

U.S. Engagement in Chile: The Wine Industry

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Left: Cork from a Chilean wine/ Pulpolux !!!/ [Flickr/ Creative Commons License](#)
Right: Display of bottles of Chilean wine/ David Almeida/ [Flickr/ Creative Commons License](#)

Wine production in Chile dates back to the 16th century, when it was introduced by Spanish colonizers. Nevertheless, production remained relatively unchanged through the 20th century, focused on traditional methods marketed for domestic consumption. However, Chilean wine underwent a sea change beginning in the late 1980s and early 1990s, as liberalization and democratization opened opportunities for massive upgrades in quality and opportunities for export to new markets.¹ Throughout the 2000s and 2010s, global recognition for the quality of Chilean wine has steadily grown, allowing producers to carve out a well-defined niche in a highly competitive market. Today, bottled wine is Chile's third most valuable export after copper and salmon; exports to the U.S. alone in 2019 totaled \$238 million, reflecting the vital importance of wine to Chile's economy.² The U.S. has played a key role in Chile's wine export success story: the market opportunity represented by the US economy drove expansion, technology transfers from U.S. experts helped Chilean wine compete on the global markets, and U.S. corporate investment and joint ventureships have been profitable and have increased the quality of Chilean production.

Demand from the massive U.S. market has been a key factor in spurring the growth and quality improvements of Chilean wines. Though Chilean exporters were eventually able to diversify their export markets to include Europe and Asia, the U.S. was one of the first international markets targeted by producers, as the explosion in U.S. wine consumption in the 1990s and 2000s provided an important incentive for Chilean producers to invest in quality improvements and marketing abroad.³ Reflecting the importance of the U.S. market, Wines of Chile, a public-private partnership that markets Chilean wines, maintains a permanent U.S. office and runs events throughout the U.S., and frequently hosts their annual awards show in New York. Wines of Chile also sponsors

ongoing visits from expert American sommeliers to provide feedback to Chilean industry reps on how to improve their marketing approaches, responsiveness to the needs of U.S. buyers and their penetration of the US market.⁴ The rapidly growing wine tourism industry also represents a fast-growing new market opportunity; behind Brazil, Americans are the second largest international presence in vineyard visits (about 9 percent of overall visitors).⁵

Furthermore, given their similar geography and experiences as ‘new world’ wine producers, there has been an extremely rich knowledge exchange and technology transfer between Californian and Chilean wine makers. In a process of ‘learning by looking’, many Chilean winemakers have made their way to the U.S. to learn directly in California vineyards in “technology capture tours”, frequently sponsored by the Chilean government; American oenologists have also at times been brought in as consultants to support Chilean winemaking.⁶

An exemplary success story of technology and knowledge exchange between the U.S. and Chile is the relationship between UC-Davis and the Chilean wine industry. The relationship dates back to the 1960s, when a number of Chileans, the “Davis Boys”, studied agricultural sciences and returned to Chile to help transform Chile’s fruit export economy. In 2010, the relationship was sparked again through the signing of two MoUs between UC-Davis and a range of Chilean public and private partners, focusing on placing Chile’s wine industry on the cutting edge of production technologies. The first initiative centers on grape breeding and genetics, including genetic identification and sequencing of key Chilean varieties to maximize productivity and quality. The second initiative focuses on ‘extension’, that is, making new research developments and technology accessible and responsive to Chilean growers and producers. In 2015, UC-Davis opened its Life Science Innovation Center in Santiago with a multi-million-dollar budget to support the Chilean agricultural industry through research and development projects, followed by the Viticulture and Enology Extension Center of Southern Chile (CEV del Sur), dedicated to providing technology extension services to growers in southern Chile.⁷

Finally, U.S. foreign direct investment and joint ventures have played a key role in pushing forward innovation, technological advances, and access to international markets. A notable early partnership was formed between the most prominent wine producers in Chile, Concha y Toro, and Banfi, an American wine distribution company in 1988, allowing Concha y Toro to gain a foothold in the U.S. market and opening the door for Chilean exporters. The California winemaker Robert Mondavi established operations in Chile through a joint ventureship with a Chilean company in 1996 and has gone on to build a robust set of holdings in Chile. Other notable brands with holdings in Chile include Kendall Jackson and Canandaigua Brands.⁸

U.S. investments form an important part of a wave of external investments that, aside from their mutual profitability for Chilean and foreign companies, have had a number of beneficial impacts on Chile’s wine sector. The entrance of foreign investors with a wealth of previous experience in wines in the 1990s and 2000s generated an “innovating shock” for Chilean wine through knowledge transfers, demonstrations of new wine-making technology and success in foreign markets, forcing the rest of the sector to adapt.⁹ New innovations for Chile included advanced trellis systems, drip irrigation, lowering yields and stainless steel tanks, among others, leading to a marked increase in quality.¹⁰ Additionally, joint partnerships have offered Chilean winemakers prestige, access to distribution channels, marketing know-how and knowledge about foreign demand, allowing producers to position themselves far more effectively in foreign markets.¹¹

Endnotes

¹ Benavente, José. “Wine Production in Chile.” *Technology, Adaptation, and Exports: How Some Developing Countries Got It Right*, 2006, 225–42; Murray, Warwick E., and John Overton. “Divergent Pasts, Parallel Futures? Between Competition and Co-operation in the Argentinian, Chilean and New Zealand Wine Sectors.” *The Journal of New Zealand Studies*, no. 11 (2011).

² United States Trade Representative. “Chile.” Accessed April 22, 2021. <https://ustr.gov/countries-regions/americas/chile>.

³ Agosin, Manuel R., and Claudio Bravo-Ortega. “The Emergence of New Successful Export Activities in Latin America: The Case of Chile.” Research Network Working Papers. Inter-American Development Bank, 2009.

⁴ Shara Hall, Lisa. “How Wines of Chile Is Marketing Wines to U.S. Sommeliers.” *Wine Business Monthly*, 2008. <https://www.winebusiness.com/wbm/?go=getArticleSignIn&dataId=55361>.

⁵ Figueroa, Eugenio, and Elena S. Rotarou. “Challenges and Opportunities for the Sustainable Development of the Wine Tourism Sector in Chile.” *Journal of Wine Research* 29, no. 4 (2018): 243–64.

⁶ Benavente, “Wine Production in Chile.”

⁷ Fernandez-Stark, Karina, and Penny Bamber. “Wine Industry in Chile.” In *Services in Global Value Chains*, 559–92. WORLD SCIENTIFIC, 2016; UC Davis. “UC Davis Chile Life Sciences Innovation Center.” Accessed May 13, 2021. <https://chile.ucdavis.edu/en/research-development>.

⁸ Agosin and Bravo-Ortega, “The Emergence of New Successful Export Activities in Latin America.”

⁹ Kunc, Martin, and Tomas Bas. “Innovation in the Chilean Wine Industry: The Impact of Foreign Direct Investments and Entrepreneurship on Competitiveness.” Working Paper. AAWI, 2009.

¹⁰ Sawyer, Christopher. “Chile Moves from Quantity to Quality.” *Wine Business Monthly*, 2004. <https://www.winebusiness.com/wbm/?go=getArticleSignIn&dataId=36261>.

¹¹ Kunc and Bas, “Innovation in the Chilean Wine Industry.”

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