The military action in Iraq 2003: Did the US boycott of French and German wines have any lasting effects?

Jan Bentzen, Valdemar Smith, The Aarhus School of Business

jb@asb.dk; vs@asb.dk

In the fall of 2002 the conflict between Iraq and the majority of countries in the Western World escalated. Ever since the UN weapons inspectors were asked to leave Iraq in the winter of 1998 Iraq had been under increasing suspicion of having developed chemical weapons of mass destruction. On September 12, 2002 President Bush suggested that the United Nations should consider a war against Iraq. In November 2002 the UN weapons inspectors returned to Iraq for the first time in 4 years meaning that Saddam Hussein accepted investigations without any limitations. However, during the next months the regime in Baghdad seemed to play ‘cat and mouse’ with the inspectors. This caused an even stronger pressure for an intervention in Iraq from the US. Still, many European countries did not think that there was enough evidence to justify an armed intervention in Iraq and the disagreement was especially between USA and France and Germany.

Parallel to preparing the war against Iraq, the public opinion in USA turned against France and to some extent also Germany for not supporting the armed intervention. Thus, gradually a boycott of French goods - and to a lesser extent also German goods - on the American market became an issue which no longer could be ignored during the winter of 2002/2003.

The purpose of this paper is to analyse how the boycott affected the demand for French and German wines on the American market. Comparison is made with the market development for Italian and Spanish wines on the American market because these two countries decided to be part of the so-called ‘joint forces’ in Iraq. Next, was there any effect on the demand for American wines in Europe, especially on the French and German markets? The effects, if any, may have been temporary, i.e. a >bubble= incident, or they may have been more permanent. By the use of monthly data over the period 1995-2005 for import and export of still wines and sparkling wines the question of an effective boycott is analysed using time-series intervention analysis. When eliminating seasonal and irregular components from the wine import data there seems to be empirical evidence in favour of boycott effects, especially for French wines on the American market.