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# Tracing the Impact of Migrants, Democracy and Globalization on the Chilean Wine Industry

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## Introduction

Wine enthusiasts, academics, and economists have documented the flourishing Chilean wine industry in the global market, a phenomenon that has garnered widespread attention, most notably in the past few decades.<sup>1</sup> Chilean wine has a long local history that spans hundreds of years, but only recently, and as a New World Producer, has it appeared onto the world wine market.<sup>2</sup> Although popularity for Chilean wine is on the rise, Chilean wine continues to face staunch competition from wines produced elsewhere in Latin America.<sup>3</sup> Nonetheless, experts agree that, despite the crowded market of wine producers, the characteristics of Chilean wine, as well as the attitudes and approaches to scaling wine production, are distinct from its neighboring countries.<sup>4</sup> This paper incorporates some insights gained from the 2018 International Immersion Program trip to Chile by taking a broad look at the history of Chilean wine. This discussion includes a brief overview of how the Chilean wine industry has been influenced by visitors from outside of Latin America, fluctuations in the country's governance and political structure, and the recent shift toward an export economy.

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<sup>1</sup> Christian Felzenstein, *The Chilean Wine Industry: New International Strategies for 2020* (Emerald Group Publishing Limited, 2011), 1.

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

## Early History and Distinctions from Argentina

Chile's wine industry that is the fourth-leading wine exporter to the United States after Italy, France and Australia.<sup>5</sup> The wine industry is a particularly important source of employment in Chile, and in the central valley, thousands of temporary fruit pickers travel to the region every March.<sup>6</sup> Although wine represents just 1 percent of Chile's exports, the wine industry currently employs 80,000 full-time workers, a number which continues to grow.<sup>7</sup> Historians, however, have not found strong evidence that alcohol production in Chile has been a longtime part of its cultural, labor, and economic history.

Historians have noted a lack of evidence that Chile's early indigenous populations had ever maintained practices for fermenting drinks prior to the arrival of Spanish conquistadores.<sup>8</sup> Most accounts point to the mid-sixteenth century as the temporal beginning of wine in Chile.<sup>9</sup> Jesuit priests from Spain introduced and planted vines for the production of sacramental wines, which were produced mostly from Mission or *pais* grapes.<sup>10</sup> It is believed that the first vineyards in Chile were planted by Francisco de Aguirre Copiapo in 1554 in northern Chile.<sup>11</sup> The wine produced by these grapes were not exported outside of Chile, and for the next several hundreds of years, the wine practices in Chile remained largely unchanged.<sup>12</sup> Nonetheless, the grapes that were brought to Chile fared quite well. The soil composition is ideal for grapes, the Pacific

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<sup>5</sup> Jonathan Franklin. "Chile Earthquake Rattles Wine Industry as Millions of Bottles' Worth is Lost." *Washington Post*, March 4, 2010. April 24, 2018. <http://www.washingtonpost.com/wp-dyn/content/article/2010/03/03/AR2010030304180.html?noredirect=on>.

<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

<sup>8</sup> Levi Dalton. "Episode 413: I'll Drink to That: Wine Writer Patricio Tapia." I'll Drink to That, podcast. March 14, 2017. April 24, 2018. [http://www.vinography.com/archives/2017/03/ill\\_drink\\_to\\_that\\_wine\\_writer\\_1.html](http://www.vinography.com/archives/2017/03/ill_drink_to_that_wine_writer_1.html).

<sup>9</sup> Ibid.

<sup>10</sup> Bayta Ungar-Sargon, "Is Chile's Troubled Past the Reason Its Wine's Future is So Bright?" *Vinepair Magazine*. August 2, 2017. April 24, 2018. <https://vinepair.com/articles/chile-wine-past-present-future/>.

<sup>11</sup> Ibid.

<sup>12</sup> Ibid.

Ocean to the west brings winds with salted moisture that helps cool the air, and wide day-to-night fluctuations set the stage for the most desired flavors and sugar levels. Even during its early history, the characteristics of Chile's geology and climate were perfect for winemaking.<sup>13</sup>

Many of the origins of Chile's great wine families can be traced to its early mining industry.<sup>14</sup> Students in the International Immersion Program visited the vast vineyards of Cousiño-Macul, a grape-growing powerhouse that was founded in 1856 and is currently the only 19<sup>th</sup> century winery in Chile that remains controlled by the original founding family.<sup>15</sup> There, students learned that many of the more sophisticated grape varieties came to Chile in the 1800s, but instead of Spanish priests bringing the new grapes, it was wealthy Chileans who, while on holiday excursions in Europe, admired the chateaus and vineyards of France and aspired to imitate in their home country what they had seen abroad.<sup>16</sup> Luis Cousiño, a founding member of Cousiño-Macul vineyards, acquired his wealth from his family's coal company and is one such example of wealthy Chileans bringing grape varieties from France.<sup>17</sup> These Chileans took a particular liking to France's Bordeaux region, and Bordeaux continues to have a predominant influence on the Chilean wine characteristics.<sup>18</sup> Patricio Tapia, a celebrated author and wine critic from Chile, says there are also technical reasons for why Bordeaux maintains an influence on Chilean wine.<sup>19</sup> For example, the alluvial soils in Bordeaux are similar to the alluvial soils in the Maipo region of Chile, a region where Cousiño-Macul and other grape-growers are active.<sup>20</sup>

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<sup>13</sup> Dalton (2011).

<sup>14</sup> Ibid.

<sup>15</sup> The Winebow Group. "Cousiño-Macul : Mundo Vino." The Winebow Group. 2018. April 24, 2018. <https://www.thewinebowgroup.com/our-brands/cousino-macul/>.

<sup>16</sup> Dalton (2011).

<sup>17</sup> The Winebow Group (2018).

<sup>18</sup> Dalton (2011).

<sup>19</sup> Ibid.

<sup>20</sup> Ibid.

In fact, the Maipo region in particular is the most important region for cabernet in Chile.<sup>21</sup>

However, Tapia asserts that the core reason that Bordeaux shapes the character of Chilean wine comes from the wealthy Chileans' desire to copy the high culture of France.<sup>22</sup>

To appreciate the different characteristics of Chilean grapes and the ways in which grape growers approach the production of wine, it may be helpful to compare and contrast Chilean wine with that of its neighbor Argentina.<sup>23</sup> Around the same time that Bordeaux was beginning to influence the wine industry in Chile, Argentina received an influx of immigrants from Italy and Spain.<sup>24</sup> Immigrants also came from France but largely from regions other than Bordeaux. Many of these immigrants had once worked in European vineyards and had travelled to the New World to find employment after the great phylloxera epidemic, where a devastating bacterium nearly wiped out the plantations across Europe.<sup>25</sup> To this day, and thanks in part to its climate and its geographical isolation, Chile is considered one of the only large-scale wine producers that has successfully avoided a phylloxera outbreak.<sup>26</sup> Tapia claims that the influence of immigration in Argentina is very much deeply rooted in its culture today, and the grapes that these immigrants brought from their home countries were different from the grapes that Chileans brought from Bordeaux.<sup>27</sup> As a result, many of the wines that are produced in Argentina have strong Italian and Spanish influences with characteristics that are unlike those found in Chile.<sup>28</sup>

Tapia further explains that in Argentina, because of immigration, the idea of making your own wine to your own tastes, and perhaps as part of your family tradition, has been entirely

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<sup>21</sup> Ibid.

<sup>22</sup> Ibid.

<sup>23</sup> Ibid.

<sup>24</sup> Ibid.

<sup>25</sup> Ibid.

<sup>26</sup> Ibid.

<sup>27</sup> Ibid.

<sup>28</sup> Ibid.

natural to Argentinians over the last hundred or so years.<sup>29</sup> Whereas in Chile, the mindset until recently has been overwhelmingly industrial.<sup>30</sup> According to Tapia, when Chileans think of producing bottles, they are trained to think in millions of bottles, not 500 or 100 bottles.<sup>31</sup> When someone studies winemaking in Chile, he says, the lessons teach students how to make large, market-scale quantities of wine.<sup>32</sup> Also, more prevalent in Chile than in Argentina is that large companies in Chile often prohibit winemakers to have side projects.<sup>33</sup> To Tapia's delight, it appears that a slightly less market-driven and more nuanced approach to wine-making is becoming increasingly prevalent.<sup>34</sup> Recently, there have been new movements of small grape growers in different regions of Chile, and a larger amount of artisanal and small-scale work is being introduced into the market.<sup>35</sup>

### **The Effects of Recent Political Regimes**

In the mid-1880s, the Chilean wine industry had grown modestly with some successful exports to the European markets. In 1938, the area of vineyards in Chile surpassed 100,000 hectares, but wine production remained largely focused on internal consumption. The Chilean wine industry made a downward turn at the beginning of World War II, and this period of recess lasted until the 1980s.

The story behind the resurgence of Chile's wine industry can be traced to the 1970 revolution, when socialist candidate Salvador Allende was elected as president. A large percentage of the Chilean population did not support Allende's victory, and this included entire industries, such as Chile's copper industry and its banks, which became nationalized under

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<sup>29</sup> Ibid.

<sup>30</sup> Ibid.

<sup>31</sup> Ibid.

<sup>32</sup> Ibid.

<sup>33</sup> Ibid.

<sup>34</sup> Ibid.

<sup>35</sup> Ibid.

Allende's administration. Most relevant to the wine industry was the government's seizure and redistribution of land that had been owned by wealthy Chileans. Between Allende and Eduardo Frei Montalva, the predecessor to Allende, many estates of the landed elite were expropriated from their wealthy owners and placed in government control in an effort to redistribute these assets among Chile's working classes.<sup>36</sup>

Wine experts today criticize the manner in which the land was divided, as some of the best wine-producing land was suddenly no longer appropriated for its best use. The concern about the preservation of Chilean vineyards was strengthened in light of the fact that, as mentioned previously, Chile is considered one of the only places in the world that grew original European varieties that had since been devastated from phylloxera. During Allende's administration, the remaining wine country and its producers were affected dramatically by increased taxes levied on the wine industry and social policies implemented to combat the consumption of alcohol.<sup>37</sup> Overall, Allende's economic and social policies as a whole were not successful in strengthening Chile's economy, and by 1972, the Chilean economy was in a downward spiral with high unemployment and food shortages.<sup>38</sup> These conditions set the scene for Augusto Pinochet to lead the Chilean army in a successful military coup against the Allende administration. Violence characterized Pinochet's regime from the very beginning. By the end of his rule, it is estimated that thousands of people had been killed, with 30,000 people tortured and nearly 4,000 people 'disappeared.'<sup>39</sup>

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<sup>36</sup> Antonio Bellisario. *The Chilean Agrarian Transformation: Agrarian Reform and Capitalist 'Partial' Counter-Agrarian Reform, 1964–1980* (California State Polytechnic University, 2006), 1.

<sup>37</sup> Ibid.

<sup>38</sup> Dalton (2011).

<sup>39</sup> Bayta Ungar-Sargon (2017).

After Pinochet came to power, he and his advisors set their sights to develop an economic platform.<sup>40</sup> His advisors recommended that his administration reach out to Chilean graduates from the University of Chicago, many of whom were pupils of Milton Friedman, a renowned economics professor who advocated for small government and deregulated markets as a path to economic prosperity.<sup>41</sup> The Chilean students who had studied at the University of Chicago came to be known as the “Chicago Boys,” and Pinochet offered them the opportunity to implement in Chile the free-market principles that they had studied in the U.S.<sup>42</sup> Heeding the Chicago Boys’ advice, Pinochet made attempts to reduce the size of the government, give back much of the state-confiscated land, and end trade restrictions.<sup>43</sup> Chile’s economy did not recover overnight, and it took time to reorganize labor and capital between the public and private sectors.<sup>44</sup> Further, Chile engaged in uphill battles against international recessions in the 1970s and 1980s that caused high unemployment and a plummeting GDP.<sup>45</sup> Over time, the Chilean economy found some stability, and today, Chile enjoys the strongest per capita GDP in Latin America. Scholars disagree about the extent to which Pinochet’s policies have led to a stronger economy, and many of them point to the widening disparities in wealth between the rich and poor.<sup>46</sup>

The landed elite who had lost land under Allende did not necessarily have the same locations and sizes of land returned to them. Some realized that they had acquired obsolete wineries that would require major investment and expertise to adequately bring back into

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<sup>40</sup> *Chicago Boys*. Directed by Carola Fuentes. Santiago: CNTV, 2015.

<sup>41</sup> Bayta Ungar-Sargon (2017).

<sup>42</sup> *Chicago Boys* (2015).

<sup>43</sup> Bayta Ungar-Sargon (2017).

<sup>44</sup> *Ibid.*

<sup>45</sup> *Ibid.*

<sup>46</sup> *Ibid.*

production.<sup>47</sup> Under Pinochet's regime, Chile's market structure was still not very amenable to foreign investment or large-scale exports. However, when Pinochet stepped down and the government returned to a democracy, new opportunities for wineries to raise capital emerged. Major investors of the last thirty years include Miguel Torres from Spain and members of the Rothschild family group, the latter of whom had acquired several chateaus in the Bordeaux region and was looking for other investments and bought substantial shares of Chilean wineries in the 1980s and 1990s.<sup>48</sup>

One article claims that most Chileans separate Pinochet as a dictator from the economic policies that he had implemented.<sup>49</sup> Some say that most Chileans acknowledge that Pinochet violated human rights during his rule, but not everyone is willing to reject the idea that his economic regime, particularly in terms of opening the economy, led to positive outcomes for the country. There were three instances during the 2018 International Immersion Program's trip to Chile in which students interacted with locals who stood by the belief that Pinochet was, overall, good for the country. The first instance was when the University of Chicago law students met with a handful of successful Chilean businessmen. A few of the wealthier Chileans shared with the International Immersion students that they personally wished that Pinochet was back in power for a variety of reasons. During another gathering on a vast estate, the retirement-age landowners of the property shared their disappointment about the way Pinochet was currently being treated in the criminal system. Lastly, the International Immersion group met with a number of public officials, but one congressman in particular has publicly expressed the notion

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<sup>47</sup> Frank J. Prial, "The Wine Regions: Chile; Land of Promise Seizes the Moment." *New York Times*. 1990. April 24, 2018. <https://www.nytimes.com/1990/05/02/garden/the-wine-regions-chile-land-of-promise-seizes-the-moment.html>.

<sup>48</sup> Ibid.

<sup>49</sup> Bayta Ungar-Sargon (2017).

that the human rights criticisms of events during Pinochet's regime are frequently part of socialist arguments aimed to attack ideals of freedom.

Even among those who do not enjoy the same wealth and privilege of the individuals described above, Pinochet is considered by some to have been a blessing. A journalist at Viña Montes's Apalta winery spoke with some women who were sorting grapes, and one of them alleged that they felt safer under the dictator's rule.<sup>50</sup> "Back in those days, you could walk down the street and no one would try to hurt you or try to do you any harm," she said. "Now it doesn't feel quite like that."<sup>51</sup> When asked if she knew anyone who had been tortured, or exiled, or killed, she and the other women around her laughed. "The truth is, no," she told the journalist. "But you can't talk about it...supposedly everything that happened during those times is bad, [b]ut it wasn't bad for us here. It felt good, safe."<sup>52</sup> It appeared that they didn't miss the right to vote during that time, either. "We couldn't vote, but things are not as bad as they are usually told in history," the woman explained.<sup>53</sup> These stories show that, although a larger number of Chileans agree that economic growth in a variety of industries followed Pinochet's regime, including the wine industry, the political perspectives surrounding his administration are diverse and complex.

### **Possible Free-Market Connections to Culture and Environmental Shocks**

Returning to Tapia's claim that Chileans have traditionally had a different attitude about how to carry out wine production, perhaps Pinochet and the Chicago Boys played a role in shaping the Chilean's tendency to view wine production in a more industrial, structured fashion than do Argentinians. One might consider the theory that the hard reset that Pinochet enacted on

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<sup>50</sup> Dalton (2011).

<sup>51</sup> Ibid.

<sup>52</sup> Ibid.

<sup>53</sup> Ibid.

the economy, with the emphasis on free-market principles and the encouragement of optimal-maximization of resources and outputs, economic actors were trained to and encouraged to think about commodities from practical and strategic investment viewpoints as opposed to more intangible motivations, such as tradition and hedonism.

Tapia also mentioned that Chile made headlines in 2010 after suffering from a major earthquake that killed more than 800 people. The massive earthquake also caused hundreds of millions of dollars in damage, “sending rivers of merlot and cabernet sauvignon pouring from cracked barrels and vat storage tanks onto warehouse floors.”<sup>54</sup> Officials from Chile’s biggest producers, representing 95% of the industry, concluded that the earthquake’s effects on their business were not as bad as initially feared.<sup>55</sup> “Many wineries that lost 80 percent of their production are publicly saying just 15 percent was lost,” said one wine executive who spoke on condition of anonymity, citing the fear that distributors would cut off wineries thought to be most heavily damaged by the quake.<sup>56</sup> “This is an incredibly touchy subject.”<sup>57</sup> Tapia claims that small producers were hurt the most.<sup>58</sup> With small producers disproportionately bearing the burden of the earthquake, one might wonder if this is an indication that the industrial mindset in the wine culture and wine industry of Chile squeezes out smaller producers and opportunities for diversity and creativity.

Tapia says the new generation of in the Chilean wine industry is changing the attitudes of the wine industry.<sup>59</sup> The older generation had been known to care only about exploring the wines from Napa and Bordeaux.<sup>60</sup> Today’s newer generations are curious about wine all over the

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<sup>54</sup> Jonathan Franklin (2010).

<sup>55</sup> Ibid.

<sup>56</sup> Ibid.

<sup>57</sup> Ibid.

<sup>58</sup> Dalton (2011).

<sup>59</sup> Ibid.

<sup>60</sup> Ibid.

world, including places such as in the country of Georgia.<sup>61</sup> The new generation is also much more open to ideas about innovations in winemaking and experimental flavors.<sup>62</sup> Chile is experiencing a rise in new and independent growers, many of whom have created interesting partnerships with one another.<sup>63</sup> For example, the members of MOVI, the Movement of Independent Vintners, describes themselves as having “a modern perspective on Chile... a complementary and contributing [to a] counter-culture that contrasts the antiquated notion that Chilean wine lacks personality.”<sup>64</sup> Its members say they believe in shaping a broader mosaic of Chilean wine “with character and quality on a human scale that demonstrates a more profound Chile – Chile actually.”<sup>65</sup>

### **Conclusions and projections for the future**

The Chilean wine industry is marked with a long history of influences by people from diverse countries and socio-economic policies. Newcomers to Chile grew the country’s first vineyards, and when the wine industry was opened to the world in the 1970s and 1980s, foreign investments helped scale and bring the wine industry to the global marketplace. Although the first grapes grown in Chile were not of the highest quality, the physical environment and climate in Chile proved to be ideal for the most prized varieties that were eventually brought to Chile by its residents, particularly those who had returned to Chile after traveling in France. While the geological setting for growing grapes was promising, the Allende government’s confiscation of land, including healthy hectares used for agriculture, led to the destruction of many of the oldest and most valued vineyards. The wine industry experienced a downturn alongside the greater

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<sup>61</sup> Ibid.

<sup>62</sup> Ibid.

<sup>63</sup> Ibid.

<sup>64</sup> The Movement of Independent Vintners. 2017. April 24, 2018. <https://www.movi.cl/>.

<sup>65</sup> Ibid.

Chilean economy during the country's socialist regime, but the economy and the wine industry appeared to find new life under the rule of a dictator who returned some of the confiscated lands, including former vineyards, to its previous owners. This same administration enacted a multitude and variety of policies aimed at opening the country's markets to the world. Since then, Chile's wine industry has progressed with an industrial hum. Despite increased recognition and acclaim from around the world, the present profitability levels of Chile's wine levels are relatively low. Scholars have attributed low profits to high levels of global competition.<sup>66</sup> Some strategists claim that the industry needs to elevate its premium wine portfolio and increase its average prices in order to achieve sustainable, long-term returns.<sup>67</sup> However, many younger generations of grape growers are taking steps to control the future of Chilean wine in ways that appear to be innovative and counter to tradition. Among the greatest takeaways from the 2018 International Immersion Program to Chile was to appreciate that Chile has exceeded its Latin American neighbors in its economic and political stability in part because of the achievements, industry, and creativity of its diverse people—qualities that one would reasonably predict will support the continued growth of all aspects of the country, including the global reach of its wine industry.

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<sup>66</sup> Christian Felzenstein, 2.

<sup>67</sup> Ibid.