocoa (Barrientos 2014), coffee (Neilson 2008), cars/automobiles (Sturgeon, Van Biesebroeck and Gereffi 2008), or furniture (Buciuni, Coro and Micelli 2013), or aggregate industries such as

medical devices and textiles and apparel (Gereffi and Frederick 2010, Gereffi, Frederick and Bamber 2019). Most studies continue to take this industry-focused approach, although more recent scholarship also discusses how to measure GVC participation and the implication of ignoring trade in intermediary goods (Frederick 2014, Sturgeon and Gereffi 2012). For example, in a study of the iPhone 4, Xing and Detert (2010) found that by looking at the trade of iPhone components versus trade of an assembled iPhone, vastly different conclusions about trade balances emerge. As a result, the level of GVC analysis remains an ongoing topic of debate among GVC scholars.

For researchers to have more nuanced understandings of the effects of specific governance organizations, as well as viable upgrading trajectories, an awareness of the consequences of how we conceptualize industries is necessary. Researchers' discussions of the implications of measuring products at various levels (inputs, intermediary good, final product) are critical avenues for future of GVC research. However, as I show below using the two pisco cases, it is also essential for GVC scholars to acknowledge that many chains are nested within larger chains (Figure 7). The nested approach allows researchers to better see how multiple levels of governance influence outcomes for actors. Understanding that chains are often nested or embedded within other chains is critical for understanding how power dynamics and trends from broader value chains influence outcomes in ways that value chain actors might not recognize.



Source: Author

Figure 7. Example of Subchains Within Larger Global Value Chains

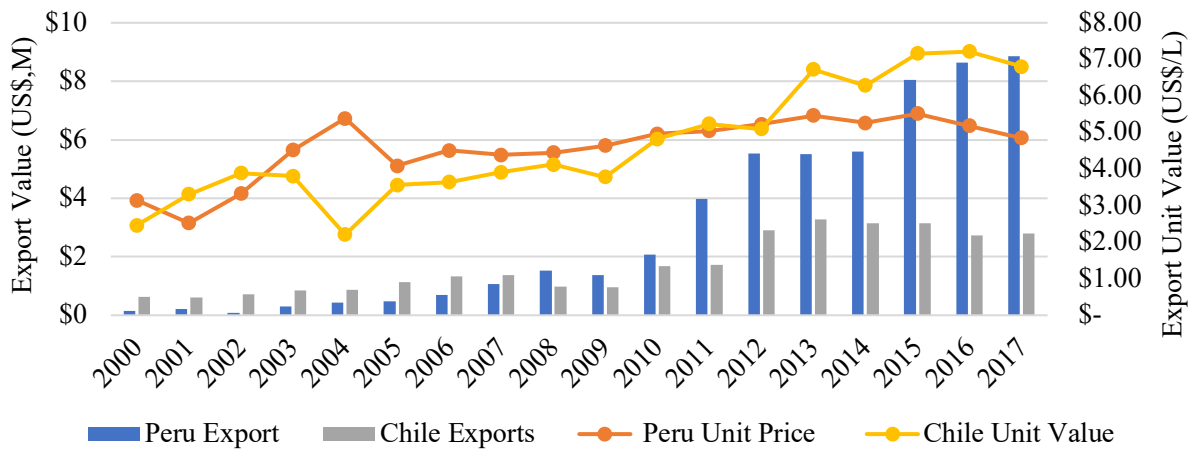
Pisco Goes Global

Actors in both pisco value chains assert the importance of international markets, seeing exports as essential for sustained growth. As one Peruvian brand owner argued, “I am convinced that if you do not export Pisco, and you do not educate the world, it is going to be a great kept secret.” Over the last decade, firms in both pisco chains have increased their participation in export markets while also increasing unit prices (Figure 8).

After several years of marginal exports, less than US\$1M, Peruvian pisco is growing rapidly. In 2007, four years after the establishment of government programs to reinvigorate the industry and boost productivity, Peruvian pisco exports surpassed US\$1M (ADEX 2018). Since 2007, Peru’s pisco exports have grown by 722%, reaching US\$8.8M in 2017. Peruvian pisco unit prices have also increased since 2000, but growth is inconsistent, and unit prices declined over the last three years. The highest unit price, US\$5.55 in 2015, was double the lowest unit price, US\$2.52 in 2001 (ADEX 2018).

Chilean pisco exports, in contrast, are also growing, but at a slower pace and with lower unit prices. Over the last decade, Chilean pisco exports grew a total of 105%. After first

surpassing US\$1M in 2005, exports rose to nearly US\$2.8M in 2017, but with limited growth since 2012. Export totals in 2017 declined slightly from a peak of US\$3.3M in 2013. Unit values are also growing but inconsistently. In the early 2000s, the unit value of exports remained low, with prices struggling to surpass US\$4.00. However, since 2010, unit values have skyrocketed, peaking at US\$7.21 in 2016 (ODEPA 2019). Rising unit values suggest that Chilean pisco exporters are finding success in premium markets, a theme echoed by the stakeholders I interviewed. However, the low total value exports indicate the Chilean pisco industry still struggles with cultivating demand on a large scale.



Source: ADEX 2018; ODEPA 2019

Figure 8. Peruvian and Chilean Pisco Exports, 2000-2017

Beyond total export value, Peru has more firms participating in international markets. In Peru, 60 firms export pisco. Some of these firms export multiple brands, each focusing on a different type of pisco or a different product segment (e.g., premium, mass-market). Despite many actors who export, the top five firms accounted for 63% of exports in 2015, the last year firm-specific exporters are publicly available (CONAPISCO 2015). In contrast, only 20 distilleries produce Chilean pisco, and while no official statistics are publicly available, stakeholders estimate that only half of these engage in the export market (Author Interviews 2018, The Spirits

Business 2019). The bulk of pisco exports historically come from the two large cooperatives, though several new firms are challenging their control of international markets (PiscoChile 2014b, The Spirits Business 2019).

Finally, while Peruvian pisco spans more of the globe, it lacks consistency in the markets it enters, with many nations only importing pisco during a few years out of the last decade. In contrast, Chilean pisco firms sustain trade when they expand to new markets. In 2017, 77 countries imported Peruvian pisco (ADEX 2018). However, most of these nations imported small amounts in value. Of the top 20 Peruvian pisco importing nations, only 15 nations reported exports above US\$50,000, and only three countries (Chile, the United States, and Spain) reported exports over US\$500K (ADEX 2018). Peruvian pisco imports are also inconsistent for many nations. Only 22 nations imported Peruvian pisco each year between 2014 and 2017 (ADEX 2018). In 2017, Chile exported to 47 countries, although only 10 reported exports over US\$50,000. The United States was the only country where Chile reported exports over US\$500K (ODEPA 2019). Chilean pisco exports are slightly more consistent compared to Peruvian pisco, with 34 nations reporting Chilean pisco imports each year between 2014 and 2017 (ODEPA 2019).

Firms in both nations seek to facilitate growth by entering into international markets. However, Peru is outpacing Chile, capturing 216.5% more in export value in 2017. It also has more firms exporting their pisco brands, and these firms are active in more markets. Peru's ability to outperform Chile is the product of several dimensions of comparative advantage elaborated by Porter (2011). However, while these advantages are helping Peru enter global markets, it does not mean they are helping pisco perform in the alcoholic spirits GVC, which poses a significant problem in terms of sustained growth.

Factors Influencing Success in Global Markets

Export markets are vital for Peruvian pisco producers, given the low levels of domestic consumption. However, the lack of a local market is neither necessary nor sufficient to spur export orientation. Additional factors allowed Peruvian pisco producers to enjoy relative success compared to Chilean producers. Drawing on the work of Porter (2011), I explore three of these dynamics: synergies with other industries; firm strategy, structure and rivalry; and government support.

Synergies with other industries

Porter (2011) argues that ties to existing industries represent a critical aid to competitiveness in export markets. Complementary industries provide knowledge of global market dynamics and help develop consumer awareness and interest abroad. Undoubtedly, the robust tequila market helped propel mezcal into global markets in the same way that growing demand in champagne among US consumers helped bolster prosecco sales (Nielsen Company 2015). When synergies across industries are lacking, actors must invest more resources in marketing and promotion activities to build demand and awareness (Dogan and Gokovali 2012). Actors in both the Chilean and Peruvian pisco value chains see the importance of auxiliary industries to facilitate pisco's growth. However, the closest related industry in each country is different, and this leads to distinct opportunities. For Peru, pisco's association with Peruvian cuisine and the image of culinary excellence facilitate the growth of pisco into global markets. In contrast, Chile's complementary industry, wine, is not conducive for pisco growth.

Gastronomy is a crucial facilitator of Peruvian pisco's growth. Peruvian actors argue that growing demand in new gastronomical offerings facilitated a cocktail revolution, not only for Peruvian cuisine and pisco but for foods spirits across the globe. As one brand owner recounted,

“I see a whole revolution in gastronomy. The chef, they used to be behind the closed doors, and now he is coming to the front. He is putting the name on the restaurants; he is becoming a celebrity. The bartenders are going to follow through just because they’re going to be associated with the restaurateurs.” Shifts in consumer demand, especially towards exotic and place-based cuisine, brought awareness to new palates (Johnston and Baumann 2015). It also helped countries introduce new spirits to consumers. Bartenders, especially those in top restaurants and bars, became high profile. Peru capitalized on this trend, with the government pouring a lot of resources into branding efforts around cuisine and seeking to establish the nation as a world-class culinary destination (Matta 2013, The Economist 2014). One strategy was opening restaurants abroad, which provided a strategic venue to promote pisco to new international consumers.

Chilean actors agree that Peruvian governmental and private sector’s investments in gastronomy have facilitated pisco’s export success. Chilean actors specifically mentioned the growth in Peruvian restaurants across the globe, including in Chile. One historian who studies Chilean pisco explained, “Pisco is part of the gastronomic heritage. Peru took a lot of time to develop its gastronomy and started before Chile. Peruvian export their gastronomy across Latin America and around the world. Here [Chile] it has been unbelievable. There are 450 Peruvian restaurants in Santiago alone.” As this Chilean academic noted, pisco’s ties to Peruvian gastronomy helped drive its success. While the prominence of restaurants abroad that focus on Peruvian dishes and beverages does not transfer knowledge to pisco producers about best practices, it does help transfer knowledge to consumers about Peruvian pisco.

While acknowledging Peruvian success in gastronomy, Chileans lament the absence of a well-defined Chilean cuisine. As one Chilean industry representative recounted, “We understand that as pisco producers we cannot go out into the world and conquer international markets if we

are not part of a country brand that offers not only pisco but also traditional products, crafts, gastronomy, history.” As this stakeholder describes, successful integration into global markets depends on embedding pisco into a basket of cultural products linked to the country’s history. Without this, he believes that Chile will struggle to claim a foothold in the market.

In contrast, the complementary industry in Chile is wine and not cuisine. Chile’s experience in the wine industry affords pisco producers the opportunity to gain new knowledge on production capabilities and techniques, but it does not transfer to export success. As a former engineer for one of the large cooperatives recounted, “It [pisco] is always compared [to wine], and [people] say: “Well, but why is Chilean wine so famous?” Well, it is simple, when you go out to sell wine, you do not have to explain what wine is. Everyone knows what wine is. I can be in North America; I can be in Europe, I can be in Asia, I just have to concentrate on explaining what the characteristics of my wine are, what are the virtues of my wine, but I do not have to explain what wine is. That is the big hurdle.” In this quote, the former engineer discusses what he sees as a critical challenge or hurdle for Chilean pisco, its obscurity among consumers. Consumers have little knowledge about pisco, and while similarities with wine exist, they are not enough to support the industry. This engineer acknowledged parallels with wine in the steps of production and inputs, yet he focused on how differences at end segments of the GVC matter. Consumers understand what wine is and have clear images and expectations of the product. In contrast, consumers do not have this familiarity with Chilean pisco, so producers must explain the spirit before selling their brand. It is something novel and the similarities with wine did not aid Chilean pisco. Consumers rarely drink wine and spirits together. While a consumer may explore and try an unfamiliar spirit like pisco with dinner, they are less likely to order pisco to go with a Carménère wine.

Firm Strategy, Structure, and Rivalry

Firm strategy, structure, and rivalry also impact the competitiveness of industries and help explain why Peru is outpacing Chile in the pisco industry. Porter (2011) argues that high competition among local firms helps promote innovation and improve quality. The Peruvian pisco value chain has more producers and more brands than the Chilean value chain, and more Peruvian firms export pisco. In contrast, the Chilean industry is more consolidated, stifling innovation and growth.

Building on the idea of rivalry, the larger number of exporters in Peru helps build a more defined cluster. In 2017, INDECOPI registered over 500 Peruvian pisco producers, an increase from 297 in 2007 (ADEX 2018, PROMPERÚ n.d.). Of those 500 producers, nearly 60 reported export activity. Even fewer producers export to the United States; only 16 to 18 Peruvian brands export to the US, the second largest market behind Chile (Swartz 2015). Nevertheless, the industry is relatively larger, with over 500 producers registered with INDECOPI and even more producing informally (Author Interviews 2018, Emen 2015). The large number of producers spurs competition at the local level and fosters innovation and improvements in production techniques, according to Porter. Further, while the number of exporters remains low, it is growing, showing that rivalry is helping the market evolve. In 2000, only 26 firms reported exports, and by 2017 it had more than doubled (ADEX 2018).

In contrast, global value chain participation in Chile is minimal in terms of both the number of firms and export intensity. Chilean pisco's smaller global footprint is partly a reflection of the industry structure in Chile. Chilean pisco production remains concentrated among a handful of large producers, although this is changing (The Spirits Business 2019). Chilean firms are using new strategies in pisco, with the shift towards premiumization being the

most notable. However, despite this shift, many well-established firms maintain a domestic market focus. For example, an executive at one cooperative stated, “We are exporting around 6% or 7% of the total amount of pisco we produce.” New, ultra-premium-focused firms do export more of their production, but the volumes are so low that Chile’s total pisco exports remain negligible.

Porter also argues that another facet of this comparative advantage dimension is how a company’s structure connects to strategy. In Peru, pisco exporters employ strategies that are broader in scope compared to Chilean firms. Many Peruvian pisco brand owners focus their export strategy on specific states, while Chilean brands often focus on districts within large cities or select bars. One Peruvian distiller recounted, “I would think there are four states that do very well: New York, of course, California, Florida, and Texas.” The owner of another pisco brand highlighted how the complex regulatory environment, within and between nations, inhibited entry into new markets. He explained, “You’ve got all the different norms and rules and regulations. You have all these laws in the United States, like you can’t ship from one state to the other.” As the distiller reveals in this quote, the laws of importing nations are complex, and make it difficult for pisco producers to take a nation-centered strategy. As a result, they must narrow their focus. Peruvian distillers, like the two above, see states as the most strategic level of entry, allowing them to maximize exports while minimizing the confusion that comes from a decentralized regulatory environment, like that seen in the United States.

In contrast, many Chilean exporters expressed a very targeted focus when seeking to integrate into markets. While some exporting firms in Chile focus on states, many Chilean firms that export their pisco are small operations and focus on select bars and retail outlets. As one producer explained, “We don’t sell in France. We do not sell in Paris. We sell in four districts in

Paris. We sell in 100 bars in Paris, and we know every bartender there— our focus is to the barman. We do not think of the final consumer. The barman is who offers the product.” Unlike the broader strategy adopted by many Peruvian firms, many Chilean firms follow a similar path, seeking to cultivate strong ties with specific bartenders and bars and use this to facilitate growth.

Government Support

A third aspect of Porter’s (2011) competitive advantage diamond is government support. Both the Peruvian and Chilean states support and regulate the pisco industry. In both cases, geographical indications codify requirements that producers must meet to use the term “pisco.” However, as Broude (2005) points out, GIs can serve two functions: they can protect products, and they can distinguish and promote products. In the case of Peru, the government aims to support both processes, though to varying extents. In the case of Chile, government support focuses less on distinction and promotion and more on protection of Chile’s claims to pisco production. However, the Chilean government’s protective efforts are often reactions to challenges by the Peruvian government over the use of the term “pisco.”

The Peruvian government’s support of the pisco industry focuses on protecting producers from counterfeits, situating GI regulation within the body that oversees intellectual property right, *El Instituto Nacional de Defensa de la Competencia y de la Protección de la Propiedad Intelectual* (INDECOPI). INDECOPI certifies producers every ten years, verifying that distillers are following the pisco norms and giving producers a unique code that must appear on the bottle (Indecopi 2017). INDECOPI also helps detect and curtail counterfeits, with current initiatives aiming to minimize illicit production in the country. Some pisco producers cite illicit production as a problem, because counterfeit piscos hamper quality reputations of “legitimate” producers (Paan 2017). However, INDECOPI’s support extends beyond national borders, with Peru

seeking to establish exclusive rights to the use of the name pisco in international markets. For example, recently Peru signed agreements with India and Guatemala to exclusively recognize grape distillates from Peru as pisco (Andina 2019b, El Comercio 2019). Such support helps empower Peruvian pisco producers and safeguards their rights to production by proactively seeking out recognition of the GI in other nations.

The Peruvian government also seeks to promote the pisco industry in two ways: by developing pisco-producing regions as a tourist destination and by promoting pisco as a drink outside of Peru. In 2012, the Peruvian ministry of tourism invested US\$3M to make Ica, the historic center of pisco production, a tourist hub, the *Ruta del Pisco*. Since that investment, international tourism has soared, from 53,240 international visitors in 2012 to 998,792 in 2016 (Muñoz 2017). The government is currently expanding the project to other pisco-producing regions (Muñoz 2017). Furthermore, the *Comisión de Promoción del Perú para la Exportación y el Turismo* (PROMPERU) developed the campaign *Pisco es Perú* in the United States and Europe, as part of an effort to actively promote the industry through industry fairs and tastings at prominent bars in targeted cities like London, New York, New Orleans and Dallas (Ramirez 2015).

In contrast, the Chilean government is less involved in the industry. As one Chilean cooperative representative surmised, “Peru has the advantage of government support. That is not happening here in Chile. The government helps us, but very little. I mean, the budget for government support of pisco in Peru must be near US\$7M a year. Here it is closer to US\$100K.” Many others in Chile echoed this sentiment, and while no official figures on the amount of government support exist, most stakeholders in Chile mentioned the lack of government support. Further, this quote shows how the representative feels that government support is the reason for

Peru's success. While his claims of Peruvian government support are not confirmable, the conclusion he makes about the Chilean case are clear. The Chilean government is not helping the industry, and he felt that consequently, Chilean pisco is underperforming in global markets.

The Chilean government's involvement with pisco has a long history, dating back to the establishment of the Chilean pisco GI in the 1930s. However, in recent decades, government support has declined. One reason is that the GI remains part of the *Servicio Agrícola y Ganadero* (SAG), a division of the Ministry of Agriculture with limited regulatory powers. Some in the Chilean pisco industry have lobbied for expanded funding and increased regulatory authority for the organization. However, in its current form, SAG remains mainly reactionary, protecting Chilean claims to pisco only when necessary due to Peruvian claims to the exclusive right to sell pisco in foreign markets.

Instead, the main supportive role of the Chilean government is its backing of the industry association, PISCOCHILE. The association seeks to coordinate actors across the value chain and promote the industry. However, PISCOCHILE's promotion of pisco on the global level remains limited. PISCOCHILE funds only sporadic bartender competitions and tastings and is limited in its coordinated marketing activity. Further, PROCHILE has no regulatory mandate, weakening its ability to steer the industry.

Chains within Chains

A comparison of the two chains shows that Peru is outpacing Chilean pisco in exports due to several comparative advantages. It follows then, that the future for Peruvian pisco is promising, as many argue. Many Peruvian stakeholders expressed a hope that Peruvian pisco would become the next tequila. However, while pisco is its own GVC, it also represents a subchain embedded into the highly competitive alcoholic spirits GVC. Such a scenario creates

unique constraints for actors in both pisco GVCs and raises important questions about the viability of growth at the industry level. It also raises questions about the development outcomes for value chain participants, especially for those at the bottom of the chain.

The alcoholic spirits GVC is a diverse industry, with multiple subchains embedded as distinct product categories. It consists of six key product categories, with the remaining spirits, including pisco, combined into a catch-all “other/exotic spirits” category (Figure 9). The distribution of revenue across product categories is not equal. Instead, select categories generate massive sales, while others remain sluggish. Product categories like vodka, rum, whiskey/bourbon, and gin have a strong presence on the global market. However, the “other/exotic” spirits category is much smaller, with most sales occurring in national markets. Pisco is no exception, with trade volumes representing only 0.2% of total alcoholic spirit trade volumes and total combined pisco exports valued at US\$11.6M, a miniscule amount compared to total industry exports of US\$29.7B (UN Comtrade 2019b). Other spirits in this category (e.g., cachaça or grappa) are similar to pisco, with low global scales. As a result, no clear leader in the other/exotic spirits export market exists.

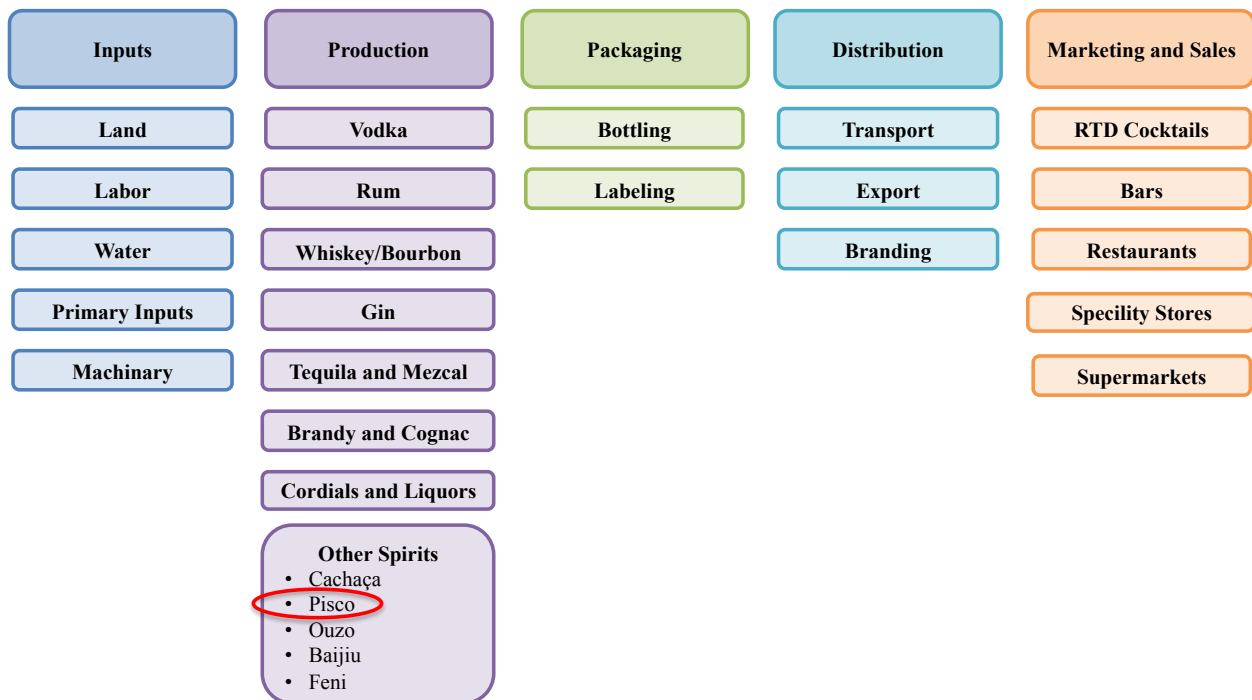
Tequila and mezcal represent the only spirits in the other/exotic category to achieve status as a significant alcoholic spirit category. In 2017, tequila accounted for 11% of all spirits consumed in the United States and over US\$2B in revenue (DISCUS 2019). It is no secret that tequila’s success, while linked to public and private initiatives, is in part due to the proximity to the US market (Gaytán 2017). Actors in both pisco value chains see their distance from key markets as an issue for their entry into the global market. One pisco distiller in Peru surmised, “There’s a huge difference in pisco and tequila that we don’t want to understand. First, you have a 3,000 or 4,000-mile border that still does not have a wall, right? You have, I do not know, how

many million Mexicans in the United States?” A former engineer with a Chilean pisco firm concurred, stating, “Well, tequila has a big advantage that it is beside the United States, and there are many Mexican immigrants living in the United States. They created a market inside the United States. And then it grew. Okay? Plus, many Americans would go to Mexico for vacation, and they grew fond of tequila and margaritas.” Both these quotes show that while stakeholders in Peru and Chile see tequila as a model for growth, they also recognize the strategic advantages that pisco lacks. The proximity to the US provides easier access to foreign consumers. In addition, the large number of Mexican immigrants in the United States, who are familiar with tequila, provided an entry market, through which the industry could grow. Pisco lacks both of these.

The proximity of Mexico to the US did help tequila grow in popularity. However, there is another factor that also helped propel tequila into a leading global spirit: MNC involvement with large advertising budgets (Gaytán and Bowen 2015, Gaytán 2017). The presence of MNCs in Mexico has had negative impacts on the industry, privileging a few select brands while excluding most traditional producers. However, the entry of MNCs into tequila also helped elevate the spirit category abroad. Further, the entry of MNCs into the tequila industry contributed to shifts in the industry that closely mirror dynamics in the broader alcoholic spirits chain. These dynamics are not apparent in the pisco value chains.

Several key features characterize the alcoholic spirits GVC and could impact the future success of pisco. These include consolidation among lead firms, the way bartenders understand obscurity in spirits, a focus on cocktails over spirits, and price pressures. Because pisco and all other liquors are part of the broader alcoholic spirits GVC, it is more beneficial to think of these GVCs as subchains. Spirit-specific GVCs have their own governance models and lead firms, but

industry trends also shape how these subchains operate. Several key features characterize the alcoholic spirits GVC and impact the future success of pisco. In the following sections, I examine how features within the alcoholic spirits GVC affect the pisco subchain. Specifically, I look at the role of MNCs in the broader alcoholic spirits GVC and their absence in pisco; the paradox of obscurity, which both aids and hinders pisco exports; and the issue of money on both the production and consumption end of pisco value chains. I focus my analysis to the US market, a top export destination for both Chilean and Peruvian pisco.



Source: Author

Figure 9. Alcoholic Spirits Global Value Chain

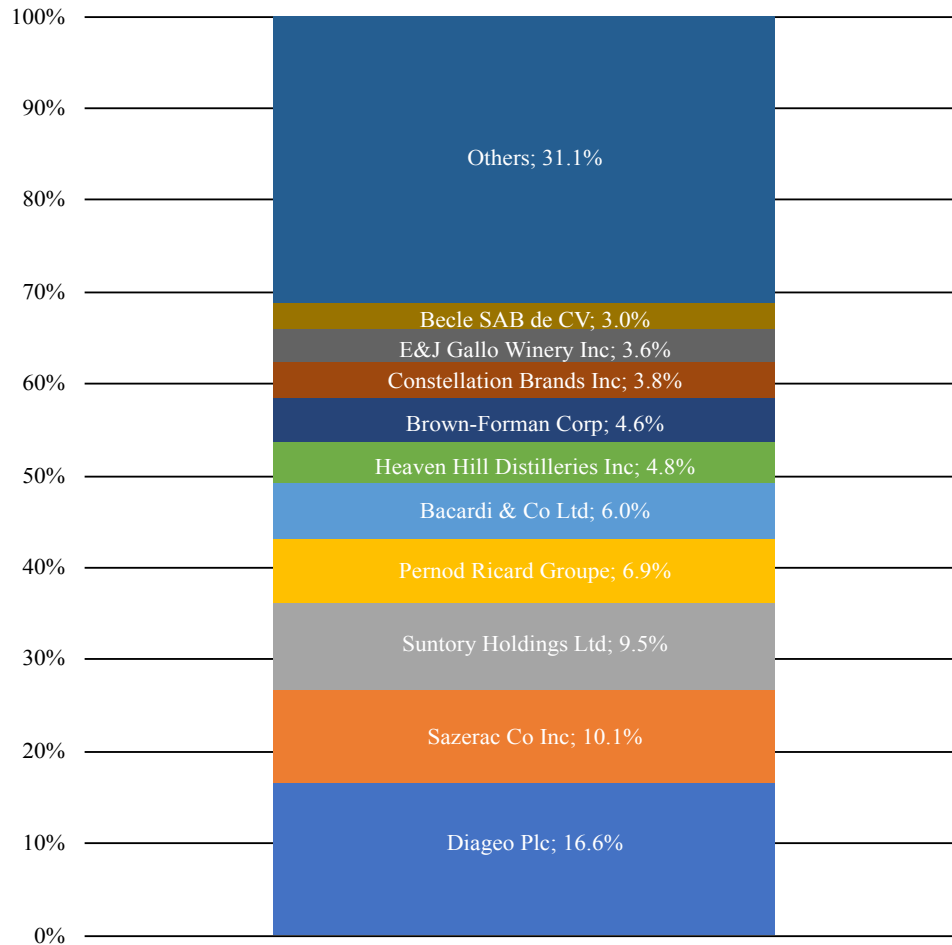
Governance issues

Multinational corporations (MNCs) are the lead actors of the alcoholic spirits GVC, owning top spirit brands and using their sophisticated distribution networks to sell their brands across the world (da Silva Lopes 2007). As a result, distillers often find it necessary to connect their brands to these MNCs in order to propel growth. Furthermore, while multiple MNCs participate in the alcoholic spirits GVC, trade remains concentrated among a few top firms.

Seven alcoholic spirits MNCs account for nearly 60% of the US market share (Figure 10).

Industry experts confirm that these firms are also the leading global players for the alcoholic beverage industry (da Silva Lopes 2007, Euromonitor 2014b).

None of the top alcoholic spirits MNCs are active in either pisco value chain, making integration into markets exceedingly challenging. Instead, pisco firms depend on second tier or boutique importers to integrate into foreign markets. Without the entry of MNCs into the pisco subchains, pisco brands carry the burden of promotion and distribution, which is challenging for large firms and even more difficult for small and medium-sized producers. However, some distillers felt that partnering with MNCs was risky. As one master distiller in Peru explained, “Now the drawback to those distributors [is that they] come in with a portfolio of 70 products. How much does Johnny Walker sell bottles a day? They sell more than I produce in a year. So, what is a distributor going to say, ‘Hey, you know what [pisco is] not worth it so [they are] not going to push it.’” As this quote reveals, MNCs own and manage multiple brands across spirit categories, and they are profit oriented. Individual representatives of these companies often work on commission, so they seek brands that have larger sales volumes and an established market presence. Pisco has neither of these strengths and is therefore are not appealing to the MNCs. However, if pisco firms were to partner with the MNCs, pisco would still face challenges, as employees of these companies are commission-based and spend more effort on already well-known spirits. Consequently, while linking to MNCs would allow access to their distribution network, it would not guarantee export success.



Source: Euromonitor 2019; Park Street 2018

Figure 10. Lead Alcoholic Spirits Firms by % of US Market Share, 2017

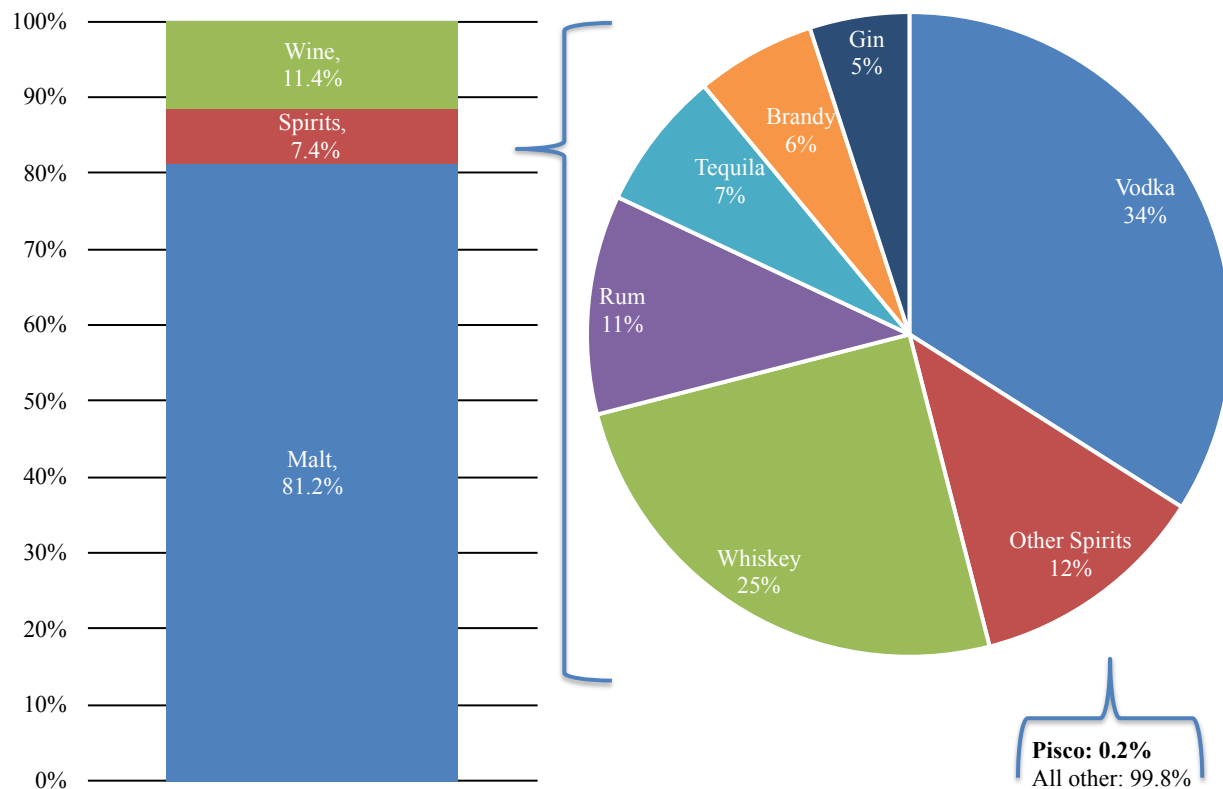
While partnering with MNCs does not guarantee growth for pisco producers, working with smaller-scale distributors and importer also has disadvantages. One of the major challenges pisco firms face is scarcity, because they lack access to the well-established distribution networks that could help link their products to bartenders and retailers. For US retailers, especially in smaller markets, it is difficult to secure a stable supply of pisco given the lack of MNC involvement. Buyers who depend on smaller distributors have to special order pisco, which can pose a problem for retailers. As one bar manager in a secondary US market described, “What was frustrating about it is it took us a good part of a year to get it so that we weren’t

running out a lot.” As this bartender recounts, one of the challenges faced by bartenders who want to incorporate pisco into their offerings is stable supply. As a result, it is hard to keep pisco on cocktail menus and even harder to offer multiple brands. While pisco producers can make headways into the US markets, pisco firms are at a disadvantage because the organization and governance of the alcoholic spirits GVC favors spirits with large sales volumes. Powerful MNCs with extensive networks often own these high sales spirits.

The paradox of obscurity/exclusivity

As previously stated, the alcoholic spirits GVC consists of 6 product categories. US sales of alcoholic spirits remain highly concentrated among three of these categories: vodka, whiskey, and rum, which together account for 70% of all alcoholic spirit sales (Figure 11). One category, the “other/exotic” spirits category, consists of a variety of liquors and national spirits from across the globe, including pisco. The other/exotic spirit category has a lot of diversity in terms of sales and inputs, but all spirits in the category share a common feature: relative obscurity in the marketplace. Citizens living in the countries that produce spirits in the other/exotic spirits category know them well, yet they are often obscure in the global marketplace, with extralocal consumers frequently lacking knowledge of spirits in this category. Some industry experts see the obscurity of spirits in the other/exotic category as a strength; these experts argue that consumers are increasingly demanding obscure spirits and exclusive cocktails as they seek new experiences through their consumption choices (Euromonitor 2015). However, downstream actors in the alcoholic spirits GVC, especially bartenders and retailers, understand obscurity in a way that presents challenges for pisco exporters and other producers in the other/exotic spirits category. As the owner of a distributing company that sells other/exotic spirits like pisco and cachaça surmised, “Cachaça and pisco have their place and should be celebrated for what they

are. The fact that there are huge local markets back home doesn't mean anything to the U.S. consumer who has such an enormous range of choice (BMG 2013).” Other/exotic spirits is a catch-all category with numerous offerings. There are multiple grape-based distillates in the category alone, with Peruvian pisco, Chilean pisco, singani from Bolivia, Grappa from Italy, Tsipouro and Ouzo in Greece, and Armagnac in France representing only a few.



Source: Author based on Euromonitor 2019; Park Street 2018; ADEX 2018 and ODEPA 2019

Figure 11. Pisco Value Chain, Nested by US Sales Volume Percentage, 2017

Pisco’s export experience mirrors the challenges of other spirits in the other/exotic spirits category that have limited US market share. While the collective other/exotic spirits category comprises 12% of sales in the US, the category is so diverse that most individual spirits in the other/exotic spirits category have low market shares. In 2017, pisco comprised 0.2% of US alcoholic spirit sales by volume and even less by value (ADEX 2018, ODEPA 2019, UN

Comtrade 2019b). The scale of the pisco industry is a problem for firms hoping to expand their pisco exports, with experts asserting that pisco is still not where mezcal was ten years ago (Ramirez 2015). One US importer of boutique spirits, including craft tequilas, mezcals, and other liquors, said, “It is not about one country or firm capturing more of the pie, it is about building the pie.” According to this importer, pisco needs to focus on building a following, not seizing consumers away from other spirits. While firms in established spirits compete for consumers, this importer believed that pisco firms need to work on developing a reputation. Interestingly he implies that this should be a collective effort between Peru and Chile when he says it is not about one country capturing more.

One way that spirits like pisco seek to build the “pie” is by promoting ties to place. Consumers of spirits increasingly seek options that have long histories to specific regions (Euromonitor 2015, Johnston and Baumann 2015). Yet, many spirits in the other/exotic spirits category also have close ties to place and seek to accentuate these ties to increase consumer demand. Additionally, several spirits in the other/exotic spirit category have GI laws to protect production. But producing under a GI does not translate to high demand. As a Chilean based industry expert described, “Globally there are some 12,000 GI products. And apart from vodka and rum where you can make anywhere, all other spirits have connotations of place. Gin is from England and Ireland, right? Tequila is exclusively Mexican, Cognac is French, as is Armagnac.” In an industry where many spirits promote their ties to place, producers must use additional types of marketing to promote their product and capture more value from export participation. Without such efforts, the market will gravitate to only one or two brands of any one spirit in the other/exotic spirit category.

The issue for pisco, and for other spirits in the other/exotic alcoholic spirits category, is not that these spirits lack a link to specific places, it is that they lack demand in external markets. Low demand for an entire category like pisco leads to limited offerings in bars and restaurants with bar managers only stocking one or two brands of these lesser known “other spirits.”

Tequila’s transformation from obscure oddity to party drink to highbrow spirit allowed for an influx of brands and producers into the industry. Pisco, on the other hand, is still at the emerging phase as a category, and while tequila offers one path of market integration, different paths exist. The evolution of cachaça, a Brazilian sugar cane distillate, shows another trajectory. In the mid-2000s, cachaça became trendy among US consumers, causing many newspapers to cite it along with mezcal (and pisco) as a wave of Latin American drinks sweeping the US market (The Spirits Business 2018). However, while mezcal continues to grow in popularity, with new brands entering the US market, the fad of cachaça has waned and exports to the US have slowed, totaling only US\$15.8M in 2017 (Statista 2019). The brief infatuation of US consumers for cachaça only translated into success for a few large cachaça firms. As one brand manager for a cachaça brand surmised, “Regardless of the enthusiasm for the category, it was and still is relatively unknown to the consumer. Therefore, there is only room for a few players. Simply put, even a forward-thinking bar does not need more than one or two cachaça offerings. As such, many players fell out of the game (BMG 2013).” This point applies for pisco producers too. Unless the demand for the pisco grows considerably, the market will only welcome a few brands, excluding most producers. The challenges faced by cachaça, and the fact that pisco, as a spirit category, remains less developed than cachaça, offers a stark contrast to the promise found in tequila. However, given the similarities in market distance to the US for producers of both spirits, consumer knowledge of both spirits and position in the GVC, cachaça perhaps more

accurately shows the challenges pisco face as it operates as a nested chain in the competitive alcoholic spirits GVC.

A focus on cocktails presents a second challenge for pisco producers, especially those who are seeking to integrate their product into high-end bars. Actors in both chains expressed the desire to be in the best bars. As one Peruvian producer explained, “I’m in mixology bars. I’m talking about these high-end [places].” As this quote shows, many exporters do not want to focus just on Peruvian restaurants, in part because customers at trendy, upscale bars are willing to pay more for their drinks. However, in these places, the attraction is the cocktails rather than the spirits themselves, with many places stocking only one or two brands of pisco (Smith 2012). While high-end bars and trendy restaurants charge high prices and help cultivate an image of pisco as a premium spirit, their model is often cocktail-driven, with bartenders inventing new drinks or reviving obscure cocktails, rather than showcasing the diversity of brands in any one spirit category. As one bar manager recounted, “When people come into a restaurant now, and they want to see not only a menu but a specialty cocktail list.” Such an approach does not allow for multiple brands of one product to be successful. The alcoholic spirits GVC orients itself around a handful of brands within each spirit category. For pisco producers, this that means they must compete with producers of other alcohols to show they are a highly mixable spirit. As one US-based spirits branding expert recounted to an online publication, “Our recommendation is that pisco focuses on competing in the ‘white mixable spirit’ category that transcends vodka, tequila, and rum. Ultimately its emergence has to be driven by consumer interest (Smith 2012).” As this expert discussed, pisco firms must work hard to show pisco has the same level of adaptability as other major product categories because it competes for shelf space with these familiar spirits. Further, pisco brands compete with one another, and bars generally offer only

one or two pisco cocktails. Unlike tequila or mezcal, which have secured enough of a consumer base to have bars dedicated exclusively to tequila and/or mezcal, or tiki bars, which focus primarily on rum, pisco bars are basically nonexistent outside of Peru and Chile.

Money Matters

Finally, economic concerns influence both ends of the pisco GVC, with trends in the alcoholic spirits GVC impacting producers, retailers and consumers and the decisions they make. Because no pisco brand has succeeded in cultivating a status as an ultra-premium product, nor has any brand developed a large international following, pisco firms feel price pressures. Price pressures create two key challenges for the industry. First, consumers often buy lower cost, lower quality piscos when they first try the spirit. Second, distillers pay low prices for grapes, in an effort to keep prices down, and this is driving many grape farmers in Peru out of the industry.

Like most GI producers, pisco distillers go to great lengths to define their products as high-quality and authentic, to justify higher prices compared to standardized commodities. Unsurprisingly, local economic interests also drive efforts to portray and defend products as tied to national identities. Pisco is a source of employment in both cases and provides an economic livelihood for many citizens in Chile and Peru. In Chile, the industry provides direct income to 2,200 grape farmers (Horta 2017). While such figures are not readily available in Peru, industry experts estimate that more than 1,000 people are employed in the industry (BMG 2015) and many I interviewed discussed the importance of the industry as a regional economic driver, especially in Ica.

However, marketing these spirits internationally requires substantial investments that many firms and governments are either unable or unwilling to offer. Given the high level of competition in the alcoholic spirits GVC, a firm or government needs to spend a large sum of

money in marketing and brand promotion to build a reputation. An industry expert in Chile explained, “The problem is to export you need to have at least US\$20-50M to promote your product, and this money doesn’t exist.” Actors in both value chains have not been able to make these kinds of investments in pisco. A Chilean distiller who produces for many brands further elaborated:

I think the main problem or hurdle that [industry actors] need to solve is that the category does not exist. And that is one of the significant limitations that the industry has. Even though [we made] some attempts, which from our point of view has meant a lot of resources. [The reality is] considering the outcome and the [actual amount of] resources required to generate such outcomes, [our investments] have been minimal. If one compares [our efforts] with what the market demands for diffusion, the truth is that [our] resources have been very, very scarce.

As both the distiller and industry expert surmised, firms in both cases invest to promote their pisco brands abroad, yet they do not have close to the amount of resources required to build a sustained following abroad. Producers and firms have limited resources and must spread their efforts across multiple markets. Governments are also making investments, though these investments vary in each chain. However, governments must also support other industries, which limits the attention they can give to industries with limited revenue potential, especially compared to other major industries in the nation, such as wine or fruit and vegetable exports.

Without massive investments by firms or governments to promote the pisco category and drive sales, most producers feel obligated to keep production costs as low as possible so they can sell pisco at lower prices and gain more revenue. Such an approach threatens the future stability of the industry. In Peru, low margins are pushing many grape growers away from the industry, threatening future growth. Instead, they are moving into table grape production. In Peru, table grapes exports are booming, reaching US\$653M in export value in 2017 (UN Comtrade 2019a). As a representative for a regional government agency in Peru that focuses on agriculture

production explained, “We have this problem, and government officials are increasingly aware of this, a need to support the producers because they should be paid well for [pisco] grapes. And the industry is not paying well. It is not even half the price of a table grape. A kilo of quebranta grapes goes for S/1.50 [US\$0.45] a kilo of table grapes is around S/3 [US\$0.90].” Given that prices for table grapes are much higher, many growers are electing to cultivate table grapes. As this government representative discussed, pisco grapes do not command high prices. The departure of pisco grape farmers will have less of an impact on the vertically integrated operations, which grow their own grapes, but it will have implications for companies that source from local grape farmers. It also threatens the continuation of traditional grape-producing communities.

Retailers and bartenders at the end of the chain are also price sensitive, seeking to minimize cost. This is especially true for other/exotic spirits like pisco that have marginal sales. Bartenders enjoy using a variety of spirits, but bar manager and owners are primarily concerned with the bottom line. Many actors I interviewed highlighted how restaurants and bars are extremely price sensitive, which limits the growth of unit prices among pisco exporters, echoing a trend found among many other/exotic spirits. While total exports of pisco are growing, the unit cost of pisco has stagnated, showing difficulty in cultivating a reputation of pisco as a premium spirit. As one Peruvian distiller recounted, “The problem, you know, [is] bottom line determines what the owners are going to buy not the quality. A bartender wants top quality; the mixologist wants the best. The restaurant owner or the bar owner is looking at the bottom line.” As this quote illustrates. The cost of alcoholic spirits is just one-line item for bars, and bar owners must justify the cost while considering other expenses. As a result, bar owners only purchase one or two brands of lesser-known spirits. This provides opportunities for some pisco producers, but

only for one or two brands. As one US bartender explained, “It is all about the real estate. You cannot fill a shelf with spirits bottles that will sit there for three months.” Pisco sales are generally slow, and as a result, retailers carry limited stock and often only a few brands. Consequently, the nature of the alcoholic spirits GVC, where MNCs drive the chain based on high-performing brands, offers a challenging environment for pisco expansion.

Finally, consumers, when faced with limited knowledge of a spirit or how to discern quality, make purchasing decisions based on price. This trend holds for pisco sales in the United States. While some pisco firms celebrate the fact that their pisco demands higher prices than other producers, they admit it creates an issue, especially in the global market. The owner of one premium brand described the challenge of having premium products in an unknown category. He explained:

My bottle is going to go for \$45.99 on the shelf while yours is going to go for \$16.99 on the shelf right. A person is going to come out and say I saw an article in Food and Wine about pisco; I am going to try that. He goes to the liquor store, and he sees over here \$16 and over here \$45 which one is he going to take? [The cheaper one]. He goes home he stirs himself a shot, he drinks it; he spits it out and says, ‘No, I will never drink Pisco again.’

As this quote reveals, pisco is an unknown spirit for many, and consumers are more price sensitive for products they are not familiar with. Financial constraints present a challenge for ultra-premium producers who see niche markets as the best opportunity for growth but must compete on shelves with piscos at multiple price points, in a setting in which consumers lack knowledge and thus make decisions based on price.

Implications

In his classic business book, Levitt (1960) poses the rhetorical question, “What business are you really in?” He warns that a firm or even industry’s survival depends on business leaders correctly understanding the market where they compete. In the article, Levitt argues that railroad

executives incorrectly focused their attention on the railroad industry, instead of concentrating on the broader transportation industry. The result was the near demise of the industry as other transportation subindustries (subchains) grew in importance. Levitt's (1960) intended audience was business owners and scholars, yet his warning has critical implications for GI and development scholars as well as policy practitioners.

Pisco producers see potential in the global market. Exports are growing as consumers seek new experiences. At first glance, it appears that the Peruvian pisco industry is performing better than Chilean pisco, thanks to synergies with other sectors, an environment that spurs firm rivalry, and robust export strategies and government support. However, while pisco is its own chain, pisco is also part of the larger alcoholic spirits GVC. By looking at pisco as part of this broader chain, new dynamics become more visible. Powerful lead firms and established product categories dominate the alcoholic spirits GVC. Further, while consumers and bartenders value obscurity, their understanding of obscurity only benefits one or two brands of spirits in the other/exotic spirits category. Finally, actors' decisions along the chain are driven by economic interests, making it harder for pisco to build a reputation based on premium spirits, as consumers often learn about pisco based on the cheapest offering on the shelf. Further, declining prices for grapes are causing many grape producers to leave the industry, indicating a potential bottleneck for future production.

Pisco's position as a subchain nested within a chain has important implications for GVC scholars. While Xing and Detert (2010) and others show that policymakers can reach divergent conclusions based on their level of analysis (intermediary goods vs final products), my work shows that an equally vital task is correctly identifying the industry. While I do not outline a specific methodological approach to drawing industry boundaries, I do demonstrate, through the

study of pisco, how incorrectly conceptualizing a chain can obscure important market and governance features of an industry. Obscuring governance and market dynamics impacts the conclusions researchers and policymakers reach and can impede solid policy making.

Beyond implications for GVC researchers, my comparison of two pisco cases shows that the industry matters when pursuing a development strategy based around GIs. While many studies discuss the importance of institutions (Barjolle and Sylvander 2002, Bowen 2010b) or of mapping the different end markets for GI goods (Bowen 2015, Mancini 2013b, Tregear, Török and Gorton 2016), focusing on institutional arrangements or different end markets (premium vs. industrialized, local vs. extralocal) is not enough. Practitioners seeking to use GI to spur rural development must also recognize that actors participate in numerous, often nested GVCs and a nuanced understanding of the governance structure and dynamics of each is necessary for successful upgrading. The structure of the alcoholic spirits GVC offers little opportunities for most producers. While GIs can protect against counterfeits, unless strategies to help traditional producers meet market demands accompany the use of GI, such an approach will only allow large brands, which frequently do not safeguard traditions or local communities, to succeed in the global marketplace. GIs embed in specific places with specific traditions and legacies, but the traditions and qualities of these regions often do not travel with the product into international markets without concerted efforts by firms and governments. GIs, like all commodities, depend on marketing and branding efforts to build a consumer base. However, as the pisco case shows, while GIs offer an alternative to traditional food systems, they are not immune to all industry trends. Because GI producers participate in global markets and industries controlled by powerful MNCs, they risk experiencing the same unequal outcomes identified by Hopkins and Wallerstein (1977), despite the protections offered by GI norms.

CHAPTER 6: CONCLUSIONS

Key Findings

In this dissertation, I look at how markets shape GIs. A large body of literature has looked at how GIs seek to capture higher prices by cultivating reputations linked to place. Further, by linking and limiting commodities to specific places and conditions of production, limiting who can produce under a collective label, GIs shield producers against competition. For example, while anyone can produce sparkling wine, only producers in certain places using select varieties of grapes can use the term champagne.

Most previous studies adopt an institutional view of GIs, focusing on the laws and supporting institutions that regulate GIs. Relatively few studies look explicitly at how economic factors outside of GI regions shape the experience of producers operating under a GI. As governmental officials and policymakers seek to expand GIs to promote rural development in a wide range of countries, market dynamics and firm characteristics become increasingly important. GIs, especially those from developing nations, depend on consumers outside of the producing region to secure high prices (Bramley, Biénabe and Kirsten 2009). For example, tequila producers export over 75% of tequila produced (Bowen and Hamrick 2014). As a result, GI producers and institutions must take on the tasks of marketing to foreign customers and building consumer awareness. While this provides new opportunities for GI producers, it also presents many challenges, most notably that market dynamics at the global and local level become increasingly influential. To better understand the potential and limits of GIs as a development strategy, we need to comprehend better how markets shape GI labels. I do this by looking at how market factors shape producers' understandings of authenticity and quality and how the market influences export possibilities for one GI, pisco. I chose pisco because it

represents one product produced and protected in two different nations. This allows for a stronger comparison because I can hold the commodity constant and because pisco's shared cultural and linguistic origins in the two nations.

This dissertation makes two contributions. First, it enhances previous understandings of GIs by looking at them from a global value chain (GVC) perspective. Taking a GVC approach allows for a better understanding of how GI producers interact with global buyers and use mechanisms such as quality and authenticity constructs to capture value. While local dynamics vary, both cases participate in the same global market and must follow similar global trends. Secondly, I contribute to the GVC framework by looking at a specialty product with a label and value centered on a place versus a process. Thus, I explore the ways new governance structures arise and interact with broader industry governance structures, allowing MNCs and other actors at the point of consumption to maintain power.

Authenticity

GIs aim to cement legitimacy and value in production. Producers, governments, and marketers go to great lengths to convey to consumers that their products are authentic. As Johnston and Baumann (2015) show, one way to do this is by tying products to particular places. They argue, "Geographic referents can occur at varying levels of specificity, with greater specificity tending to correlate with stronger assertions of food's authenticity."

GIs, which link products to very specific locations, should hold stronger claims to authentic production. However, as I show in Chapter 3 with my analysis of the two pisco cases in Chile and Peru, authenticity is malleable, and market forces shape how actors understand authenticity. Actors in both Chile and Peru link pisco to long national histories and specific regions. However, given the vast geography of pisco producing areas included in the Peruvian

GI, Peruvian actors often discuss pisco in national terms. Chilean actors also claim pisco as a national spirit, but more often situate production in specific locations. These divergences should result in Chilean actors having a narrower view of authenticity, because of less variation in producing regions and inputs, but the opposite happens. Because of low market demand and trade dynamics, Peruvian actors advocate for an understanding of authentic pisco as exclusively Peruvian. In contrast, Chileans respond to high domestic demand for pisco to lobby for a shared notion of authenticity by drawing on the colonial history of the product.

Pisco remains part of each countries' national identity, yet the market matters in how actors in both cases understand authentic pisco. DeSoucey (2010) argues that gastronationalism “remains politically rooted and shaped by markets.” With the two cases of pisco, I show how the market determines how pisco actors understand exclusivity and authenticity in the production of traditional food and beverages. Specifically, I demonstrate the importance of looking at how the market shapes the way actors define and understand national goods.

Quality

GIs convey quality by linking it to specific places with unique reputations. However, as Parga-Dans and Alonso González (2017) and Ilbery and Kneafsey (2000) show, individual brands and firms often focus on conveying the properties of their individual brand to consumers, rather than branding the GI region. As a result, while GIs establish stringent quality norms, producers often go beyond these norms when discussing quality. Most research on GIs overlooks this fact, instead focusing on how elites capture and structure the institutions that regulate quality to fit the needs of their company (Bowen 2010b, Mancini 2013a, Mancini 2013b). In Chapter 4, I address this gap by looking at quality debates along three dimensions: production process, production knowledge, and external validation. I conclude that divergent understanding of

quality among actors in the same GI region stems from two factors: the overall evolution of the industry and the market orientation of the firm.

In Peru, recent pushes to industrialize pisco production, coupled with the entry of extralocal producers, have caused many export-oriented firms to adopt more technical understandings of quality that align with global norms. They also see more value in external validations of quality, which often do not focus on GI region but rather on the specific brand. Chilean pisco producers, having pursued an industrial model for several decades, are now shifting to niche production as the industry seeks to enter premium and ultra-premium markets. While new firms are entering production, the cooperatives remain active and are also launching new brands to capture premium markets. Debates on production and process in Chile echo those in Peru, but Chilean actors often focus more on specific processes adopted by individual brands, like the number of distillations used. Further, external validations, while important, focus more on situating spirits in niche categories by comparing a particular pisco brand to luxury gins and cognac.

Differences in how actors discuss quality demonstrate how the intended market matters in discussions of quality; the GI institutions, which set minimums, are less crucial for producers focused on export markets. Producers construct and define quality in ways that benefit their brand and not the entire product category. Instead, they seek validation from consumers and buyers in ways that mirror other commodities, such as appealing to ethical concerns or seeking to comparing their brand to other, well-known, luxury spirit brands. Production within the GI instead helps give these firms a label for their product that they see as the next “trendy spirit.”

Markets

Often, existing research on GIs does not consider the market destination. Instead, this body of work treats the market as given or of limited significance. By studying the market, I examine a critical aspect of success for GI-driven development, expanding on previous work that focuses on the institutional and local factors that determine a GI's success.

To look only at the GI product and producers within the GI region is to have a myopic view of the industry. In Chapter 5, I show how both pisco chains are part of a more substantial alcoholic spirits GVC, which has its own governance structure and market dynamics. If we look only at the pisco chains, we would conclude that Peru's relative success is due to various internal comparative advantages. Peru does benefit from these cooperative advantages, but such an approach ignores how the global spirits market shapes the possibility for future growth in both the Peruvian and Chilean pisco chains. The alcoholic spirits industry shapes possibilities for pisco by the way lead firms make decisions and distribute/promote their brands, focusing on high volume spirits. The way actors in the global alcoholic spirits GVC define obscurity focuses on cocktails over spirit categories and privileges only a handful of brands in lesser known spirits. Finally, financial constraints present a challenge for pisco firms. Consumers, who lack deep knowledge of pisco, gravitate to lower priced piscos, limiting producers' ability to transition into premium markets.

My findings in Chapter 5 show how market dynamics influence actors in unique ways and that these influences vary across space and nation. Despite strong institutions and government support, traditional Peruvian pisco producing communities remain hampered by low local demand and the entry of extralocal producers, such an environment causes producers to see authenticity in pisco as exclusively Peruvian while viewing quality as a brand driven feature of

pisco. In contrast, high coordination and a robust local market in Chile help empower local producers and facilitate a broad understanding of authenticity. However, as the industry seeks to switch to premium production, the focus has shifted from the GI region to the GI firm.

Ultimately, market and industry dynamics within the global alcoholic spirits industry stifle efforts in both Peru and Chile to increase exports, showing the importance of a GVC focus that correctly captures the broader industry in which pisco firms participate. Local dynamics GIs matter, but so do global alcoholic spirits market trends. Researchers must analyze these global dynamics to better understand the potential for upgrading within both pisco chains.

Limitations

While this dissertation takes important steps towards merging the theoretical findings in the GI and GVC literature, it has several limitations. Below, I elaborate on three key limitations.

First, even though many similarities exist in the two pisco cases, making them suitable for comparison, there are notable differences. Chilean and Peruvian piscos have a shared colonial legacy, as well as well as common cultural and linguistic origins. In addition, despite some differences in production practices, both are grape distillates, and some of the pisco grape varieties used are the same across the two cases. These similarities make my comparative study a valid way of examining how markets influence the understanding and valuation of GIs.

However, there are noteworthy differences in the institutional arrangements and socio-political context of these GIs, which are less central in my analysis. The institutional arrangements supporting pisco in both cases are distinct. Peru situates pisco regulation in agencies that oversee intellectual property rights, while in Chile, representatives of the Ministry of Agriculture monitor pisco producers. Institutional variation between the two cases influences the way actors understand pisco quality and authenticity, as well as impacts export activities. Peru situates pisco

protection within government offices that protect the intellectual property rights of Peruvian firms, allowing for more stringent definitions of pisco and more active measures to minimize counterfeits. Chilean house the pisco norm in the Ministry of Agriculture and pay less attention to protection. Because my focus was more on external pressures flowing into the GI region, I did not account for these institutional dynamics.

Beyond the diversity in institutions, I focus my analysis on two Latin American nations. While similarities between the nations allow me to detect broad trends better, these could be a feature of the region of study. Latin America could be its own case, and therefore analysis of cases outside the region would be prudent. As Evans (2012) and Gereffi and Wyman (2014) have documented, development across regions varies significantly. The same is plausible for GIs from different regions. I cannot conclude here that the market features playing out in the pisco chains would hold for spirits outside of Latin America, which have distinct histories and political environments, as well as different development trajectories.

A second limitation is that my analysis focuses exclusively on the alcoholic spirits industry, and other industries may offer different experiences. Moreover, I focus on pisco, which is very limited in terms of export, consumption, and production volumes compared to well-established segments. The conclusions I make are insightful for spirits with strong ties to specific nations, but these local spirits vary in the degree that they are integrated into the global economy. Further, while the alcoholic spirits industry is a suitable case for exploring GIs, given the clear geographical linkages associated with many alcoholic spirits, this focus may not extend to other food and beverage commodities. While I argue that place matters in products across the food and beverage industry, it could be the connections are stronger in alcoholic spirits because of the way

actors along the value chain market and brand these goods, limiting these cases' relevance in drawing broader conclusions about the globalization of food and beverage industries.

Finally, constraints in data collection are worth noting. My original aim was to better understand the role of US-based distributors and bartenders specifically. Although I tried to recruit US-based participants across several cities, many declined to participate in my project. The main explanation was that their bar did not sell pisco, or that it only sold limited quantities of the spirit. As a result, many bartenders questioned their familiarity with the industry. A reoccurring statement from US-based bartenders and other retail actors was “I am not familiar enough with pisco to offer useful insights.” Such statements presented challenges to my data collection, but also underscore the relative obscurity in the United States that pisco firms in both countries continue to struggle with as they seek to expand exports. Additionally, I sought to gain access with MNC representatives to understand how they make decisions about what to include in their brand portfolio. However, MNC representatives are difficult to identify and interview because websites often only include names of executives and do not provide specific contact information for these individuals. Further, many employees are hesitant or even prohibited from commenting on the company without approval from MNC communications offices. None of the leading MNCs agreed to meet with me, and while I did talk with second tier MNCs as well as producers and distributors to get insight into lead firm strategies, I could not corroborate these insights with MNC representatives. As I argue in Chapter 5, alcoholic spirits MNCs drive the value chain and shape outcomes for producers. Deeper insights in their decision making would help better understand the key challenges pisco brands must overcome to become better integrated into the industry. While these insights can be gleaned from other sources, such as

interviews in industry journals or interviews with representatives of pisco firms, interviews with MNCs would provide a rich source of data and more nuanced conclusions.

Similarly, because this project focused on the market and less on institutions that support and protect local producers, I did not focus my attention on grape cultivators. Instead, I sought out distillers and other industry actors, such as industry experts, government officials, and national bartenders. Grapes are the primary input for pisco, so grape producer complete a crucial activity for the chain. Yet other value chain actors, such as distillers and distributors, pay little attention to grape producers' concerns and instead focus on the needs of retailers and bartenders. One reason I did not interview grape producers in depth is that many export-oriented firms produce their own grapes to better monitor production processes. Despite this shift to in-house grape production, especially in Peru, small grape farmers hold much of the traditional knowledge of pisco production and are the traditional actors the GI should protect/promote. However, this is not occurring. Instead, the GI in both cases concentrates more on advocating for each nation's rightful claim to pisco, with quality increasingly a feature of the brands operating under the GI and not a feature of the product itself.

Future Research

Given the limitations above, future research should address several areas. First, there is a need for additional comparative work that focuses on other spirits. Specifically, researchers could examine a product tied to a specific geography but lacking a GI label, such as Caribbean rum or Japanese Whiskey, to see if market outcomes differ. A comparison between pisco and a GI from an established alcoholic spirit category, like tequila or bourbon, would also help deepen our understanding of the role of the market. A comparison with a GI spirit in the Global North would be especially prudent, given the vast differences in in terms of resource availability.

Finally, it is essential to look at spirits in emerging economies outside of Latin America and to examine importing markets besides the United States to see how GIs in other regions and entering other end markets vary.

Furthermore, more research into chains within chains, especially in highly segmented GVCs, is crucial. As I show, value chains are often embedded in other value chains, offering a unique product with its own organization and governance structures that is simultaneously influenced by trends and dynamics in the broader industry. Looking at chains with chains could help enhance our knowledge of how luxury products (in this case, premium spirits) operate in GVCs. The alcoholic spirits GVC is not the only instance of a nested chain. Others, such as medical devices, pharmaceuticals, and electronics, also share this feature. A logical next step is to develop a strategy for analyzing nested governance structures, and explore how to better capture the effects of operating in multiple chains for firms, building on the case I make here and points raised by Dicken (2011) and others who look at the impact of nested institutions in the global economy.

Policy Implications

My findings from this dissertation project have several policy implications. Specifically, my findings point to the dangers of using GIs as the only tool for rural development without first considering the organization of the market and broader industry in which GIs are embedded. Second, this study shows the importance of understanding industries on a global level.

The establishment of GI laws and institutions does not equate to branding. While GIs embed production in specific places, they do not on their own develop a reputation for the product or the region. Branding requires sustained coordinated efforts by multiple stakeholders, as well as massive investments in marketing (Pounder 2010). While Bowen (2010b) warns of

institutional monocropping in GIs, arguing that this approach could limit the empowerment of rural communities, I argue that while institutional composition can empower or disenfranchise producers, by themselves, GI institutions do not generate demand. Further, as the Chilean case shows, production systems that allow producers to collaborate and pool resources can create growth even within weak regulatory contexts, but lacks the institutions needed to protect the distillate from global challenges. Instead of advocating for the creation of GI protections to spur development, a better approach may be to create funding mechanisms that empower small producers to meet global market demands by increasing efficiencies. Alternatively, funds could help these small producers take on new roles by working collectively to sell under one brand, a feature of some but certainly not all GIs. Further, coordinated production does not necessarily require GI protections.

Second, findings from this dissertation also show the importance of taking a global view of industry dynamics and correctly identifying the industry/industries in which actors operate. Some industry experts and pisco producers see themselves as being exclusively part of the pisco value chain. However, this is not the case. Pisco is a small part of a small segment of the alcoholic spirits GVC and faces substantial competition. Firms that see themselves in the alcoholic spirits GVC see potential for growth, citing the rising demand for new spirits and cocktails (Euromonitor 2014a). However, this is also a bit misguided, given the way the industry promotes offerings in the other/exotic spirits category by privileging only one or two brands.

Further, I argue that the organization of the alcoholic spirits industry limits the possibilities of export growth in either case. The industry favors MNC-backed brands and takes a narrow view of obscurity, one that celebrates one or two brands of a given spirit. Firms respond to this by distinguishing themselves along quality dimensions. However, to see the GI label as

beneficial for all producers is to ignore the lessons from many firms in the “other spirits” product category. Their experience in global markets demonstrates that often only one or two brands thrive. A more plausible approach to rural development in both pisco cases is to develop the local markets further. In domestic markets, pisco is a more established product category, which opens up more possibilities for small brands to compete.

Final Thoughts

Through this dissertation project, I show that while state institutions matter, markets also play a crucial role in shaping industry dynamics, even for GI products. When scholars ignore the broader market dynamics that impact how actors define, value, and export GI products, they risk dismissing the critique made by economic sociologists such as Krippner and Alvarez (2007) who caution against “taking the market itself for granted” when studying the embeddedness of economic activities in social structures. My research into one type of highly embedded good, GIs, shows how the market operates differently, even in similar settings. I also show how markets are not monolithic but vary across time and space and have multiple scales, with each level of the market influencing outcomes for local actors. To best understand the economic development potential of GIs, one must look beyond the producing region to see how extralocal market conditions shape producers’ experiences and opportunities.

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APPENDIX

Interview Guide: *Bartenders*

Background Information

- What is your role in the pisco industry?
- Can you describe your company/organization?
- How long have you been in the industry and how did you get involved?
- How important is pisco for your business?
- What brands do you like? Why?

Industry

- What have been the most recent shifts or changes in the spirits industry? (Probes – costs, popular types, consumption patterns, regulations, consumer expectations)
- How has your company responded?
- Have consumer expectations regarding pisco changed over time? In what ways?

Organization of Industry

- How do you establish links with producers?
 - Does this process differ by spirit? If so how, and how is it established in pisco?
- What strategies do you think would be most effective in promoting and protecting Peruvian pisco? Chilean pisco?
 - What is the biggest obstacle to growing the industry?
- What role do distributors play in linking your organization to producers?
- What are the major sources of information in the industry? Do the people and organizations in the industry collaborate? If yes, then how? If no, why not?

Quality

- What distinguishes the two pisco types from each other? From other types of brandy? From other products?
- What factors contribute to the quality of pisco? Which of these factors are most important?
- How do you describe pisco to customers? What aspects of the product are most important?
 - How can a consumer identify a high quality pisco? What should they look for?
- How would you describe that heritage/history in pisco? What traditions do you think are most important?
- In your opinion, what is special about Peruvian pisco? Chilean pisco?

Closing Questions

- Where to you see the state of pisco in the US in 5 years? 10 years?
 - What is needed to increase consumer knowledge of the beverage?
- Who else should I speak to that has knowledge of the pisco industry?

Interview Guide: *Distributors*

Background Information

- What is your role in the pisco industry?
- Can you describe your company/organization?
- How long have you been in the industry and how did you get involved?
- Do you distribute other spirits besides pisco? If so what?
 - How important is pisco for your business?
- What type of organization is your primary customer?

Quality

- What distinguishes the two pisco types? From other brandies? From other products?
- What factors contribute to the quality of pisco? Which of these factors are most important?
- How do you describe pisco to your customers? What aspects of the product are most important to them?
 - How can a consumer identify a high quality pisco? What should they look for?
- How would you describe that heritage/history in pisco? What traditions do you think are most important?
- In your opinion, what is special about Peruvian pisco? Chilean pisco?

Industry

- What have been the most recent shifts or changes in the spirits industry? (Probes – costs, popular types, consumption patterns, regulations, consumer expectations)
- How has your company responded?
- Do consumer expectations regarding pisco vary by producing nation? In what ways?

Organization of Industry

- How do you establish links with producers?
 - Does this process differ by spirit? If so how, and how is it established in pisco?
- What strategies do you think would be most effective in promoting and protecting Peruvian pisco? Chilean pisco?
 - What is the biggest obstacle to growth?
- What role does your organization, play in linking retailers, and producers?
- What are the major sources of information in the industry? Do the people and organizations in the industry collaborate? If yes, then how? If no, why not?

Closing Questions

- Where to you see the pisco industry in 5 years? 10 years?
 - What is needed to increase consumer knowledge of the beverage?
 - Who else should I speak to that has knowledge of the pisco industry?

Interview Guide: Producers

Background Information

- What is your role in the pisco industry?
- Can you describe your company/organization?
- How long have you been in the industry and how did you get involved?
- How large is your operation in terms of liters per year, hectares of land, and workers?
 - Probe: ask what skills are needed to produce pisco, and how labor is located

Quality

- What distinguishes the two from each other? From other brandy's? From other products?
- What factors contribute to the quality of pisco? Which of these factors are most important?
- How do you describe pisco to consumers? What aspects of the product are most important?
 - How can a consumer identify a high quality pisco? What should they look for?
- How would you describe that heritage/history in pisco? What traditions do you think are most important?
- In your opinion, what is special about Peruvian pisco? Chilean pisco?

Industry

- What have been the most recent shifts or changes in the pisco industry? (Probes – costs, popular types, consumption patterns, regulations, consumer expectations)
- How has your company responded?
- What are the biggest opportunities currently for producers?
- What are the major challenges for producers?

Organization of Industry

- Do you export your product? If so, what are the major international markets for pisco? How important are they for revenue?
- How do producers establish links with domestic retail markets?
 - Does this process differ for exports? If so how?
- What strategies do you think would be most effective in promoting and protecting Peruvian/Chilean pisco?
 - What is the biggest obstacle to growing the industry?
- What role do distributors play in linking retailers to producers?
- What are the major sources of information in the industry? Do the people and organizations in the industry collaborate? If yes, then how? If no, why not?

Closing Questions

- Where to you see the state of pisco in 5 years? 10 years?
 - What is needed to increase consumer knowledge of the beverage domestically? Abroad?
- Who else should I speak to that has knowledge of the pisco industry?

Interview Guide: Other Value Chain actors

Background Information

- What is your role in the pisco industry?
- Can you describe your company/organization?
- How long have you been in the industry and how did you get involved?

Quality

- What distinguishes the two types of pisco from each other? From other brandy's? From other products?
- What factors contribute to the quality of pisco? Which of these factors are most important?
- How do you describe pisco to others? What aspects of the product are most important?
 - How can a consumer identify a high quality pisco? What should they look for?
- How would you describe that heritage/history in pisco? What traditions do you think are most important?
- In your opinion, what is special about Peruvian pisco? Chilean pisco?

Industry

- What have been the most recent shifts or changes in the pisco industry? (Probes – costs, popular types, consumption patterns, regulations, consumer expectations)
- How has your company responded?
- What are the biggest opportunities currently?
- What are the major challenges?

Organization of Industry

- Do you assist in the export of pisco? If so, what are the major international markets for pisco? How important are they for revenue?
- How do producers establish links with domestic retail markets? In what ways to the aid this process?
- What strategies do you think would be most effective in promoting and protecting Peruvian/Chilean pisco?
 - What is the biggest obstacle to growing the industry?
- What are the major sources of information in the industry? Do the people and organizations in the industry collaborate? If yes, then how? If no, why not?

Closing Questions

- Where to you see the state of pisco in 5 years? 10 years?
 - What is needed to increase consumer knowledge of the beverage domestically? Abroad?

Who else should I speak to that has knowledge of the pisco industry?