Wine, Society, and Geopolitics

How History, Political Economy, and Wine Intersect in the Caucasus and Beyond

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On November 13, 2018, the Russia and Eurasia Program of the Center for Strategic and International Studies (CSIS) and the America-Georgia Business Council co-hosted the conference Wine, Society, and Geopolitics: How History, Political Economy, and Wine Intersect in the Caucasus and Beyond. A day of discussion brought together government officials, wine historians, economists, political scientists and industry representatives in a rare interdisciplinary effort to discuss wine in the context of its significance to international economics and politics, using Georgia and the South Caucasus from early history to the present as case studies.

The conference was comprised by three panels: 1) Wine, Politics, and Society in Historical Perspective, 2) The Geopolitics of Wine Today: Trade, Tourism, and International Relations; and 3) Foreign Investments, Local Economies: Case Study of Georgian Wines in the DC Market.

Georgia presents a useful case study for discussions of the origin, spread, and impact of wine culture, the emergence of the wine trade, the political and economic dimensions of wine, and on wine as a driver for investment, trade, and tourism. Georgia’s long experience with viniculture provides
ample data for analysis. While in some ways, wine's contribution to the country's cultural diversity, spirituality, and prosperity is unique, the experience of Georgia is relevant to efforts to understand the role of wine globally.

**Wine, Politics, and Society in Historical Perspective**

The first panel discussion took as its starting point the November 13, 2017 publication of the Proceedings of the National Academy of Sciences of the USA, which confirmed Georgia to be the home for the earliest grape wine and viticulture discovered in the world thus far. Two of the report’s authors Dr. Patrick McGovern and Dr. Stephen Batiuk explained how wine originated, evolved, and spread first in the Middle East and later into the Mediterranean and throughout Europe. Panelists explored the importance of culture as a factor of wine's international spread. Wine served as a social lubricant, religious symbol, and medicine. With the wine trade came the diffusion of viniculture into different parts of the world. As a source of wealth, wine also played a role in economic and political disputes. For example, fine wines were one of the major prizes for German conquerors of Roman Empire in Northern Italy and Gaul.

Panelists described ongoing archaeological efforts at the Gadachrili Gora site in Georgia and how scientists seek and identify examples of winemaking in the context of early Neolithic agriculture and society. Dr. Batiuk from the University of Toronto noted that by this period, wine had become a marker of prestige and economic capacity.

Dr. Rachel Berdson from the University of Maryland introduced the concept of “winescapes” to describe how human beings interacted with wine in a broader eco-system. She described this as the “interplay of vineyards, wineries . . . physical structures, wines, natural landscape, setting, people . . . heritage, towns and their architecture and artifacts within them.”

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**Human environment interactions of Georgian Winescapes**

- **Humans in Georgia**
  - Shulaveri-Shomu Tepe, Colchians, Christians, wine growers and drinkers, tourists

- **Ecosystem services**
  - Cultural: identity, literature, music, rituals, religion
  - Provisioning: wine exports, wine tourism

- **Georgian Environment**
  - Mudbrick architecture, trellises, irrigation, drinking vessels, qvevri, viticulture, tourist sites
  - Altitude, latitude (41-44 deg. N)
  - ample water, inclination, exposure to sun, geology, soil, climate; grape varietals; tree cover and resin

*Source: Dr. Rachel Berndtson (University of Maryland), “Cultural Ecosystem Services of Georgian Winescape” presentation*
The Geopolitics of Wine Today: Trade, Tourism, and International Relations

The second panel turned more directly to politics and economics. Kym Andersen explained that it had taken 3,500 years for *Vitis vinifera* cultivation and wine production to spread from the Caucasus to the Eastern Mediterranean (6000BC to 2500BC) and another 3,000 years to penetrate north into temperate Europe (by 400AD). It then took 1,100 more years before wine cultivation made it to Latin America (by the 1520s), South Africa (1655), Australia (1788), and California (1820). Trade was mostly in vine cuttings and production methods, not in wine itself. It was too costly to ship most wine until the 1700s, when corked bottles lowered spoilage rates. Furthermore, most wine production in the New World was not internationally competitive before the 1990s. In part, this was because import tariffs imposed by New World wine-growing countries gave producers little incentive to improve their wines. Moreover, New World producers cultivate only a few wine grape varieties, limiting their place in the global market—and consumer expectations in those countries and beyond.

In 1860, France, Italy, and Spain accounted for over 75 percent of global wine production and consumption. At that time, only 5 percent of global wine production crossed borders. As late as 1950, less than 5 percent of wine was exported. Today, the figure is 40 percent. Wine quality is also increasing, as is its price, which doubled in real terms between the 1960s and 1990s. Wine markets worldwide are now highly competitive, and quality wine is widely available. This development has been helpful for Georgian winemakers as they seek to establish themselves in global markets. Most Georgian wine is sold in the popular premium price category.

In recent years Georgia has been successful in branding the country as a “cradle of wine.” UNESCO recognized the ancient qvevri winemaking method in the Representative List of the Intangible Cultural Heritage of Humanity in 2013. Aside from its history, Georgian wine has been recognized for its quality, with Georgian producers attaining high rankings and ratings from publications like *Wine Spectator*, *Decanter*, *Wine Enthusiast*, *Wine and Spirit Magazine*, *Food and Wine Magazine*, the *Washington Post*, and others.

Georgian wine sales continue to increase, with the country’s wine exported to 53 countries in 2018. Russia remains the dominant market by far, but Ukraine, Poland, China, and Kazakhstan play an increasingly important role. Georgia is also now exporting other wine industry products, such as brandy and chacha, Georgian pomace brandy.

The success of Georgia’s wine in the global marketplace has raised the country’s profile more generally, supporting other exports and tourism. The economic benefits are clear. From a geostrategic perspective, Georgian wine is representative of how trade can be negatively and positively affected by a country’s foreign relations. In 2006, Russia banned the import of Georgian wine (and other products). On the one hand, this step was immediately harmful to Georgia’s economy, which had depended on the Russian market. On the other hand, it helped push Georgia to diversify. When Georgian wines returned to Russian markets after the ban was lifted in 2013, they did so in even greater sales than before. Georgia’s wine exports are now more likely to withstand any future downturns in the relationship with Russia or with other customers.

To date, Georgia’s wine exports do not reflect its increasingly close political ties with Western countries—though Georgian producers would like to see this change. Boosting exports to the United States, United Kingdom, the Nordic countries, and others would be particularly beneficial given their high purchasing power. In Western markets, however, Georgian winemakers have not been as consistently successful as they have in longer-standing markets such as Russia and Ukraine. Large producers, especially, have not adapted their tactics from those developed for domestic and traditional markets, a point discussed by...
Lisa Granik, a Master of Wine. However, as the final panel showed, a new generation of winemakers is identifying approaches likely to find more success in a variety of markets.

Wine has also helped spur tourism to Georgia, and vice versa. In 2017, Georgia’s tourism-related revenues hit $2.7 billion, and in 2018 exceeded $3 billion. And 2018 was a record-setting year in terms of the number of visitors to the country—8,679,544—of whom more than half stayed a night or more in Georgia, thus qualifying them as tourists. While wine-focused tourism may not be dominant in the total spectrum of visitors, almost everyone who comes to Georgia drinks its wine and brings that experience home with them. Moreover, the number of tourists coming to Georgia specifically or in part to explore its unique and diverse wine culture is growing. The Georgian hospitality sector has already responded. Retailers like 8,000 Harvests, hotels like Vinotel, wine bars like Vino Underground, as well as wineries’ retail outlets in larger cities have become major tourist destinations for foreign visitors, as well as for Georgians.

The growing interest in Georgian wines also attracts foreign investors. Some visionary investors successfully invested in the early stages of the revitalization of the Georgian wine industry. Large wineries like Teliani Valley, Schuchmann Wines, and Chateau Mukhrani have sizable Western investments, but there is also a growing number of smaller boutique wineries with foreign direct investments, as well as small and large hotels in wine-producing areas. The first Radisson Collection hotel opened recently in Tsinandali, in the heart of Kakheti, the main wine-producing area of the country.

Foreign Investments, Local Economies

CASE STUDY OF GEORGIAN WINES IN THE D.C. MARKET

The third panel was focused on the discussion of the practical experience of promoting Georgian wines in the Washington, D.C. market, and what their experience means for Georgian “wine diplomacy” today and into the future. Washington is an international city with a great variety of cuisines and a large wine selection. Competing in this market is not easy. However, these same factors also create advantages for Georgian wines and foods. The openness of Washington’s wine-buyers and restaurant-goers to new concepts is one reason that establishments offering Georgian wine have been successful. Another is that at least some residents of Washington, D.C. are more likely to be familiar with Georgia than those of many other U.S. cities—and they can spread the word, both in their city and beyond. Already, American sommeliers know Georgian grape varietals such as saperavi, mtsvane, and tsolikouri. In this way, the growth of Georgian wine and food in D.C. presents a foothold for other places. And again, while the translation into geopolitics is not evident as yet, greater knowledge of Georgia in the United States is generally seen as a boon for the country well beyond wine sales as more Americans (and others) become familiar with and interested in Georgia.
Conclusion

Wine culture has emerged as one of the key drivers for interest in and knowledge about Georgia around the world. This development drives exports and attracts tourists, contributing to Georgia’s economic development and growth. A great deal of room for growth remains, but trends are positive. Georgia is targeting the U.S. market for two reasons. First, it is a large market with tremendous potential. Success in the United States could mean a great deal to Georgia’s economy. Second, larger wine sales on the U.S. market would further reduce Georgia’s dependency on Russia, with whom relations remain volatile, and other traditional markets.

Geopolitics has already had an impact on Georgian wine, and Georgia is trying to learn lessons from that experience. This reality speaks to the relationship between Georgia’s wine business and its international political position and underlines the relevance of Georgia as a valuable case for studying these relationships.

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