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Let's Eat

Appetite Grows for European Food

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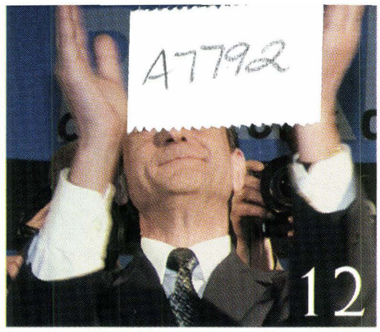

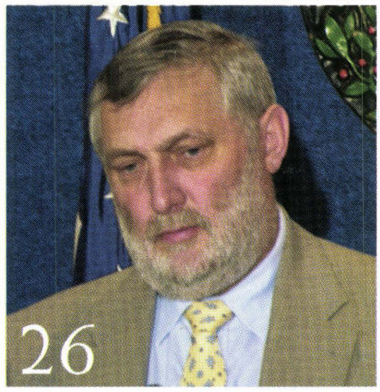

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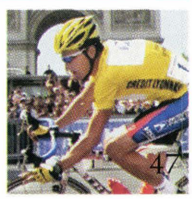

LETTER FROM THE EDITOR

Good food and wine and beer are synonymous with Europe. But Americans don't have to travel far to get a taste of Europe.

"Americans are increasingly getting a taste of Europe at their grocery stores, but they may not know it," writes Robert Lever in his article on the growing influence European food companies have in the US. He notes that "in the last few years, European retail groups have been gobbling up US supermarkets and expanding their presence on American soil."

The Belgian based Delhaize Group owns Food Lion and Dutch based Royal Ahold owns the east coast Giant Food chain. A German family owns the US-based Trader Joe's chain, which sells discount gourmet foods.

A waiter serves a platter of bouillabaisse at a café in Cassis, France.

In our special issue looking at European food we point out that "the world's largest food company, Nestlé, based in Switzerland with around 500 factories and 225,000 employees, is followed by another European based firm, Unilever, the Anglo-Dutch giant selling products ranging from butter to soap." Many brands Americans assume are US-owned are indeed owned by these and other European food chains including Danone and Diageo.

EUROPE also looks at the pleasures of eating and drinking Europe's finest products, from French truffles and Irish cheeses to German beer and Spanish cava. Our fifteen Capitals correspondents profile favorite native foods from their countries and discuss how the markets for these products are expanding around the globe.

Ester Laushway takes us on a food tour of France that makes us want to sample the flavorful dishes from Normandy to Alsace. However, be warned: Her mouthwatering descriptions of the *carbonnade Flamande* and the *baba au rhum* as well as the bouillabaisse, are enough to send one racing to catch the next flight to Paris.

For a broader perspective on the food sector, *EUROPE* turns to European Commissioner for Agriculture Franz Fischler, who recently was in Washington, DC to meet with his counterparts in the Bush administration and in Congress. In a wide-ranging interview, the commissioner discusses the European Union's Common Agricultural Policy, the eradication of foot-and-mouth disease, the upcoming trade round, the effects of EU enlargement on Europe's farm sector, and genetically modified food.

This month we also focus on France, which is gearing up for its presidential election next year, most likely between President Jacques Chirac and Prime Minister Lionel Jospin. However, as Axel Krause reports from Paris, there is a "third man" in the campaign, namely Francois Bayrou, who "has an upbeat, serious, and very pro-European message that could work to his advantage" and could shake up the two-man race.

Meanwhile, on the local political front, Paris has a new mayor. Bertrand Delanoë is a low-key ambitious Socialist, who has many plans to reform the present city government. He is also campaigning hard for his city to be named the host of the 2008 Summer Olympics by the International Olympic Committee next month.

Robert J Guttman

Robert J. Guttman
Editor-in-Chief

EUROPE

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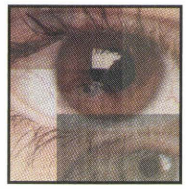


CYPRUS LEADS APPLICANTS IN MEMBERSHIP PREPARATION

Who, among the thirteen candidate countries, will be the first to join the European Union? This question will probably not be resolved until next year when the detailed bargaining with the ten countries currently negotiating reaches its climax. Yet already two alternative scenarios are being hotly debated.

One, which is probably still the majority view, is that the Union should try to ensure that all ten should be admitted at the same time, even if this means some extra delay for those countries that are closest to meeting the membership terms. The second view is that an advanced group of the four countries that most clearly meet the criteria for membership—Hungary, Estonia, Slovenia, and Cyprus—should be rushed through in time for them to participate in the 2004 European Parliament elections and in the intergovernmental conference planned for the same year.

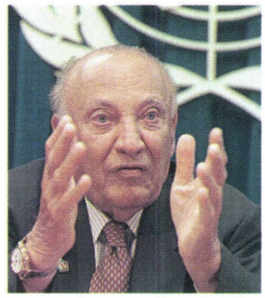
This would be technically possible, but some question its political feasibility. Could the Union really envisage relegating Poland, the largest of the ten applicants and the first country to break free from communist domination, into a second division? It has clearly fallen behind some of the others in its membership negotiations, and its large farming sector means that it will be the most difficult country to satisfy when the talks reach the vital agricultural chapter.

Yet if other states are held up, it will infuriate their governments and their populations. A blunt warning was given to the European Parliament in April by Endre Juhàsz, the chief Hungarian negotiator, who said, "We are adopting a 'no wait' policy, according to which no candidate country, which has fulfilled membership criteria, can be forced to wait for another candidate country which has not yet done so."

If this problem does arise, it will present a difficult dilemma for the EU heads of government, who effectively will have to make the decision. They are hoping that it will be avoided by a spurt in Poland's membership preparations and in the rhythm of its adhesion talks. What is already certain is that if there is to be an advanced group, the claims of Cyprus to be included will be overwhelming, and this too could face the EU leaders with a dilemma.

Cyprus, whose population is a mere 865,000, should create no economic problems for the EU. It has by far the highest standard of living of the applicant countries, has the longest established democratic institutions, has made the most progress in aligning its laws with those of the EU, and has completed more chapters (eighteen out of thirty) than any other applicant. Nor does it seem at all likely that any of the twelve remaining chapters will present intractable problems.

The most difficult chapter so far was that on the free circulation of capital, where the presence of more than 30,000 offshore companies on the island and the well-founded suspicion that some of them had been involved in money laundering for the Russian mafia and for Slobodan Milosevic caused considerable concern. The Cyprus government, however, has enacted strict new laws against money laundering and has invited in a team of experts from the European Commission and from member states to advise on their implementation.



Cyprus President Glafcos Clerides

So the prospect for an early and successful conclusion of the negotiation is extremely good. The problem—and it is a major one—lies in the continued division of the island between its Greek and Turkish-speaking zones. The Helsinki summit, in December 1999, ruled that a solution to this division could not be a pre-condition to EU accession.

They no doubt hoped that this announcement would put pressure on the Turkish Cypriots, and on Turkey, whose troops control the northern part of the island, to reach agreement with the Greeks on reunification. Unfortunately, it has not had this effect. If anything, the Turkish Cypriot leader, Rauf Denktash, has become even more obdurate, and he walked out of the 'proximity talks', which the UN had arranged between him and Cyprus President Glafcos Clerides in Geneva last January. More recently, his right-hand man, Ergün Olgun, was in Brussels, darkly warning of "a spiral of escalation that would not help the EU's interests."

Denktash justified his walkout on the grounds that he had not been recognized as the leader of a sovereign state. His hauteur was ill judged. If, as he claims, he wants a settlement that will be in the interests of his fellow Turkish Cypriots, he really has little to fear from direct talks with the Greek side. The difference between them is largely a semantic one: Clerides wants a federation, Denktash a confederation. In practice, any federation that was agreed would likely be a very loose one, with few powers reserved for the center and each community left in charge of its own affairs.

If he is not prepared to test the Greeks' intentions in direct talks with them, the EU will have little option but to go ahead and accept the Greek controlled area as a member state. That, however, would be a great pity and would put at risk the recent rapprochement between Turkey and Greece and the EU. It is clearly in Turkey's interest, and in that of its own candidature for membership, to lean on Denktash to rejoin the mediation efforts, which the UN hopes to resume in early July.

—Dick Leonard

EURO NOTES

Reporting news, notes, and numbers from Europe's financial centers

ECB'S SPRING SURPRISE

After sustained pressure from inside Europe and across the Atlantic, the European Central Bank finally cut interest rates in early May to maintain growth in the euro zone.

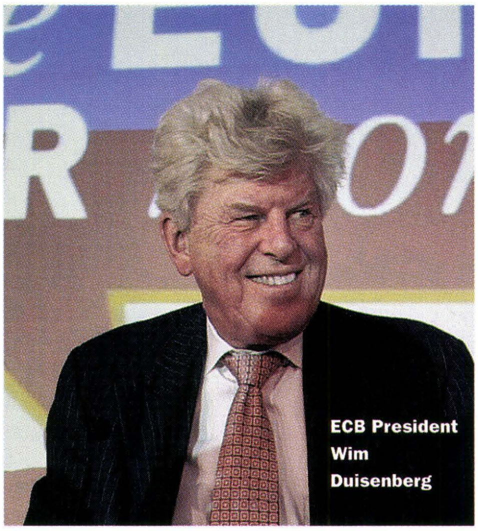
The 0.25 percent cut brings interest rates in the euro zone to 4.5 percent, but it took financial markets by surprise. Wim Duisenberg, president of the ECB, had previously appeared immovable in the face of criticism, offering one of the central banking sound bites of the year: "I hear, but I do not listen."

The pressure for a cut came partly from some finance ministries in Europe but more directly from across the Atlantic. The International Monetary Fund argued forcefully that rates were too high. The US Treasury voiced indirect support, seconded by the Paris-based Organization for Economic Cooperation and Development.

The clamor for a rate cut and the corresponding defiance from the ECB highlighted a transatlantic divide in perceptions of the role of monetary policy and the role of the euro zone as a potential motor for world growth.

The US Federal Reserve has taken a consistently relaxed view of asset prices and changes in household and corporate indebtedness. Throughout the 1990s, it has focused largely on promoting growth, subject to an unspecified ceiling on inflation.

The ECB, which is largely modeled on the German Bundesbank, has consistently taken a hawkish line on inflation, in line with its mandate under the 1992 Maastricht Treaty. It has also been far more cautious in its assumptions about growth rate potential in Europe than the US where economists have regularly extolled the New Economy productivity miracle.



ECB President Wim Duisenberg

The stock market correction on Wall Street has taken some of the gloss off this miracle. Indeed, throughout the spring, Alan Greenspan, chairman of the Federal Reserve, has expressed concern about the steep decline in information technology-related spending and excess inventories and the resulting sharp slowdown in US growth.

Greenspan told colleagues that the US slowdown, coupled with the severe problems facing Japan, have put the world economy in a tight spot. Europe, which should see at least 2.5 percent annual growth this year, is the single relative bright spot. Famously careful with his choice of words, Greenspan has avoiding dropping hints that the ECB should cut rates. But Treasury Secretary Paul O'Neill hinted as much when he complained that Europeans were living in a make-believe world if they thought they could insulate themselves against a US slowdown.

However, it is far from clear that the American-led view is correct that economies cannot grow quickly if the rest of the world is stagnating. After all, the US accomplished that very feat itself. Between 1992 and 1999, US growth averaged 3.6 percent compared to the EU's 1.9 percent and Japan's paltry 1 percent. Also, the euro zone is a fairly closed economy; its gross domestic product in 1999 was three-quarters of that of the US, while the ratio of external trade to GDP was 27 percent, compared to 24 percent for the US.

The counter-argument to an early cut in rates is that Duisenberg is more right than wrong about inflation. Shortly after the rate cut, Germany, France, Spain, the Netherlands, and Ireland, which account for almost 70 percent of output in the euro zone, reported higher than expected inflation, above the ECB's target ceiling of 2 percent. This could mean that average consumer price inflation in the spring of this year could be running well above 2.5 percent. But officials point out that ECB monetary policy is geared to the medium-term outlook, say over the next eighteen months. In this case, the outlook is more benign.

Furthermore, as the *Wall Street Journal* pointed out in a recent editorial, despite the Fed's aggressive interest rate cuts, the market rates on both short-term and long-term debt securities in the euro zone are below US rates. This lag in demand points to continuing capital outflow from the euro zone, hardly a recipe for increasing the demand for euros. Indeed, many observers believe that the weakness of the euro, in spite of the US slowdown, suggests that investors still want to see tangible evidence of structural economic reforms, notably in European labor markets. Thus, the ECB's refusal to bend to pressure for a cut in rates for most of the first half of 2001 is certainly more defensible in economic terms than critics claim. But it is also defensible in political terms.

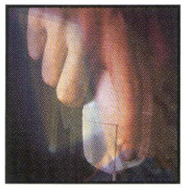
The greater the clamor for rate cuts, the more the ECB has resisted, if only to demonstrate its independence. In this sense, public remarks by the likes of Didier Reynders, the outspoken Belgian finance minister of the euro group, have been exposed as counterproductive.

This ought to provide Duisenberg and his colleagues in Frankfurt with comfort as they seek to pursue a sound medium-term policy at the cost of short-term political advantage. But the risk is that the sudden move in early May could end up confusing financial markets. In this area, the Fed, under Greenspan, has displayed a surer touch in managing expectations and guiding the markets.

—Lionel Barber

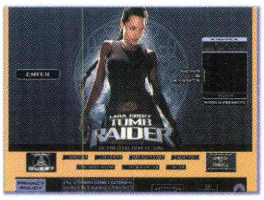
e-EUROPE

Tracking the news and trends shaping Europe's technology sector



LARA CROFT'S COMPANY NEEDS CASH

Although its heroine is swinging into theaters in a blockbuster summer movie and the computer gaming industry is expanding rapidly, the company that owns one of the world's most popular computer games faces financial difficulty. The UK-based Eidos, whose flagship *Tomb Raider* series starring cyber babe Lara Croft, asked investors for an additional $72 million to help cover a combination of expenses and help stabilize the company as the important Christmas shopping season approaches.



Eidos hopes the film based on its computer game will boost sales.

In its annual report sent to stockholders on June 1, Eidos reported a $134 million loss for the year ending March 31, which included $73 million in write-offs related to a failed investment in Express.com, a CD and DVD retailer.

The company also revealed it was contesting two lawsuits. Relatives of victims of the 1999 Columbine High School shooting have named Eidos in a suit that alleges violent video games played a role in the massacre. The other case stems from the use of team trademarks in the company's *UEFA Champions League* game.

In addition, the annual report disclosed a $3 million royalty payment to *Tomb Raider* creator Jeremy Heath-Smith, whose Core Design game studio was acquired by Eidos in 1995.

The company's cash crunch comes at a bad time. Market analysts have high expectations for the computer gaming sector during the second half of the year, as a highly anticipated new generation of game consoles will hit stores this fall. Nintendo plans to unveil its new GameCube, and Microsoft will enter the multi-billion-dollar gaming market with the Xbox. While the stocks of game software creators, such as Electronic Arts, Activision, and THQ have seen massive gains since the beginning of the year, Eidos' stock has been stagnant at around $5 per share, trending slightly downward since last summer.

This gloomy outlook could brighten quickly if the *Tomb Raider* movie is a hit. Opening later this month, the film stars Oscar-winning actress Angelina Jolie as a flesh-and-blood version of the voluptuous digital heroine. Eidos executives hope that a runaway hit at the box office will give its sales a major boost heading into the holiday shopping season. If the movie bombs, the company might need more than just Lara Croft to save it.

AOL'S EUROPEAN EXPANSION

Web giant AOL says it's focused on increasing its European profile, and its first target is offering one-price unlimited Web service. With close to 32 million subscribers worldwide but only 4 million in Europe, AOL says it intends to build international revenues to account for half its business in the next decade. Last year, the firm derived nearly 83 percent of its revenues from the US.

Currently, Europe's on-line sector is dominated by three companies, all of which are owned in part by telecom companies: Wanadoo (France Telecom), Germany's T-Online (Deutsche Telekom), and Terra Lycos (Telefonica of Spain). However, all three combined have fewer than 22 million subscribers, and none are profitable. T-Online, which also has operations in Austria, France, Portugal, Spain, and Switzerland, lost $144 million last year. Wanadoo—which owns the UK's biggest Internet service provider, Freeserv, and serves Belgium, Denmark, Morocco, the Netherlands, and Spain with smaller operations in other markets—lost $120 million. Terra Lycos, which was formed in October when Terra Networks bought the US-based Web portal Lycos, lost $89 million in the quarter that ended March 31.

Part of the problem is that Internet usage in Europe is expensive. Since local phone charges in Europe generally accrue by the minute, most European markets lack one-price unlimited Internet access, which is the norm in the United States. So far the big telecom companies, all descendents of the former national monopolies, are reluctant to give up the steady stream of cash generated by a metered telephone line and allow a Web surfer to tie it up for long periods at a fraction of the cost. Frustrated consumers have called on their governments to force the telecoms to dedicate more lines to unlimited Internet service.

So far, AOL has launched its one-price access in two European markets. Last year, the company offered French Web surfers a one-price deal and has seen its subscriber base grow at record pace, surpassing 1 million members this month. In March, AOL offered UK subscribers unlimited access for about $20 a month and expects similar growth in that market. Future, one-price deals are expected in other European markets later this year, although the company says much depends on governments forcing the telecom companies to dedicate more lines for Internet access.

VATICAN RULES ON E-CONFESSIONS

While the Vatican recognizes the power of the Internet, the Holy See says it will not sanction e-confessions. In a statement to the Italian media quoted by Reuters, a Vatican official said the body's Pontifical Council for Social Communication would release a document reaffirming that confessions take place face-to-face between a priest and parishioner.

The president of the council, Archbishop John Foley, was quoted as saying, "The Internet is a wonderful instrument for evangelization and pastoral service, but it will never be possible to confess on-line."

—*Peter Gwin*

By Axel Krause

France Gears Up for Elections

Nation seeks new direction and world role

In his latest book, *Les Français,* former French president Valéry Giscard d'Estaing writes, "The French must stop clinging to the past and discover modernity."

"I disagree," responds Philippe Méchet, director general of the influential SOFRES polling and research organization, "Giscard hasn't seen the changes, how French society is changing."

These strikingly different views reflect a deep, heated, and controversial debate gripping France in the run-up to national elections in the spring of next year, centering on two questions: Where is France headed politically? What role should it play in the world?

These perennial questions, but particularly the answers, are expected to shape the perplexing, agitated mood of the country in the coming months and the voting for France's next president (who will now serve a five-year term instead of the previous seven years in office) and for deputies to the National Assembly, which is currently controlled by a leftist coalition led by Socialist Prime Minister Lionel Jospin, himself considering a presidential run.

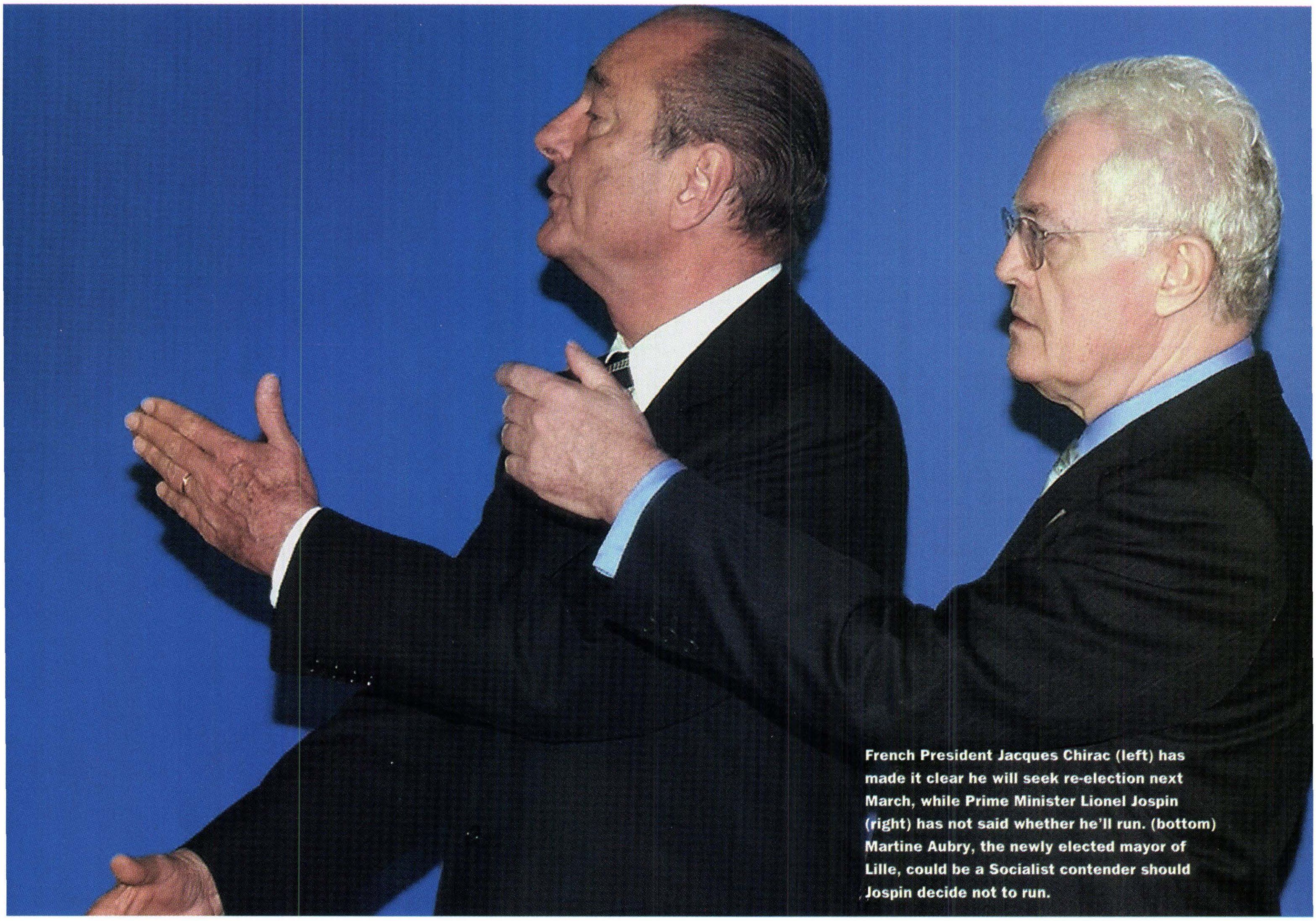
Although Jospin has indicated he might not run, most political leaders and analysts fully expect that the hard-driving and dour prime minister will challenge the gregarious and equally determined President Jacques Chirac, a Gaullist conservative, who has already made it clear he seeks re-election next March.

By then, both men will be into their sixties. But as summer approached, they were already campaigning around the country, amid growing signs of strained disagreements between them as it became obvious that *cohabitation*—the power-sharing arrangement that began for them in 1997 when Jospin and his allies took control of the National Assembly—was ending.

Jospin appeared tense, impatient, occasionally displaying irritation at several of his ministers, coalition partners, and even French journalists for not being more supportive of his policies. Chirac appeared relaxed, more detached, but worried about deep, acrimonious divisions in conservative ranks and still annoyed that his party had lost control of Paris in the March municipal elections.

Meantime, the younger, popular Francois Bayrou, leader of the center-right Union for French Democracy (UDF), has already proclaimed himself "the third man," amid growing consensus that he has an upbeat, serious, and very pro-European message that could work to his advantage and lead to an upset, particularly for Chirac, whose party traditionally competes for centrist-leaning voters with the rival UDF.

"As we are changing our currency (francs to euros, starting next January), the French also, rightly, want to change



French President Jacques Chirac (left) has made it clear he will seek re-election next March, while Prime Minister Lionel Jospin (right) has not said whether he'll run. (bottom) Martine Aubry, the newly elected mayor of Lille, could be a Socialist contender should Jospin decide not to run.

current policy," says the fifty-one-year-old Bayrou, who is a member of the European Parliament. His UDF scored impressive victories in twenty-five cities in the March municipal elections, including Strasbourg and Blois, longtime bastions of Socialist rule, as well as Toulouse, Orléans, and Rouen.

Bayrou, a former education minister who several years ago succeeded Giscard as UDF party leader, says repeatedly that "the French want clear, simple answers to questions they ask." He emphasizes that these include France's future role leading the European Union, a question Chirac and Jospin deliberately shunned in the aftermath of a lackluster EU summit meeting in Stockholm in late March.

"Our methods are disastrous. Our ambitions are limited," a somewhat-defensive Chirac commented at the close of the summit. This statement contrasted with Bayrou's repeated urging that the EU adopt a constitution, elect an EU president, and grant more powers to the European Parliament, a view shared by some leaders in neighboring EU countries notably German Chancellor Gerhard Schröder, who disclosed that he would be pressing other EU members to adopt a similar blueprint that calls for radically strengthening the powers of the European Commission, the European Parliament, and creating a second chamber to replace the Council of Ministers that would be modeled on Germany's Bundesrat.

In late May, Jospin outlined his vision of the future of the EU, which he declared was far more than a unified commercial market but a "model society, reflecting a vision of the world." He called for maintaining a strict power balance between the EU's three main political bodies—the Commission, the Council of Ministers, and the European Parliament—and proposed that in the future, the Commission president be designated from the ruling party or coalition in the European Parliament.

Meanwhile, few of Bayrou's fellow citizens have paid much attention to his message in the absence of an open, national debate on France's role in the European Union. This reinforced a widely held view in Europe and particularly in the United States that France was adrift at home and somehow slipping as a leader on the world's diplomatic stage.

Blaming the media, France's seasoned ambassador in Washington, François Bujon de l'Estang, does not hide his frustration and annoyance at what he terms "French bashing" in the "serious" US press. He and other French officials claim the American media unfairly depicts their country as politically divided, arrogant, aggressive, and anti-American in its approach to foreign policy and inward-looking, protectionist and administratively-rigid at home. In effect, a weakened EU power, compared to Germany and the United Kingdom.

Indeed, argues Giscard d'Estaing who agrees with this assessment, the decline of France from its once-lofty role as EU leader is but a reflection of the nation's inability to change and to successfully challenge the United States, which French Foreign Minister Hubert Védrine constantly describes as a "hyperpower." With an eye on strained transatlantic relations, Giscard d'Estaing, in his book, urges both Jospin and Chirac to "stop viewing confrontation as the preferred road to progress."

Yet, the former president fails to provide a detailed response to the question: What role should France play, particularly with regard to the Bush administration? In varying degrees, Jospin and Chirac continued to view the administration with a mixture of guarded hostility, suspicion, and perplexity.

"The [Bush] administration, with the notable exception of (Secretary of State Colin) Powell, is ignorant, skeptical, or opposed to what we are trying to accomplish—with regard to the environment, Iraq, EU defense, for example," a high-ranking French diplomatic official told *EUROPE*, requesting anonymity. He added, "We are looked upon as being difficult, arrogant, seeking to disrupt NATO cohesion…so our role must be to educate them, from the president on down."

Fresh from his party's success in the municipal elections, François Bayrou, leader of the center-right Union for French Democracy (UDF), has proclaimed he will run in the French presidential elections.

Not surprisingly, English is now the workin[g]
companies, such as Vivendi and automake[r]
of opposition in some companies less tha[n]

Similarly, Chirac, in a major speech to the United Nations meeting in Geneva during March, vehemently criticized the Bush administration for not only abruptly abrogating its commitment to the UN-backed Kyoto Protocol, aimed at reducing worldwide emissions of greenhouse gases, but for continuing to support the death penalty in the United States. He restated his "preoccupations" to Powell during his first visit to France as secretary of state on April 11. Powell politely responded that he had "taken note" of European misgivings about the administration's foreign policy.

Attempting to reassure French leaders, former ambassador to France Felix Rohatyn said in an interview with the daily newspaper *Le Figaro* published April 12 that Védrine's apparent desire to "emancipate" France from American influence wasn't really necessary. "You already are very emancipated. You are not a superpower," Rohatyn said, "but you are a big power." He also noted that France's constant maneuvering to somehow escape the influence of US power "is a very French idea," not generally expressed in Germany, the United Kingdom, Italy, or Spain.

Behind the measured pessimism, diplomatic posturing, hand-wringing, and soul-searching, other, more-positive forces were beginning to emerge as the summer approached, notably signs of an improved economy at home and the apparent absence of recession in the United States. That assessment was confirmed by Jean-Claude Trichet, governor of the Bank of France, who told *EUROPE* that France currently was "one of the pillars for robust growth in Europe."

Speaking with foreign journalists recently, Philippe Méchet said that, of course, France still faced a range of problems at home. These include waves of paralyzing strikes; a relatively high level of unemployment of just less than 9 percent, representing some 2 million people; economic growth of just less than 3 percent but declining; growing violence in schools and suburbs; food scares and corruption scandals in-

> anguage for Alcatel and other French
> enault, a practice that sparked howls
> en years ago.

volving both Socialists and conservatives. They include Chirac, who recently refused to testify as a witness in connection with allegations of municipal corruption and illegal party financing while he was mayor of Paris, from 1977 until elected president in 1995, invoking presidential immunity.

But, Méchet insisted, changes, many for the better, were sweeping the nation: gradual disappearance of racism and integration of ethnic minorities, notably Algerians; improved attitudes toward work, business, music, and American culture, particularly among youth. Jospin's government can take credit for having helped create 1.5 million jobs, many subsidized and in the public sector, while reducing government deficits and some taxes. In early May, the Organization for Economic Cooperation and Development gave France high marks in its semiannual economic outlook report. "France has so far largely escaped the production slowdown observed in other OECD countries" in North America, Europe, and Asia, with overall performance resembling a "bright landscape." The Paris-based agency noted that "output growth has remained strong, job creation vigorous...the composition of growth has been dominated by business fixed investment and exports." Today, concludes Méchet, "Morale among the French is relatively high."

Nowhere is this reflected better than among France's multinational companies and their chief executives for, as Rohatyn also said in his interview, when it comes to economic and business performance, "France has no reason to have complexes" among the world's industrialized countries. According to the Bank of France, French companies and financial institutions last year invested a record $23.8 billion abroad, mainly in the United States and Canada, for acquisitions, up sharply from $13.7 billion in 1999 and $5.4 billion the year before.

Among these was the friendly takeover by France's communications giant, Vivendi, of entertainment and liquor giant, Seagram Company, whose holdings included Universal Studios, ranking the French company the world's second-largest in its field, behind AOL-Time Warner. Its gregarious CEO Jean-Marie Messier recently announced plans to now spend roughly half his time in the United States in order to manage the new, French-controlled conglomerate and explore new investment opportunities there, notably with the financial community.

Following a string of smaller, high-tech acquisitions in the United States and the recent announcement of a possible purchase of Lucent Technologies, Serge Tchuruk, CEO of Alcatel, one of the world's largest telecommunications companies, is fond of saying, "We're not really a French company anymore."

Not surprisingly, English is now the working language for Alcatel and other French companies, such as Vivendi and automaker Renault, a practice that sparked howls of opposition in some companies less than ten years ago. The switchover is never easy for the French. Tchuruk, who began his career with the US oil company Mobil, rising to CEO of its Benelux subsidiary, recalls sitting around discussing strategy with his French colleagues recently, when one executive suddenly realized they were all speaking English. "Wouldn't it be easier if we used French?" he asked. "We quickly switched," Tchuruk recalled with a chuckle.

Direct investments in France also rose sharply last year—to a record $6.4 billion, according to the Bank of France, up from $4.9 billion in 1999 and $3.5 billion the year before. The government agency DATAR and its Invest in France network reported in early April that of the 563 investment projects decided last year—up 26 percent from 1999—the United States was again first, with 178 projects, followed by Germany with 102. Meantime, the two agencies confirmed plans to merge into a single Agency for International Investments, including their branches throughout the world, to better compete, notably against the United Kingdom, which among EU countries still outranks France for incoming, foreign investments.

However, at about the same time DATAR announced these results, the ailing British retail chain Marks & Spencer said it was closing all its stores in Continental Europe, eliminating 1,700 jobs in France alone. Alerting French employees by e-mail, with no advance warning as required by French law, the move touched off angry protests by French workers and criticism of the Jospin government for allowing it to happen. Jospin pledged sanctions against Marks & Spencer as well as legislative action that would discourage shutdowns of profitable businesses in France, whatever their nationality, as a handful of French-owned companies announced layoffs and plant closings.

Angrily, business and conservative political leaders nevertheless attacked the government for lacking fresh ideas and being unrealistic in its approach to business management. Only a few weeks earlier, reflecting the strain of four years in power and the heavy criticism, which he claimed was unfair, the prime minister mused that he might not run for president if conditions were not right. "I could be a candidate, but I don't need to be," he said.

Yet, in mid-April, he pledged a series of reform measures to boost government financial help for the unemployed and to protect jobs, reflecting renewed determination to press on, as national opinion polls showed him still very close to Chirac in terms of popularity.

Should Jospin decide not to run, several colleagues were ready and quietly waiting—Martine Aubry, for example, who was narrowly elected mayor of Lille in the March municipal elections and is the highly ambitious daughter of former European Commission president Jacques Delors. Another is Elisabeth Guigou, who succeeded Aubry as Jospin's employment minister but failed in her bid to become mayor of Avignon, although she is expected to remain a force in French politics.

Asked in one of the polls during late April who they would like to see as a presidential candidate, 56 percent picked Chirac, 53 percent Jospin, and Aubry took third place with 39 percent of those surveyed. Ⓔ

Axel Krause, based in Paris, is a EUROPE *contributing editor.*

Jean-Claude Trichet
Governor of the Bank of France

Ever since the Bank of France was created by Napoleon in 1800, few, if any, governors have been considered as bright, dedicated, and politically astute as Jean-Claude Trichet. A graduate of France's elite grandes écoles, having served former President Valéry Giscard d'Estaing and several French finance ministers, including Jacques Delors, he was appointed governor in 1993. Intensely interested in literature, particularly poetry, which he writes in his spare time, the fifty-eight-year old Trichet is widely regarded as a leading candidate to succeed Wim Duisenberg as president of the European Central Bank before the Dutchman's eight-year term ends in 2006.

Trichet spoke to EUROPE *contributing editor Axel Krause about the economic outlook in the United States and Europe, France's role in leading an EU recovery, the euro, and the future of central banks. The interview was conducted in French in his Paris office in the seventeenth century Hôtel de Toulouse on the Right Bank.*

EUROPE INTERVIEW

There has been much talk about a possible recession in the United States. What is your assessment?
First, I am on the side of those who, with the [US] Federal Reserve, consider we are probably not in the presence of a recession currently but a slowdown, without expectations of an actual decline of gross domestic product in 2001 or of a technical recession. Second, I foresee a rebound in the second part of the year.

What about next year?
The probability is that growth in the year 2002, on average, will not be as brilliant as in previous years but significantly robust.

Is the current downturn healthy?
Clearly, this soft landing, provided it remains a relatively measured slowdown, is probably useful in the sense that it could help correct certain disequilibria in the American economy, such as the insufficient levels of savings, relative to domestic investment, and the deficit in the current account of the balance of payments.

Do you agree with some estimates that US growth will average only around 1 percent or less this year?
I do not comment on growth figures... central bankers, as a rule, preoccupy themselves mainly with inflation. I prefer to leave it at that.

How do you react to recent warnings that inflation is reemerging in the United States caused by the unwinding of the 'new economy' and overcapacity? Is the Federal Reserve reacting wisely?
I have total confidence in the Federal Reserve and the Open Market Committee and its chairman, Alan Greenspan, to take the necessary steps to avoid a return of inflation. Maintaining financial stability is our responsibility, our duty as central bankers and not just in the United States.

What is your reaction to recent statements by several EU leaders that Europe's economy can be immune to the slowdown in the United States?
I do not believe anyone in Europe can say Europe won't feel the impact of the American economic slowdown just as the United States cannot be isolated from Europe, cut off from growth trends here, whether up or down. We are mutually interdependent by virtue of free trade and the free flow of capital in the context of the globalization we have all accepted. But this interdependence has its limits. Domestic demand plays a very important role in fostering growth. I hope the European economy will continue growing, even as the American economy experiences slowdown or a soft landing.

Can France, with the highest growth rate among major EU members, act as a locomotive for other member states that are lagging, such as Germany?
France has indeed undergone relatively significant growth during the past four years. And France's expansion has been somewhat faster than several other, major European countries. This has been accompanied by a surplus in the current account balance of payments. The competitiveness of the French economy is, for the time being, sound. And we are proud that here at the Bank of France, with successive governments, to have contributed, amid a domestic political context of multi-partisanship. It would, however, be an exaggeration to say we are Europe's locomotive. Let's just say we are one of the pillars for robust growth in Europe.

With the euro entering EU life next January, academics and observers here say that the French, particularly shopkeepers, are not prepared, skeptical, and simply confused about what is coming. Do you share these impressions?
No. A certain number of recent surveys of public opinion show, to the contrary, that the French are now more optimistic about the euro, more in favor, and that a majority consider themselves adequately informed about the euro. This being said, it is also true that we

must prepare ourselves actively and carefully, improving explanations and communication, and have confidence in the ability of our fellow citizens here and of the 304 million citizens in Europe to undergo a smooth transition.

What, specifically, is being done?

The French government is the leader for preparing the general public of some 60 million people and is doing a good job. The Bank of France has a special responsibility for preparing the financial sector and organizing fiduciary circulation. A sector that deserves special attention is non-financial business, particularly medium and small-sized firms, including those in consumer services. Although the euro, in the form of bills and coins, will only be in circulation in January, euro transactions in the form of checks, bank transfers, and cards will be fully operational in the second half of this year.

What is the future of the Bank of France?

Today, we are already in a new system, "the Eurosystem," made up of thirteen [central bank] institutions, which metaphorically speaking resembles a sports team. There are monetary players on the ground in Europe: the national central banks. And then there is a coach who defines strategy and tactics of the single currency and the common monetary policy: This is the European Central Bank. For the European monetary team to win, namely to deliver price stability, the players on the ground must play well, with teamwork, applying impeccably the coach's strategy and tactics. That is what we are doing.

More concretely, what activities will change or disappear?

Euro or no euro, we will have to deliver the best quality of services possible. Therefore, improvements in quality will be essential and, when necessary, restructuring. Thus, within the Eurosystem, a large number of activities will be streamlined, but they will not disappear. We will, for example, continue refinancing all French commercial banks in France in euros, of course. The same will happen elsewhere, from Portugal to Finland. This basic function of the Eurosystem is thus decentralized, handled by national central banks. We have also adjusted, adapted ourselves, to applying the same monetary policy in an extremely coordinated, totally transparent manner, and explaining this to our citizens and the world's markets. Confidence in the currency is absolutely essential.

Your comments would suggest the European Central Bank resembles the Federal Reserve System.

Yes. There are similarities but also differences. The letter and the spirit of the Treaty of Maastricht [establishing the ECB in 1992] are to have a system that is, on the one hand, profoundly unified, with a common currency and monetary policy, and on the other, one that is decentralized in terms of operations.

What is your reaction to those in the European Parliament who argue the ECB, unlike the Federal Reserve, lacks transparency and should be far more accountable to it?

The Maastricht Treaty provides for a wide range of ways in which the European Central Bank relates to the European Parliament and the European institutions. . . For example, at any time, the European Parliament can ask the president of the European Central Bank to explain the monetary policy decided upon by the Council of Governors. This, I believe, corresponds to accountability [of the Federal Reserve with regard to Congress] as it is practiced in the United States. A difference is that the televised [congressional] hearings of Alan Greenspan provide visibility...we have far less of this televised coverage in Europe, but it doesn't mean we have less contact with the European Parliament.

Some twenty years ago, Federal Reserve Chairman Paul Volcker startled a critical Senate hearing by commenting, "The Congress created us, and the Congress can uncreate us." Can you imagine an ECB president ever saying that with regard to the European Parliament?

No. Because the European Central Bank and the Eurosystem were established by an international treaty. Thus, it was the people of Europe through their representatives, or by referendum, that created the system. To "uncreate" us would require a consensus among those with treaty-making powers. But I do not believe anyone, here or in the United States, considers this desirable or likely.

Would you agree that the ECB has as its main priority fighting inflation, whereas the Federal Reserve is more flexible and open in its approach to the American economy?

I am not at all convinced that there is such a great difference between Europe and the United States. First, our national law and the Maastricht Treaty call for a first priority—price stability. In the approach of European legislators, it is not for the ECB and the Eurosystem to act as the arbitrator between price stability, economic growth, and job creation. Their idea is that price stability, meaning low inflation, creates the best conditions for growth, job creation, and the fight against unemployment. Because low inflation preserves and reinforces the purchasing power of households and preserves strong competitiveness. My colleagues at the Federal Reserve, members of the Open Market Committee, say exactly the same thing. We very much agree on the overall concept—creating the conditions for durable expansion—even though the manner in which we accomplish this may appear different.

But don't you have far more difficulty reaching a consensus on decisions given the disparities in economic performances of EU members?

I do not believe that is the case. Each member of the [interest rate-setting] governing council is empowered as an expert. Not as an expert representing his own country, but the overall interest of the 304 million inhabitants in the euro zone. The entire system is based on the idea that every governor of every national central bank, as well as the members of the [ECB] executive board, must decide on the basis of the higher interest of the zone.

But are national interests, or economic trends, really converging?

Yes. We are in a system that is becoming increasingly integrated. We are largely in phase with regard to the business cycle throughout the zone. Our regional or national disparities in inflation or growth rates are no greater than those we still observe in longer-established, common currency zones, such as the United States. We have the means to manage monetary policy within our very large zone. Ⓔ

By Axel Krause

Paris Has a New Mayor

Socialist Bertrand Delanoë has big plans for the French capital

"I am international, with an English grandmother born in the eighteenth arrondissement...with our planned reforms, I embody much of what a Paris mayor should be."

—*Bertrand Delanoë at an open market in Paris, March 31, 2001*

Barely a week after his tumultuous victory over entrenched conservative Gaullists, the newly elected Socialist mayor of France's largest city was busy shaking hands with well-wishers and explaining his plans, which include leading Paris' campaign to host the 2008 summer Olympic games. "I spent my first, very busy day as mayor greeting and working with the visiting IOC evaluation committee, and we think we can win," he said.

But, he quickly added, "We have many other priorities for the city over the next six years," which involve fighting heavy pollution, drugs, crime, improving schools, and the sprawling city's public transport through tramways—all without increasing taxes. "The funding will come from cuts in wasteful, existing programs," he said, which includes elimination of lavish expense accounts, rent-free apartments and chauffer-driven cars for officials, and serving alcoholic beverages in the city hall's snack bar.

Several days earlier, Hein Verbruggen, the Dutch president of the fifteen-member International Olympic Committee team, which also evaluated bids from Beijing, Toronto, Istanbul, and Osaka, praised the newly elected Paris mayor. "We were most impressed by not only the city's facilities, but the mayor's keen interest, support, knowledge, and efforts of the government, which is understandable but impressive," Verbruggen told reporters. He confirmed that the IOC will announce the winner July 13, amid frank admissions by IOC officials that before coming, they had only a vague idea of who now ran the city. Late last month, Paris, along with Beijing and Toronto, were named finalists to host the games.

Indeed, before his election, few non-Parisians and even fewer foreigners, knew much about Delanoë, except, perhaps, that he was openly homosexual and that he was battling for the control of the Hôtel de Ville, Paris' city hall, Since 1977, Paris city politics have been dominated by the neo-Gaullist Rally for the Republic (RPR) party of President Jacques Chirac (who served as mayor from 1977–95), and his successor, Jean Tiberi, amid charges and governmental investigations into corruption at city hall that, during their successive terms, allegedly benefited the RPR and its leaders.

As a harbinger of next year's presidential and legislative elections, these charges were expected to fuel and significantly influence debate in the national campaign now underway in which Chirac, seeking re-election as head of the RPR, will continue defending himself against Socialist Prime Minister Lionel Jospin, whose friendship with Delanoë dates back over two decades.

A slightly built man, who is affable, cultivated, rigorous, and fiercely ambitious, Delanoë is anything but charismatic; the *Nouvel Observateur* weekly news magazine termed him *"l'antistar"* (the anti-star). For decades, he built his political career on remaining a Parisian, shunning national ambitions, and cultivating his commitment to helping the city's growing, multicultural minorities, many, like him, of North African origin, which reflects his views about some other large cities. He is fond of telling Americans that he admires New York because it is a melting pot, Los Angeles because it is "Latin," and Capetown for its "contradictions."

Throughout the battle for control of the city in which he was pitted against the RPR's Philippe Séguin, also Tunisian-born and a former president of the National Assembly, Delanoë repeatedly emphasized that Paris needed

Bertrand Delanoë, the new mayor of Paris, celebrates his electoral victory on March 18.

to enter "a new democratic era, liberated from affairs of corruption…to become a city open and tolerant, a European city in action."

Not surprisingly, the print media in France, but particularly in the United Kingdom, reported on his homosexuality, which he disclosed publicly during a television program in November 1998. It didn't seem to weigh heavily in the final voting. Delanoë handily beat Séguin, scoring 49.6 percent of the popular vote in the city's twenty arrondissements, thus assuring a comfortable majority of the 163 seats in the city council. "I'd like it if nobody gave a damn (about a mayor being gay), and it's clear to me that nobody does," he said. Indeed, many voters decided, there was a lot more to their new mayor than his private life, which also includes regularly smoking slim cigarillos.

Like many Parisians, he came from somewhere else, born in Tunis, Tunisia, fifty-one years ago to French parents. His father was a geometrician, and his mother worked as a nurse to help support their four children. One of Delanoë's teachers in Bizerte, Tunisia, recalled her earliest impression of him for *Nouvel Observateur*. "Talented, a bit of a dreamer, who got upset when criticized but never doubted his future success." At the age of fourteen, nicknamed "Mickey," for Mickey Mouse, he and the family moved to settle in Rodez in southern France, where he first became interested in politics, although his parents saw him as a future diplomat or lawyer.

"At the age of fifteen-sixteen, he was already reading *Le Monde*," one of France's leading national newspapers, recalled a childhood friend recently. "While we were in the café, talking about our favorite subjects, he was buried in his daily reading of the paper," she said.

A graduate of the Toulouse University department of economics and law, Delanoë became active as a member of the Socialist Party in his early twenties. In 1973, he landed his first party job as deputy secretary in the region of Aveyron, surrounding Rodez. Four years later, he had settled in Paris, elected a member of the city council. He never left its ranks, even when in 1981 he won a seat in the National Assembly. (French politicians may simultaneously hold municipal and national offices.) In 1986, his national career suffered a blow when he failed to win support from fellow Socialists for a more powerful position in the National Assembly.

Disappointed and frustrated, he started his own public relations and advertising firm in Paris, while succeeding Jospin as city councilman in the eighteenth arrondissement, which boasts the famous landmark Montmartre and is the birthplace of his English grandmother. Over the years, he advanced steadily, becoming opposition leader at the Hôtel de Ville and national spokesman for the Socialist Party.

In 1995, although he also became a senator and secretary of its foreign relations and defense committee, Delanoë concentrated his political efforts on forging alliances with the Green and Communist parties. Encouraged by Jospin and the Socialist Party, his key goal was ousting the conservatives, who had controlled the city even before direct elections were started in 1977, dating back to the revolutionary commune of 1871. That year, violent battling in the city also led to the burning of the Hôtel de Ville, which later was soon rebuilt in its current pastiche, neo-Renaissance style.

Delanoë has settled into his new office in that building overlooking the right bank of the Seine River and quickly taken charge of running an operation bigger than most government ministries, comprising some 4,000 employees and an annual budget of $4.4 billion. Between party rallies, the mayor-to-be and budget director, Jospin's former finance minister Christian Sautter, have overhauled substantially spending plans that now call for outlays of $1.7 billion over the next six years, yet without raising taxes.

"We will do it because of cost-cutting planned in areas where generous subsidies are not needed," he said, citing such examples as the lavish expense accounts and the $5.3 million that the city has been spending to support a popular soccer team. Why cut alcohol in the heavily frequented snack bar? "I enjoy a drink as much as anyone," the mayor quipped, "but it's not exactly compatible with serious, municipal governance." A full audit of the city's finances was launched by Delanoë and Sautter, with a view to moving quickly on several, major projects, notably the construction of a tramway network that would circle the city and be linked to planned Olympic sites in the adjoining northern suburbs.

"I have lots of ambition, and I lack neither pride nor proudness," he said, "but for those who suggest we are building the tramway for the games, I say it is not true…we were planning it well before the candidacy went forward. Because we want it." ⓔ

Vive Le Cap

Globalization has forced the French to embrace the 'c' word

Vivendi chairman Jean-Marie Messier has transformed a lowly water utility to a global multimedia giant.

Capitalism is no longer a dirty word in France. Despite a centuries-old tradition of a state-directed economy, the new global reality has forced French firms to sink or swim in the era of globalization. It's not your grandfather's France anymore. Concepts like entrepreneurship, venture capital, and corporate governance are taking root as the state steps aside in directing the economy.

Alcatel, for example, has shaken off its tradition of a protected supplier of telecommunications equipment to become the world leader in some of the key Internet technologies. Accor has built itself from a small hotel group to the number one company in lodging. And Vivendi has grown from a lowly water utility to one of the world's biggest media entertainment groups.

The change has been accelerated by the elimination of trade and other barriers in Europe and the increasingly global flow of capital. However, French companies have found especially fertile markets for growth in the United States.

Alcatel, for example, which began more than 100 years ago as an electric company and was nationalized after World War II, some years ago became a huge conglomerate, involved in everything from shipbuilding to trains to wine. But in the last five years, it has been on a buying spree in the United States, sharpening its focus on telecommunications to compete with the likes of Lucent Technologies (which it had been in negotiations to purchase), Cisco Systems, and Canada's Nortel Networks.

Today, Alcatel is the global leader in technology for digital subscriber lines (DSL), the fastest growing segment of high-speed Internet connections. In 2000, it had 130,000 employees in 130 countries and sales of $4.2 billion.

In the United States, Alcatel sales have hit $6.6 billion, from just $500 million five years ago. Still, many have viewed Alcatel as an ordinary phone maker, and the company has been seeking to boost its profile with a series of ads in recent months, although it sells little directly to consumers.

"The United States is our single biggest country market," says Alcatel Americas spokesman Brian Murphy, who notes that Alcatel greatly expanded its US presence with the acquisition of DSC and Newbridge.

"Our product leadership and customer base rivals our North American competitors," says Alcatel Americas president Mike Quigley. "We are no longer the industry's best kept secret."

Murphy says that while some industry rankings differ, the company sees itself as the sixth-largest telecom group in the world, but "our goal is to be in the top three in North America."

Cahners In-Stat, a market research group, said Alcatel shipped 75 percent of DSL chip sets in 2000. And another firm, Stratecast Partners, said recently that Alcatel should be classified in the top tier of telecom firms, with Lucent and Nortel.

Accor, which began in 1967 as a moderate-priced chain of Novotel, now has some 3,500 hotels in ninety countries. It has been quietly stepping up its presence in the United States with the acquisition of the Motel 6 chain in 1990 and Red Roof Inns in 1999. With its brands of Sofitel, it offers a full range of travel options from budget to luxury to capture a share of the growing market of global tourism.

"We are among the leading beneficiaries from the sustained growth in international tourism," says chairman Jean-Marc Espalioux. He says his company is now focused on building an "Accor brand," with its own Web site where travelers can reserve rooms at any of the sixteen hotel brands on five continents.

"The number of travelers will nearly triple from 650 million to 1.5 billion in the next twenty years," says Espalioux. "Thanks to the Internet, we will be able to win over a portion of the travelers who were previously unable to see our offerings, especially our economy hotels, which until now were not sold by travel agencies or the GDS (global distribution system)."

italisme

By Robert Lever

Pechiney, privatized in 1995, is Europe's largest producer of aluminum and the fourth-largest worldwide. It is also a leading package maker for the beverage, food, cosmetic, and health-care markets and is the world's largest producer of flexible tubes. With $10 billion in revenues, its products range from toothpaste tubes to aircraft fuselages for Boeing. Pechiney recently sold Chicago-based American Can Company and then turned around and acquired flexible packaging manufacturer JPS Packaging giving it a total of fifteen production facilities in North America in addition to its worldwide operations.

Pechiney is Europe's leading producer of aluminum.

Axa Group, the world's biggest insurance company and a major player in financial services, traces its history back to 1816. It too was nationalized for a stint after World War II. Now operating in sixty countries with 140,000 employees, it is known in the US for its acquisitions of Equitable Life and mutual fund group Alliance Capital, although it recently sold the brokerage firm Donaldson Lufkin & Jenrette. Last year's earnings topped $2 billion.

Vivendi may be the most exciting French firm today, building its media empire with the acquisition of Canada's Seagram that gave it Universal's Hollywood studios and music operations. Vivendi Universal, as it is now known, competes against the likes of AOL Time Warner, Disney, and Germany's Bertelsmann.

"We all believe that globalization is about the mixing of cultures," Vivendi chairman Jean-Marie Messier told a recent news conference.

But even in 1998, long before the Seagram acquisition, Messier and Vivendi were singled out by *Forbes* as leading a new trend in France. "A revolution is beginning to percolate through France's sluggish economy," *Forbes* wrote, adding that Messier "is in the vanguard. In place of a pikestaff or cobblestone, Messier wields concepts such as shareholder value, return on capital, and stock options—ideas as threatening to twentieth-century French statists as *liberté, égalité,* and *fraternité* were to the *ancien régime.*"

Other French firms have also been aggressive in responding to globalization. In automobiles, Renault (which at one point was nationalized as a virtual state agency) has taken a controlling interest in Japan's Nissan. It also has solidified its position in heavy trucks through a takeover of Volvo's trucking operations to go with its US holding of Mack Trucks, making it number two in the industry. And the list goes on: Totalfina Elf in oil, Danone in foods, Gemplus in smart cards, Valeo in auto components, and pharmaceutical and life sciences giant Aventis, the Strasbourg-based firm created by the merger of Rhone-Poulenc and Hoechst of Germany.

France's ambassador to the US, François Bujon de l'Estang, says the new French economy is more than luxury goods, gourmet cuisine, and traditional agriculture. "In a way, globalization leaves us no choice but to pool our forces and activities," he said in a recent speech.

Bujon de l'Estang and others point out that, as companies have been privatized, they have been forced to come to terms with shareholders and, thus, become more dynamic and concerned about the bottom line. This has often led to mergers, consolidations, and other steps that were lacking in state-owned firms in protected markets.

In many cases, the big investors in some of the French giants are US mutual funds, pension funds, and other institutional investors, who often insist on a stricter type of "corporate governance."

"For a long time, French capitalism was very idiosyncratic," Bujon de l'Estang told *EUROPE.* "Now I think corporate governance *à l'américaine* has prevailed. The so-called new economy has developed in France. This is a response to globalization but also to deregulation and opening up of monopolies. European monetary union has played a great role in this."

The privatization effort, which has continued even under the Socialist government, has meant shareholders are king in France now. And the shareholders are often spread across the globe. For example, international institutional investors hold 40 percent of Accor's shares; non-French stakeholders own 51 percent of Lafarge's stock; and US-based institutional investors control more than 20 percent of Pechiney.

Alain Minc, author of a new book *www.capitalisme.fr,* argues that the new economy has created a new "holy trinity"—the marketplace, the law, and public opinion—that has taken power and toppled the ruling elite of civil servants who have long directed the French economy.

Minc says the French state often used a heavy-handed approach in the economy under the guise of acting "in the public interest." But now he says France is coming to terms with the terms 'governance' and 'accountability', to respond to shareholders. Fund managers have become "mythic figures" in this new age, fighting for shareholders and the little guy, he writes. "The market economy and the democracy of public opinion define our contemporary society as much as the principle of divine right defined the monarchy of Louis XIV." Ⓔ

Robert Lever, based in Washington, DC, is an editor for Agence France Presse.

BUSINESS

Food Firms Fight for World

Skippy
acquired in 2000 by Unilever (Netherlands/UK)

Hellmann's
acquired 2000 by Unilever (Netherlands/UK)

Baby Ruth
owned by Nestlé (Switzerland)

Dannon
owned by Danone (France)

Pillsbury
owned by Diageo (UK)

By Bruce Barnard

Market

Europeans are buying US brands to build their global product lines

The television news pictures portray a European food industry mired in crisis, stalked by a menacing mad cow disease and a foot-and-mouth epidemic, its products shunned around the world. However, nothing could be further from the truth as Europe's top food firms increase their lead in world markets, leaving their American rivals struggling to close the gap as the fragmented industry enters a new phase of consolidation.

The main battleground is the US, the world's largest food market, where all-American brands such as Ben & Jerry's Homemade, Hellman's Mayonnaise, and Knorr soups have fallen into European hands in recent months following a spate of multibillion dollar takeovers.

While US firms monopolize the select list of global food and drink brands such as Pepsi, Coca-Cola, and McDonald's, their European rivals have a larger international presence. Switzerland's Nestlé, whose products range from Nescafé to Perrier and Baby Ruth, is the world's largest food company, with around 500 factories and 225,000 employees, followed by Unilever, the sprawling Anglo-Dutch butter-to-soap giant.

Their relatively small domestic markets have forced European food firms to move abroad to grow their businesses. Nestlé is the world's tenth-largest multinational by assets, according to the latest *World Investment Report* from UNCTAD (United Nations Conference on Trade and Development), which ranks Unilever at number twelve and Diageo, the British drinks group, at seventeen. No US food manufacturer made it into the top twenty-five.

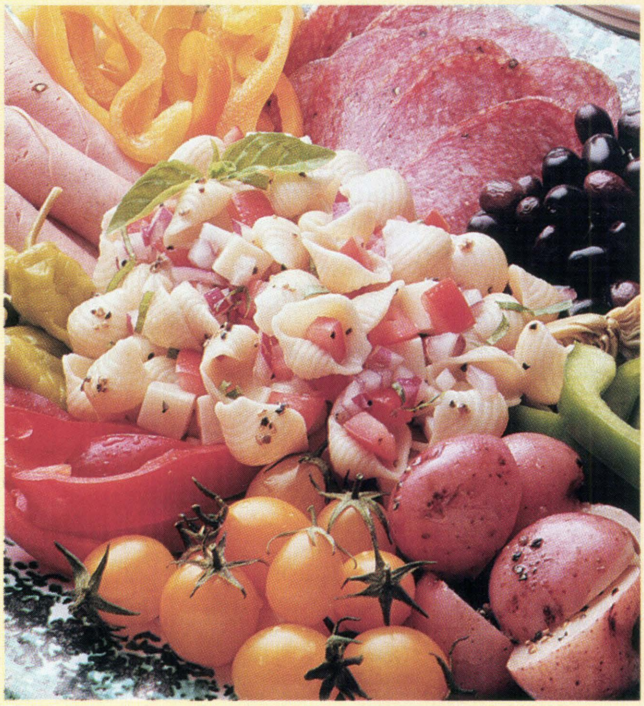
European firms have built commanding positions in several sectors. France's Danone, for example, is the world's biggest cookie maker, the leading producer of fresh dairy products like yogurt (sold in the US under the Dannon label), and the second-largest bottled water company after Nestlé.

The top Europeans are now focusing their global expansion on the US, triggering a frenzy of takeover activity last year that hasn't been seen since the late 1980s saw a spate of major deals, including Kohlberg Kravis Roberts snapping up RJR Nabisco, Philip Morris acquiring Kraft, and the UK's Grand Metropolitan bagging Pillsbury.

Unilever set the pace last year, paying $20.3 billion for Bestfoods, whose brands include Knorr bouillon, Hellmann's mayonnaise, Skippy peanut butter, and Ambrosia desserts, within months of a $2.3 billion acquisition of Slim-Fast, a diet supplements firm, and the $326 million purchase of Ben & Jerry's Homemade, the socially conscious ice cream maker from Vermont. Unilever is also a significant player in

While the US firms are growing

Catering Industry Grows Globally



Europe's leading catering firms are eyeing US acquisitions as consolidation of the fragmented global market gathers pace.

Sodexho Alliance, France's largest catering company, reached agreement in April to buy Wood Dining Services of the US and Sogeres, a French rival, for a combined $620 million from Albert Abela, a privately owned firm. A few weeks earlier, the United Kingdom's Compass Group paid $563 million for Morrison Management Specialists, the second-largest contract caterer in the $16 billion-a-year US health care market, with a customer list of 475 hospitals, rest homes, and retirement homes.

Catering has become a multibillion-dollar global growth industry as an increasing number of firms, from hospitals and schools to government agencies and manufacturing firms, hire outsiders to handle their food requirements.

Sodexho, which employs about 285,000 people, was floated on the stock market in 1983 and has a market value of around $7 billion. The acquisition of Wood Dining, whose clients include the National Security Agency, and Sogeres, which provides catering services for the French Roland Garros tennis open and the American Hospital in Paris, will "reinforce our world leadership in catering," according to Pierre Bellon, Sodexho's founder and chairman.

Compass, which emerged from what is now Granada Media in February, is on target to raise around $4.5 billion from the sale of hotels, including the deluxe Le Meridien chain, which it will plow into the catering business. The acquisition of Morrison gives it a presence in a market with great growth potential. While business and industry firms contract more than 90 percent of their catering requirements, only 30 percent of US health care catering is under contract.

Furthermore, the global catering market is consolidating. The Accor and Marriott hotel chains and Scandinavian Airlines System (SAS) have quit the business; nevertheless, it remains extremely fragmented. Compass, Sodexho, and their major rivals Elior and Autogrill, each control only 6 percent to 8 percent of the market, though Compass is certain to use its $4.5 billion war chest to finance fresh acquisitions and make a grab for market leadership.

—Bruce Barnard

the US cosmetics market following a string of acquisitions that included Chesebrough-Ponds, Calvin Klein Cosmetics, and Helene Curtis.

Some European firms are joining forces to crack the giant North American market. Diageo and France's Pernod Ricard bought the spirits business of Canada's Seagram from Vivendi Universal, the Paris-based media and telecommunications conglomerate, for $8.15 billion in December, but an earlier Anglo-French effort flopped when a joint bid by Danone and Cadbury Schweppes for Nabisco was trumped by Philip Morris, owner of Kraft Foods. Danone also lost out to PepsiCo in the battle for Quaker Oats, but it is sure to cross the Atlantic again as it lacks a presence in the US cookie market.

The Europeans are also shuffling their US assets to focus on individual growth markets. Diageo, for example, merged Pillsbury, which boasts brands ranging from El Paso taco shells to Green Giant sweet corn and Häagen Dazs ice cream, with General Mills in exchange for $4.5 billion in cash and a 33 percent stake in the enlarged company. But it has temporarily shelved plans for an initial public offering or sale of Burger King, the second-largest US fast-food chain after McDonald's.

remains the most attractive target, Europe's food their businesses in new markets, including Eastern Europe, Russia, and Asia.

Unilever, meanwhile, has just sold its European dry soup and sauce brands to Campbell Soup of the US for around $920 million to meet one of the conditions set by European regulators for approving its Bestfoods acquisition.

Nestlé chose a US company in January to make its first large acquisition since 1988 when it paid around $4 billion for Rowntree, the British confectionary group. But it shunned soups, snacks, and soft drinks to acquire pet food manufacturer Ralston Purina, best known for its Purina Dog Chow brand, in a $10 billion deal that made it the US market leader. It was a logical move as the pet food market is growing faster than Nestlé's traditional, matured businesses, particularly in the US where animal owners are buying higher margin products that promise dietary and health benefits.

Europe's leading food groups are wowing investors with their solid financial performance. Nestlé's sales are growing at their fastest rate in more than a decade thanks to its diversification into ice cream, pet food, and bottled water, while its operating margins have risen by nearly a fifth to a record 11.3 percent over the past three years. Danone, meanwhile, has "by far the best growth rate of any global consumer company," according to Credit Suisse First Boston, an investment bank. The company has, however, come under attack after it announced the closure of six of its European cookie factories, including two in France, with the loss of 1,800 jobs.

Unilever is busily integrating the Bestfoods, Ben & Jerry's, and Slim-Fast businesses as it chases a five-year target of growing sales by 5 to 6 percent annually and increasing operating margins to more than 16 percent. It is one year into a restructuring program that plans to focus on 400 brands, down from its previous 1,600, and trim its payroll by 10 percent.

While the US remains the most attractive target, Europe's food firms are growing their businesses in new markets, including Eastern Europe, Russia, and Asia. Nestlé recently formed a fifty-fifty joint venture with Japan's Snow Brand to produce and market several of its products, including yogurt, chilled drinks, and desserts. Japan, the world's second-largest economy, is only Nestlé's fifth-largest market, with annual sales of around $2.2 billion, compared with US sales of some $10 billion.

The US, however, remains the most fertile territory for acquisitions. Some of the most tempting targets seem out of reach, like the family-owned Campbell Soup and Hershey Foods, the chocolate company that is 75 percent owned by a charitable trust relying on dividends to run an orphanage. But if they do come onto the market, European firms are sure to be among the first suitors.

That's why industry analysts are predicting the emergence of a global food industry controlled by European big hitters like Nestlé, Unilever, and Danone. ❸

Bruce Barnard, based in London, is a contributing editor for EUROPE.

Delivering the Goods

By Robert Lever

European grocery chains are conquering the United States—and the world

Americans are increasingly getting a taste of Europe at their grocery stores, but they may not know it. In the last few years, European retail groups have been gobbling up US supermarkets and expanding their presence on American soil as the retail food business becomes more global. Furthermore, according to industry figures, European firms are leading in the race to be the supermarket to the world, with nine of the top twelve global food retailers.

One of the established players here is the Belgian-based Delhaize Group, which operates more than 1,400 supermarkets along the US East Coast under the Food Lion, Hannaford, and Kash n' Karry store banners and employs more than 116,000 people. Delhaize, known in Europe for its "Le Lion" hypermarkets, is now the fifth-largest supermarket company in the United States, and it's continuing to grow.

Its Delhaize America unit posted some $12.7 billion in 2000 sales, and the company plans to invest $450 million to open forty-four new stores and remodel or expand approximately 200 others in the coming year.

Like the other European groups that have taken root in the US market, Delhaize has allowed each of its store brands to keep its own identity while using its global reach to stay competitive. It also has chosen to keep the American supermarket model rather than expand to the European extra-large "hypermarket."

"The best practices identified by our cross-functional, inter-company teams have been beyond our expectations," said Hugh Farrington, vice chairman of Delhaize America and CEO of Hannaford.

Hot on the heels of Delhaize is Dutch-based Royal Ahold, which has grown from a family-owned enterprise to number six in the United States, according to the industry publication Supermarketworld. com. In recent years, Ahold acquired distribution firm US Foodservice and the Internet retailer Peapod, but its purchase of Maryland-based Giant Food marked a major addition to its stable of stores, which include the Stop & Shop, BI-LO, Tops Markets, and Giant-Carlisle chains. With more than 1,000 US locations, Ahold expects to add 400 more by year-end.

French supermarket group Carrefour is racing to become global.

Ahold also is growing beyond the US market. Its global plans include opening 1,250 new or remodeled stores by the end of this year making a total store count of approximately 9,000 in an effort to boost 2001 sales to $57 billion.

"Our strength lies in our ability to achieve significant organic growth while acquiring and successfully integrating world-class companies into our group," says Ahold President-CEO Cees van der Hoeven.

"We have developed a global network of best-of-breed regional market leaders in food retail and food service. Our growth potential as a company has increased considerably, reflecting the linkage of our food retail and food service activities. By adding food service to our business portfolio, we are able to serve our customers at every meal occasion."

Delhaize and Ahold are positioning themselves to be among the players in the rapidly changing supermarket business that is becoming increasingly global, competing with the likes of US-based Wal-Mart, France's Carrefour, and the UK's Tesco on several continents. These firms are going head-to-head not only in the United States and Europe but also in the developing countries of Asia and Latin America.

A worker for the Dutch-owned grocery firm Peapod fills an order at the company's warehouse in Chicago.

In the US market, several other European firms have found niches. Aldi, for example, a deep-discount grocery chain owned by Germany's Albrecht family, began operating in the Midwest in 1976 and now has 578 stores in twenty-one states, ranging from Kansas to the Eastern Seaboard. The Albrecht family also owns the 131-store chain Trader Joe's, which sells discount gourmet foods.

In the Internet grocery business, Italy's Parmalat, a food-processing group known for its long-conservation milk and tomato products, recently purchased a 20 percent stake in NetGrocer and accordingly got an outlet for selling some of its products.

According to London-based IGD, a supermarket industry trade group, European firms dominate the top global retailers.

So far, no food retailer has become truly global, however, IGD's Global Retail Index identifies four international players who are leading the race to get there. IGD ranked Carrefour first, followed by Ahold, Wal-Mart, and German-based Metro. Japan's Ito Yokado came in fifth, followed by Delhaize, Tesco, Casino (France), Auchan (France), Aldi (Germany), Tengelman (Germany), and Costco (US).

However, if they are ranked in terms of the percentage of sales outside their home country, the leader board changes, with Delhaize (80 percent) and Ahold (75 percent) followed by Tengelman (51 percent) and Carrefour (38 percent).

"Although Wal-Mart is by far the largest retailer in turnover size, it is not yet as 'global' as Carrefour or Ahold, who have a wider geographical presence," an IGD report said. "Carrefour and Ahold have also been active internationally longer than Wal-Mart, which only started to expand outside of the United States in the 1990s."

IGD notes that food retailing is changing quickly and that a handful of companies, largely European, are in the global race. "Globalization in retail is now a reality," IGD says. "Over the last five years, Carrefour, Wal-Mart, and Ahold have accounted for more than $50 billion of global merger and acquisition transactions and have raced ahead in the globalization league." Ⓔ

Genetically Modified Crops

By Peter Gwin

Are biotechnologists perfecting plants of the future or sowing seeds of destruction?

Imagine a world where fields of sweet corn yield big succulent ears that contain super doses of vitamins; where children are vaccinated against disease simply by eating bananas; where farmers don't have to use pesticides or fertilizers because their crops are impervious to insects and can thrive in dry, mineral-poor soil. This is how farming will look in the future, according to biotechnologists. Their opponents, however, depict an equally compelling, albeit darker, biotech landscape in which human-engineered plants spread out of control, overwhelming organic plants and threatening insects and animals; where new diseases emerge; and where global food supplies are compromised.

While the biotech battles are waged on many fronts, none is more passionately contested than the technology's effect on agriculture, specifically with regard to transgenic or genetically modified (GM) crops. Many of the fault lines of the debate have broken down along transatlantic lines. In the US, consumers buy hundreds of products containing genetically altered ingredients approved by the federal government. In Europe, shoppers have taken a much more cautious attitude, and the European Union has limited the production and sale of GM foods while preparing comprehensive legislation to govern them. Meanwhile, on both sides of the Atlantic, leading biotech companies, such as Aventis of France and Germany, Monsanto of the US, and Zeneca of the United Kingdom, continue to invest huge sums in the research and development of new transgenic plants.

When considering the question of GM foods, it bears remembering that humans have been modifying crops for thousands of years. Since the earliest days of plowing fields and planting seeds, growers have been breeding plants to produce stronger species of grain, different colors of flowers, and sweeter varieties of fruit. In more recent times, plant breeders have created entirely new products, such as the tangelo (a tangerine combined with a grapefruit) and the broccoflower (a broccoli-cauliflower hybrid).

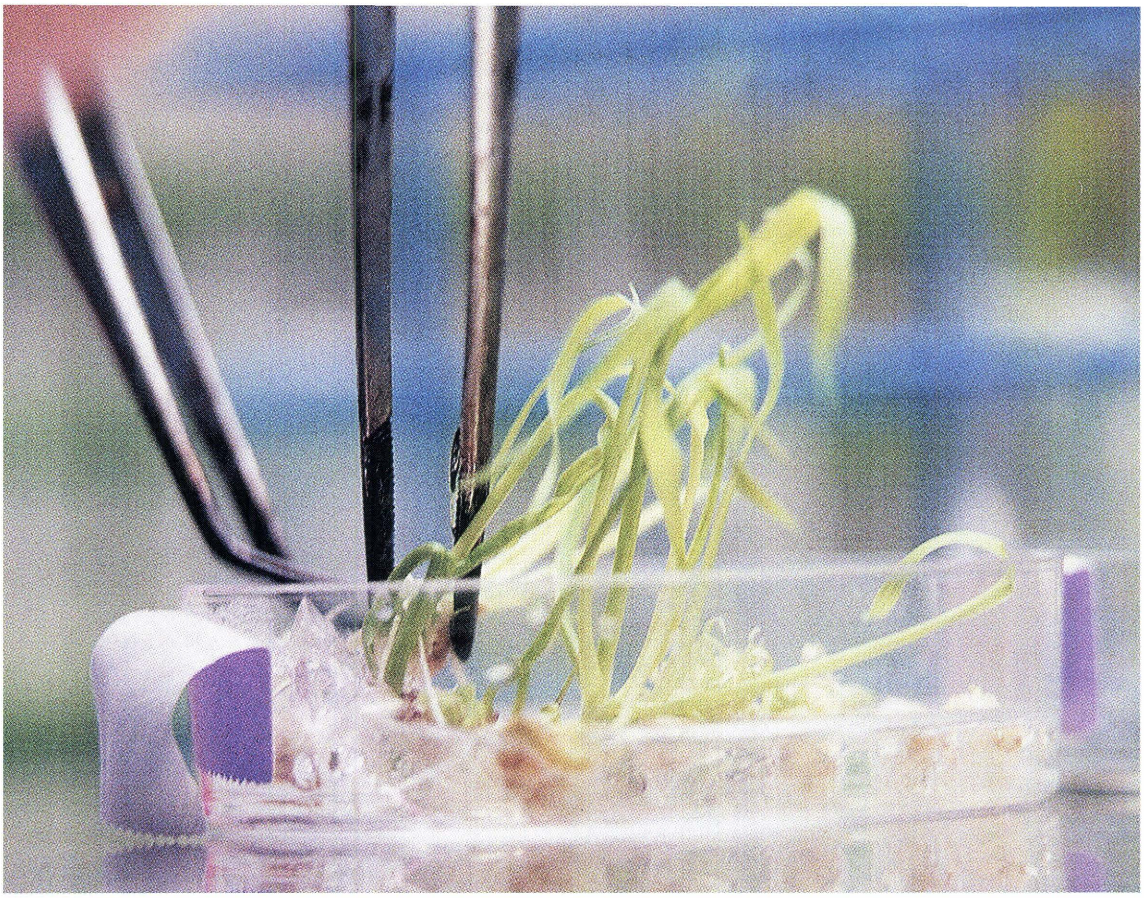
The modern controversy has its roots in the 1953 discovery of DNA, at which point scientists were finally able to delve into the molecular depths of plants and learn how to tinker with their genes. By the 1980s, scientists were able to splice genes from one organism onto the DNA chain of another, giving it new traits, such as resistance to disease or insects. In 1980, the US Supreme Court ruled that genetically altered life forms could be patented, opening the way for numerous genetic commercial possibilities, and in 1994, the US government approved the first transgenic food—a tomato altered to ripen slowly and delay spoilage.

As the biotech companies prepared to develop the GM food market, much debate ensued over how transgenic plants and foods should be regulated. In the US, three federal agencies oversee transgenic crops: the Department of Agriculture (USDA) rules on what is safe to grow; the Environmental Protection Agency (EPA) says what is safe for the environment; and the Food and Drug Administration (FDA) determines what is safe to eat. A product's intended use determines which agency regulates it, although some products fall under the jurisdiction of more than one agency.

In the EU, the European Commission proposes biotech regulations, which then move through the legislative processes of the European Parliament and the Council of Ministers. Moreover, the Commission has proposed establishing an overarching European Food Authority that would "develop a comprehensive integrated approach to regulating the food supply chain."

So far, the FDA has approved fifty-one GM products for commercial use. The Commission has approved eighteen, but in 1998, under mounting pressure from consumer and environmental groups, the EU member states implemented a de facto moratorium on any new approvals while the Commission considered legislation to regulate the GM food sector.

Europeans say they have reason for caution. In the wake of several recent food scares, such as mad cow disease, dioxin-contaminated chicken, and tainted Coca-Cola, not to mention this year's devastating outbreak of foot-and-mouth disease, Europeans have become increasingly concerned about what is in the food they buy and where it comes from. They've also become more vocal, staging demonstrations against genetically modified food in several European cities. In some cases, protests have taken more hostile forms.



Genetically modified corn plants are separated for analysis at the labs of Texas-based biotech firm ProdiGene. (Below left) A Greenpeace poster warns of unknown dangers posed by GM foods.

Several GM test crops have been trampled, and in April, arsonists burned two warehouses in Italy believed to contain transgenic seed owned by Monsanto.

Not all Americans are enamored with GM foods, either. Last year, seven members of Congress cosponsored the bipartisan Genetically Engineered Food Safety Act, which calls for a much stricter review process of GM foods. According to Representative Dennis J. Kucinich (D-OH), one of the bill's authors, "FDA's current policy...appears to do more to protect the biotechnology industry than to protect consumers." The bill was offered as an amendment to the 2001 House agriculture appropriations bill but was withdrawn because of lack of support.

Despite the hue and cry in Europe and in some quarters of the US, increasing numbers of American farmers are sowing GM seeds. Already, one-fourth of the US corn crop and more than half of the soybean harvest come from transgenic plants.

Farmers are drawn to the current crop of GM plants for two main reasons—weed and pest control. Monsanto's Roundup Ready® soybeans, the most popular GM soybean variety, are genetically altered to withstand Monsanto's Roundup brand weed killer. Farmers can spray entire fields with Roundup, killing all the weeds without harming the soybeans. Monsanto says the soybeans save time and allow farmers to use fewer chemicals on their fields. The company is developing an entire line of other Roundup Ready crops, including corn, sugar beets, and cotton.

Corn farmers have been attracted to seeds outfitted with the Bt gene, which causes the plants to give off a natural insecticide that kills the European corn borer. Damage from that insect alone is estimated to cost US farmers more than a billion dollars annually. However, planting Bt corn isn't always the most cost-efficient crop. The seed is expensive, and farmers still must spray for other pests.

Globally, increasing numbers of fields are being planted with GM crops but only in a small number of countries. Worldwide GM acreage planted in 2000 is estimated at 109.2 million acres, a twenty-five-fold increase since 1995. However, only thirteen countries grew GM crops last year, and four of these accounted for 99 percent of the total, with the US alone accounting for 68 percent.

Because so much of the US's corn and soybeans comes from transgenic plants, a startling amount of the nation's food contains GM ingredients. Approximately 60 to 70 percent of the food on US grocery shelves may contain genetically modified ingredients, reports the Grocery Manufacturers of America. This may seem a surprising figure given the relatively small number of approved GM crops; however, soybeans and corn are used to make base ingredients in a vast array of processed foods, including pasta, cereals, baby food, pizza, ice cream, soft drinks, salad dressing, soups, chocolate, and margarine. By contrast, only a tiny fraction of the nation's fresh produce is genetically modified, since only a few species of fruits and vegetables, including squash, potatoes, and papayas, have been approved for sale.

A litany of health organizations, environmental lobbies, consumer groups, and trade interests stand arrayed against the biotech companies and the GM revolution. Essentially, their concerns boil down to three major issues: the effect GM crops have on human health, the environment, and trade.

One of the major GM health concerns resides in the potential for allergic reactions. Since proteins are believed to be the main cause of food allergens, some biologists have reasoned that genetically adding proteins to crops could create a potential deadly consequence for some unsuspecting consumers. For example, a person allergic to nuts might react to eating corn that had been genetically modified with a peanut protein. So far, however, researchers have not been able to prove that would happen.

Even staunch biotech proponents are not willing to say such problems will never arise. They say that safety is ensured through extensive testing and point to the review process required by the FDA before transgenic products are approved for sale. Monsanto, for example, conducted 1,800 tests on its Roundup Ready soybeans to prove that the transgenic plant's proteins, fatty acids, and other compounds were no

Biotech Time Line

6000 BC—Sumerians and Babylonians discover fermentation process, adding yeast to grains to make beer.

4000 BC—Egyptians combine yeast with flour to make leavened bread. Chinese introduce bacteria and mold to dairy products, creating yogurt and cheese.

1600s—Dutch botanists breed tulips in a panoply of colors, creating vast fortunes and wild market speculation. They prove that genetic manipulation could have a major impact on economies.

1798—British doctor Edward Jenner publishes his theories about vaccines—infecting humans with cowpox to induce resistance to smallpox.

1863—French scientist Louis Pasteur invents a process that uses heat to inactivate microbes that cause wine to sour.

1865—Austrian botanist Gregor Mendel publishes his observations that pea plants inherit certain qualities, setting in motion the formal study of genetics.

different from those in a natural soybean. The company also fed the soybeans to catfish, chickens, cows, and rats, none of which exhibited any signs of illness.

Still, critics argue that not enough is done to ensure that GM products don't accidentally end up in foods before they are approved. They point to a case last year involving Starlink®, a transgenic corn developed by Aventis. The EPA had authorized Starlink for animal consumption, but the product had not been approved for humans because of fears it might trigger an allergic reaction in some people. Nevertheless, it was used to make taco shells and other food products, prompting the FDA to order their recall in November. Since then Aventis has pulled Starlink seeds from the market and agreed to reimburse farmers who had planted it, but the company and the FDA have had difficulty locating all of the Starlink corn, with more than a million bushels unaccounted for.

Other dangers, say biotech critics, lie in unintended environmental consequences, such as the emergence of transgenic super weeds. What, they ask, might happen if a GM crop "escapes" into the wild—could it become an indestructible weed? However, biologists from London's Imperial College, writing in the journal *Nature*, reported that plants genetically modified to resist herbicides were no more likely than their natural counterparts to survive in the wild, but they cautioned that plants with other transgenic traits, such as drought-resistance, were not part of their tests and would have to be evaluated.

Nevertheless, a panel of Canadian biotech experts recently examined the threat wild GM plants pose to Canada's multibillion-dollar canola crop. They reported that three types of GM canola, each engineered to resist a different herbicide, have been able to crossbreed on their own, creating a new

Gregor Mendel, an Austrian monk, launched the modern study of genetics.

plant that is immune to all three herbicides. As a result, farmers have to resort to harsher chemicals to kill these super canola plants, says Brian Ellis, a biologist at the University of British Columbia and a co-chair of the panel. "So they have lost the advantage of using more environmentally friendly herbicides."

Of equal concern to environmentalists looms the potential for insects to evolve in response to widespread use of certain transgenic crops, especially Bt corn. To avert such an evolution, the USDA requires farmers to plant 20 percent of their crop with non-Bt corn, which allows a "refuge" for the natural insect population. But a study commissioned last year by the major biotech companies concluded that 29 percent of US Bt corn growers failed to comply with the rules.

Beyond the environmental questions, the US and EU approaches to biotech crops intersect most noticeably—and loudly—in the trade arena. American farmers say the EU ban on GM corn costs them almost $200 million per year. Meanwhile, US soybean growers continue to sell GM varieties approved by the EU before the moratorium, but even that market is threatened as more European buyers want GM-free soybeans. In addition to farmers, US food processors are suffering. According to USDA figures, exports to the EU of snack foods, many of which contain corn and soy-based ingredients, have declined precipitously over the last four years.

Some in the food industry have called on the Bush administration to press the EU to open its markets to GM products, prompting fears of a potential trade war. Others, such as Gary Goldberg, CEO of the American Corn Growers Foundation, criticize that approach, blaming instead the US farm sector's rush to embrace biotechnology. "Europe has been a very important market for the US farmer for decades, and we are throwing that market away," he argues. "We have deviated from the basic business principle that we should grow what the customer demands."

For French consumers Alex and Astrid Ardant, who live in Paris with their three children, the issue comes down to a question of risk. "If I had the choice, I'd rather buy food that was produced naturally," says Astrid, who is expecting the couple's fourth child, "because no one really knows what the long-term effect of genetically modified food may be." Alex agrees, "I don't like to stop progress, and I realize the eventual potential, especially for developing countries, so let's keep studying the subject until we are 100 percent sure that there is no risk."

In February, the EU adopted comprehensive legislation governing the marketing and production of GM foods. The

EUROPE Update

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WHAT THEY SAID...ABOUT THE ITALIAN ELECTIONS

The victory of media magnate Silvio Berlusconi's center-right coalition in the Italian elections held on May 13 provoked the following reactions.

"I am convinced that you all feel the need for a government that governs and of a premier who speaks less and works more and better. A new era begins for all Italians."
—Silvio Berlusconi in a statement following his election win

"We are sure that Italy will show the commitment and active collaboration it always has for meeting the common aims [of the European Union], to successfully confront the challenges ahead of us in order to construct a more integrated, prosperous, dynamic, and united Europe."
—Romano Prodi, European Commission president

"The German government respects the decision of the Italian people and takes note of the Italian elections results. The German government is interested in the continuation of the traditionally close cooperation between Germany and Italy, in both the bilateral as well as multilateral areas."
—Gerhard Schröder, German chancellor

"I respect Italian democracy, and I have confidence in the Italian people. But given what this country represents in Europe we will be very attentive to the way in which the government will be made up and to its policies. Attentive and, if needs be, vigilant."
—Hubert Vedrine, French foreign minister

The US hopes to "enjoy a cooperative and fruitful relationship" with a Berlusconi government.
—Richard Boucher, State Department spokesperson

REPORTER'S NOTEBOOK: BERLUSCONI IS BACK

Silvio Berlusconi is back. Six years after his first unhappy stint as prime minister, the Italian business tycoon-turned-politician made a resounding comeback this May, winning an election that was the closest to a landslide victory Italy has seen since World War II.

Berlusconi's center-right House of Freedom alliance won a comfortable majority in both houses of parliament, consigning the center-left ruling coalition to the opposition benches with its tail between its legs. The victory gives Berlusconi's team a strong mandate for change and suggests also Italy may be set for a period of unprecedented government stability after years of hung parliaments, fractured coalitions, and political horse trading.

It might also be a defining moment for Europe. Berlusconi's victory will be a welcome shot in the arm for the center-right in Europe, still dominated by social democratic governments in France, Germany, and the UK. Berlusconi's triumph is the first major success for the right since José Maria Aznar came to power in Spain in 1995.

In truth, May's election was more a plebiscite for Berlusconi than a vote for the allies in his coalition. With almost 30 percent of the total votes and about half the coalition's seats, Berlusconi's Forza Italia party completely dominates proceedings. Interestingly, Forza Italia's gains came almost entirely at the expense of its three allies—the right-wing National Alliance, the centrist CCD-CDU parties, and significantly, the Northern League.

The federalist Northern League saw its share of the vote collapse from 10.1 percent in 1996 to just 3.9 percent. The result prompted Umberto Bossi, the party's xenophobia-prone leader, to say his party had paid too high a price for the alliance. Faced with the prospect of playing second fiddle to Berlusconi, the Northern League may yet decide there is more to be gained in opposition.

Not that Berlusconi need be too worried. With a majority of fifty-two seats in the lower house and fourteen in the Senate, the media magnate's Freedom coalition has the numbers ostensibly to control Parliament without the support of the Northern League. It might even do some good. The Northern League has long been a cause of concern in the European Union, and Bossi himself was recently branded a fascist and a "threat to democracy" by the Belgian government.

But house politics aside, Berlusconi's key challenge now is to deliver on electoral pledges. That could be a tall order. On the economic front, Berlusconi has promised, in a single breath, to cut taxes worth around $27 billion, increase infrastructure spending, and top up minimum pensions. The fall in tax revenues, so the story goes, will be financed by increased economic growth of around 4 percent, as well as by legalization of the underground economy and elimination of public sector waste.

All well and good, you might say. The trouble is that there isn't that much room for maneuver. While the country's public finances have been transformed in recent years, Italy's public debt is still around 110 percent of GDP, and budget deficits can't be stretched much farther without incurring the wrath of the EU. The crunch could come this fall when the government addresses reform of Italy's generous pension system, long a drain on taxpayers, employers, and future generations.

On the foreign policy front, Berlusconi has already raised a few eyebrows in Brussels with his desire to establish a privileged relationship with Washington's Republican administration to make Italy the US's biggest ally in Europe. As for EU expansion, Berlusconi's administration has indicated it may seek delay in enlargement to Eastern Europe in order to protect Italy's underdeveloped south.

Finally, there's the small question of conflict of interests. Berlusconi's business empire is so extensive just about any government decision is likely to bump up against some part of the family fortune. Television is the most obvious. Berlusconi already owns the country's three main private channels. As premier he will have power over the three state-run channels of the RAI as well. Berlusconi has given himself 100 days to resolve these issues, and a decision is widely expected ahead of this July's G8 summit in Genoa.

His return to the premiership will certainly intensify interest in Berlusconi's business affairs. Several corruption inquiries from activities in the late 1980s and early 1990s still hang over him. However, it is unlikely Italy's public prosecutors will be able to exercise much pressure on him this time around. With a solid majority in Parliament and a fractured opposition, chances are Berlusconi's second term in office will last longer than the 220 days of his first.

—*Stephen Jewkes*

EU NEWS

G8 Prospects

The G8 summit in Genoa this year (July 20–22) will be a gathering of newcomers to the global forum. It will be the first such summit for President George W. Bush, for Japan's newly elected Prime Minister Junichiro Koizumi, and for the host, the new Italian Prime Minister Silvio Berlusconi. As a result, the unspoken but crucial social aspect of these events, letting world leaders get to know each other in a relatively informal session, will even more than usual overshadow the formal agenda.

The agenda as defined in January by the man who thought he would be host, then Italian Prime Minister Giuliano Amato, was headed by debt relief for the developing world and poverty reduction, followed by global governance, the legitimacy of the G8 system, and reforming the international financial architecture. These are themes that have been prepared by the sherpas, the senior officials from each country who pave the way for the summit in a long round of pre-meetings. But the earlier promises by the G8 to provide $100 billion in debt relief for the forty-one poorest countries have yet to be fulfilled. About a third of this sum has so far been provided, and only twenty-two of the forty-one countries have seriously benefited.

"The debt crisis sees $60 million a day transferred from the poorest countries to their rich creditors, leaving most of them still spending more on debt repayment than on health," charges the UK-based Drop The Debt movement. "Last year, the world watched the G8 summit in Okinawa enjoy $750 million of Japanese hospitality but fail to make progress on debt cancellation for the world's poor."

The G8 leaders have been warned that tens of thousands of demonstrators for debt relief and anti-globalization protesters are expected to gather in Genoa, although Italian police are planning to keep them well away from the city's recently restored Old Port, where most of the meetings will be held. Many of the delegations will be staying on luxury cruise ships in the harbor, to prevent motorcades from being blocked by protests.

Whatever the formal agenda may say, the heads of government of the world's richest countries tend to run their own show. And this year the G8 veterans from the United Kingdom, France, Germany, Canada, the EU, and Russia and the three newcomers share a common concern for the prospects for the global economy. The US and Europe have seen their growth rates slow to a crawl; Japan remains stagnant; and Russia's growth is dependent on a high oil price that all the other summit members would prefer to see fall.

"One of the real benefits of the G8 summits is that the grand issues of international politics come down to a small group of people sitting around a table, getting a sense of the pressures each one faces, and assessing how far we can count on each other," noted former premier Amato. "It is a very human process."

The leaders will want to hear from Japan's new premier just how far and how fast he plans to reform and deregulate the world's second-largest economy and get it back on the growth track. They will want to hear from Russia's President Putin whether he really intends to focus on order rather than on freedom, and whether the forced takeover of the independent broadcaster NTV foreshadows an erosion of Russia's hard-won democracy.

They will also want to work out between them just how realistic are the prospects for a new global trade round, before the next World Trade Organization holds its own full-scale meeting in Qatar this autumn. Russia wants to join the WTO. The European and American trade negotiators have both said they want such a new round, to make up for the WTO's failure at Seattle two years ago, but Japan has been more cautious.

Although G8 sessions are formally titled economic summits, different issues tend to emerge over the lunches and dinners in the informal sessions of this unique forum for world leaders. And this year, there had been wide expectations that the new US president would face concerted pressure on his plans for a National Missile Defense (NMD) system and for his opposition to the Kyoto convention on global warming. This is now unlikely to happen. The election of the conservative Silvio Berlusconi, who supports President Bush's policies on NMD and on Kyoto, means the US will not be isolated. Moreover, by the time of the Genoa summit, presidents Bush and Putin will have had their own first summit. And a separate international conference in Germany will have decided the prospects of saving some kind of agreement to restrict greenhouse gases from the wreckage of Kyoto.

This could mean that the G8 leaders get back to the question that Giuliano Amato originally put on the agenda: the legitimacy of the G8 system itself. Most of its work is now done in the G7 context (without Russia) through the regular meetings of finance ministers. Despite its regular communiqués on fighting international crime and terrorism, and cooperating to help the world's poor and to save the environment, the G8 itself has made few historic decisions since the decision to invite Mikhail Gorbachev to join them with the end of the cold war. As well as getting to know each other, they might consider asking themselves what purpose these meetings should serve—beyond providing a perfect target for the antiglobalization protesters.

—Martin Walker

Hungary Poised for EU Membership

Hungarian Prime Minister Viktor Orban was hopeful, if not entirely confident, that his country would be one of the first new members of the European Union and take part in the European Parliament elections in 2004. "We hope and believe that the statement of the Nice summit, about having some new members joining in time for the elections, was aimed at us," Orban told the American Enterprise Institute, where he was given the Freedom Award during his May Day visit to Washington.

"The Nice summit was the first time that the EU leaders had spoken of a specific date for the candidate members to join, and our own negotiations have gone well," Orban explained. "There is a problem, however, in that the EU has not yet formulated a common position on two of the most difficult aspects of the accession discussions. The first is the question of the free movement of labor, and while we know that Germany and Austria want a long transition period before allowing free movement of workers from Central Europe, we do not yet have an agreed position of fifteen EU member states. Similarly on the Common Agricultural Policy, it is clear that the EU as a whole has yet to agree [on] a common position—and it is not easy negotiating under these conditions."

Along with Poland and the Czech Republic, Hungary was one of the three new members to join NATO in 1999 and now watches wryly as the complex negotiations to join the EU grind slowly on, even as the second round of NATO enlargement is getting underway for next year's Prague summit. But for Prime Minister Orban, NATO and the EU are two crucial and complementary institutions for his country's future, and he is firm that Europe's developing policies on security and defense must not be allowed to undermine NATO.

"The cohesion and integrity of NATO are more important to us than any other consideration. Some may think that European security can now be maintained without an American presence. For us, it is vital to keep the transatlantic alliance. Indeed, we think it might be time to think about deepening the transatlantic relationship between our two free trade zones, the EU and NAFTA, in the framework of integrating them. We are playing on the same team," he said with a grin. A keen footballer, and a youthful thirty-eight, Orban runs his own prime minister's soccer team, all recruited from his office, who tour rural Hungary at weekends and play local and village teams.

Prime Minister Orban spoke immediately after his Oval Office meeting with President George W. Bush, whom he warned that the political instability in Ukraine was becoming "a big problem—the independence of Ukraine is crucial to European security. The only way to prevent Ukraine drifting back into Russia's orbit is to tie it firmly to the Euro-Atlantic alliance. We need a joint transatlantic economic strategy for Ukraine, for trade and investment. Aid doesn't work—it just disappears, unless it is tied to very strict conditions."

—Martin Walker

EU-Georgia Ties

Conventional wisdom could never have predicted the advent of European Union (EU) Day in Georgia, a state famed more for peach production and midnight trains than its international ties.

Yet Georgia's tribute to the EU, held May 10 in Atlanta, attracted more than 300 attendees from across the state. The roster counted thirty-three participating organizations, including the European Union Center for the University System of Georgia, numerous area chambers of commerce, private sector business representatives, and Atlanta-based trade commissions.

The explanation for such support is simple: Today EU nations are Georgia's leading investors, accounting for 60 percent of total foreign investment in the state. In six years, exports from Atlanta to Europe increased from a total of $1.1 billion to $2.18 billion, creating an additional 32,600 jobs.

From the port city of Savannah, exports increased by $85 million during the same period while direct European investment in the state has contributed to the creation of 134,900 jobs. Impressive numbers for a relationship that seems poised only to get bigger.

Investment by high-tech European companies is increasing in Georgia, said French Consul General Jean-Paul Monchau at the luncheon, highlighted in the veterinary pharmaceutical giant Merial's recent establishment of its North American headquarters in Duluth, an Atlanta suburb.

Daniel DiMaggio, head of global logistics for Atlanta-based success story, UPS, applauded the EU during his presentation for its increasing transparency and deregulation, professing himself to be "quite bullish" about the future of the European strategies market for UPS. Alexander Reyn, Belgian ambassador to the US, speaking for the European perspective, called EU integration a pragmatic, progressive, and slow-moving process. He called for the establishment of a strengthened alliance and global partnership between Europe and the US, cautioning constant vigilance on the part of the EU to ensure that the US understands the full implications of the EU's political and economic unification.

"We make good trading partners," said Governor Roy Barnes in summing up the Georgia-EU ties. "And we must continue to build up, and not tear down this successful relationship."

—Phil Bolton

BUSINESS BRIEFS

France's **Vivendi Universal**, the world's second-largest media group, acquired MP3.com, the music Web portal, in a $372 million deal aimed at harnessing the Internet as a lucrative distribution medium.

The acquisition of the US firm, which is at the center of legal disputes over distributing copyrighted material over the Internet, follows Vivendi's agreement with Japan's **Sony** to create **Duet**, an on-line music service to rival **Napster**, the US on-line music group which has formed an alliance with German media giant **Bertelsmann**.

Vivendi plans to use MP3.com's technology to power Duet, which is expected to launch a distribution alliance with **Yahoo**, the US Internet service provider, in the summer. "This acquisition is an important step in Vivendi Universal becoming the world leader in online music distribution," said Jean-Marie Messier, chief executive of Vivendi Universal.

• • •

Alcatel and **Lucent** called off negotiations toward a merger in late May as talks broke down apparently over how much control the French company would have.

The bid for Lucent, which was at the center of bankruptcy rumors in April, came within an ace of completion before stalling at the eleventh hour. Even if the negotiations are restarted, the deal faces formidable hurdles, not least US concerns over Lucent's **Bell Laboratories** coming under foreign control.

Alcatel is still expected to remain focused on North America where it has put down deep roots in the past three years through a $4.4 billion acquisition of **DSC Communications** and the $7.1 billion takeover last year of **Newbridge Networks**, a Canadian manufacturer of data switches. Last year, 22 percent of its $27 billion revenues came from North America.

• • •

The Norwegian government is expected to raise up to $5 billion from the flotation of **Statoil**, the state-owned oil company, on the Oslo and New York stock exchanges in mid-June.

The government is selling between 15 percent and 25 percent of the company in one of Europe's biggest initial public offerings this year, which could value it at $20 billion to $22 billion.

Norway is the world's second-largest oil exporter after Saudi Arabia. Statoil, which has petroleum reserves of 4.3 billion barrels, will be the world's eleventh-largest quoted oil company.

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Cable & Wireless, the British telecoms group, plans to use its $10 billion cash hoard to plug a gap in its global network with the acquisition of a local phone company in the US.

C&W has been building its US operation which consists of long distance networks and Internet-hosting facilities—most recently it spent $340 million on **Digital Island**, an Internet services company, and plans to invest a further $600–$700 million.

But this excludes the $10 billion that analysts say could finance a bid for successful firms, including **TimeWarner Telecom**, **Mcleod**, and **XO Communications**, or struggling operators like **Winstar** or **PSI Net**.

• • •

Warren Buffet, the world's richest investor, plans to buy privately owned firms in Europe to soak up some of the spare capital generated by his Omaha-based investment company, **Berkshire Hathaway**.

"We haven't had any luck internationally, and we hope that will change," the so-called "Sage of Omaha" told Berkshire's annual meeting.

"If we were on the radar screen in Europe the way we have been in the US, we would have bought a couple of companies over the past few years. But they just don't think of us."

• • •

Deutsche Post, Germany's mail, express, and logistics giant, is poised for a big push in the US after the Department of Transportation rejected requests by **FedEx** and **UPS** to ground the US operations of its **DHL Worldwide Express** unit.

The US firms sought a probe of the ownership structure of US-based DHL Airways, which Deutsche Post split into a separate company to skirt federal laws prohibiting foreign ownership of more than 25 percent of an American airline.

The ruling frees Deutsche Post, which was partially privatized last November, to grow its international business out of the US. The company first moved into the US with the $1.1 billion acquisition of **Air Express International**, the nation's largest airfreight forwarder, which it has integrated into **Danzas**, a Swiss freight company that it bought for around $950 million.

It will remain a small player in the US domestic market with a share of less than 1 percent of all deliveries compared with UPS and Fedex's combined 79 percent. But after a $5 billion spending spree, it is set to overtake the US firms in the global business market.

• • •

Technopolis, the world's only science park with a stock market listing, plans to double its size and profits within four years by developing a second site in Helsinki.

Based in the northern city of Oulu, 375 miles north of the Finnish capital, Technopolis has around 210 customers, including **Nokia**, **Ericsson**, and **Sonera**, employing 5,000 people.

The company, which listed on the Helsinki stock market two years ago, plans to invest $135 million over the next four years developing a 688,896 square-foot science park near Helsinki airport.

• • •

France is sharply increasing its share of international manufacturing investment in Europe despite its tough labor laws and the introduction of a thirty-five-hour working week.

France's share of new projects rose by 75 percent last year, consolidating its position as Europe's top location, according to the latest closely tracked annual survey from **Ernst & Young**.

The United Kingdom, Europe's top location for all types of foreign investment, recorded a rise of only 7 percent.

The investment decisions were made before the introduction of new labor laws, but Ernst & Young said France is benefiting from the availability of skills, its infrastructure, access to West European markets, and a stable currency.

After France and the UK, Germany was the most popular location followed by Spain.

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Euro bills and coins aren't due to hit the streets until next January but they are already having an economic impact as people across Europe pull huge hoards of national currencies from their hiding places for fear of being discovered by the tax collector with the wrong currency.

House prices in Spain are soaring as people invest billions of undeclared pesetas into real estate rather than exchange them in the banks. Meanwhile, East Europeans are trading in billions of D-marks—the traditional currency for dubious deals—for dollars, leading some analysts to suggest millions of these small deals, rather than transatlantic asset flows, could explain the euro's weakness against the greenback.

—*Bruce Barnard*

EUROPE Update

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1953—
The American-British team of James Watson and Francis Crick identifies the structure of DNA.

1970s—
Scientists begin to isolate specific genes on the DNA chain.

1980s—
Biologists begin splicing genes from one organism onto the DNA chain of another, giving new traits, such as resistance to disease or insects, to the recipient organism.

1980—
The US Supreme Court rules that genetically altered life forms could be patented, opening the way for numerous genetic commercial possibilities.

1982—
The US Food and Drug Administration allows Genentech to sell the first genetically engineered drug, a form of human insulin.

1983—
Scientists engineer the first transgenic plant, a tobacco species resistant to an antibiotic.

1994—
The FDA approves the first transgenic food for human consumption (Calgene's Flavr Savr tomato, which was bred to ripen slower and delay spoilage), although it proved to be a market failure.

Source: National Health Museum

directive sets strict monitoring standards for transgenic seeds, foods, and pharmaceuticals as well as animal feed. It also imposes tough labeling guidelines, stipulating that foods containing more than 1 percent of transgenic ingredients carry special labels. Therefore, ice cream containing a sweetener that, in turn, contains GM ingredients would require the label. The legislation also mandates the creation of a system of farm-to-fork traceability, which would allow consumers to know the exact origins of their foods. Each of the fifteen EU member states' own legislative bodies must implement the legislation, which could take up to a year and half. In the interim, the moratorium on introducing new GM products will remain in place.

For many, labeling GM foods seems like an equitable compromise: let consumers vote with their wallets whether they want to eat genetically modified foods. However, food manufacturers claim that labeling would prove costly and confusing. Since so many processed foods contain genetically modified ingredients, they argue, nearly everything in the grocery store would bear the GM label. Furthermore, they say establishing a system that traced the provenance of every soybean plant and corn stalk would force a major restructuring of the agriculture sector and add tremendously to the cost of food.

Who Is Planting GM Crops?

US	74.8 million acres in 2000
Argentina	24.7
Canada	7.4
China	1.2
South Africa	0.5
Australia	0.4
Seven other nations with minor amounts	

Source: ISAAA

American consumers, however, appear overwhelmingly to favor labels. A 1999 *Time Magazine* poll pegged support for GM labels at 81 percent, and last year the FDA conducted a study on twelve focus groups in four US cities and found that "virtually all participants saw value in having 'mere disclosure' labeling."

In Europe, some food companies are taking matters into their own hands, promising their customers not to sell GM products. France's Carrefour along with most UK grocery chains, including Safeway, Tesco, and Marks & Spencer, announced in 1999 they would remove all GM food from their shelves. The same year Nestlé and McDonald's distanced themselves from GM ingredients.

Ultimately, say leaders in both the US and the EU, the success of genetically modified food comes down to public confidence. Acceptance, emphasizes former US agriculture secretary Dan Glickman, is based on trust. "Trust in the science behind the process, but particularly trust in the regulatory process...."

David Byrne, the European commissioner for health and consumer protection, agrees. "Consumers must be assured that there is strong regulation to meet their concerns," he says. "If they gain trust, they will purchase products."

However, Byrne acknowledges the somewhat fickle nature of consumers, pointing out that "nobody has drawn to my attention that somebody has died from eating GM foods, yet 500,000 Europeans die from smoking, and I have a battle on my hands to regulate that industry."

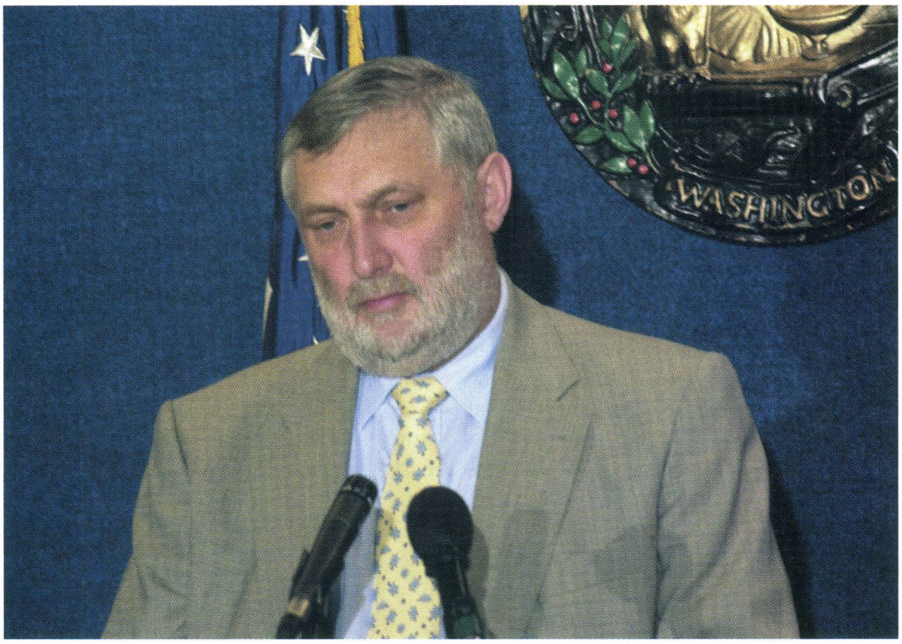
As the political debates continue, demographers are warning that food production will have to increase exponentially in the coming decades to keep up with the world's exploding population rate. The US Census Bureau estimates that 9 billion people will populate the earth by 2050, an increase of 3 billion mouths to feed. Advocates for transgenic agriculture say traditional farming methods can't produce enough food to meet such demands.

The biotech firms say their current efforts are only the tip of the silo. They are working on plants that will resist a wide variety of pests, including corn rootworm, which, according to USDA, is the target of the largest amount of insecticide applied to US cornfields. Furthermore, future developments, such as plants that can grow in extremely wet or dry conditions and those with vastly increased yields, will especially benefit farmers in the developing world.

Others see a broader convergence of agriculture and health care. Indeed, many of the same companies producing GM seeds also manufacture pharmaceuticals. One of the goals of Bionova Holding Corp is to add genes to vegetables to increase the amount of natural cancer-fighting chemicals, including beta-carotene and lycopene. Researchers at Cornell University are testing genetically altered bananas containing a vaccine against viruses that cause dysentery, a major threat to children in poor nations.

Whatever the outcome in industry or in politics, proponents and opponents agree, biotechnology, for good or ill, is not going away. The planet has been irrevocably changed by mankind's ability to directly impose his will on the genetic foundation of life. Indeed, if the twentieth century was defined by the splitting of an atom, the twenty-first century will be defined by the splicing of a gene. The only question is where it will lead. ⓔ

Peter Gwin is EUROPE's *senior writer.*



Franz Fischler

EUROPE INTERVIEW

European Agriculture Commissioner

Franz Fischler became the European Commission's agriculture commissioner in 1995 soon after his native Austria joined the European Union and in 1999 was asked to stay on for another term. Before coming to Brussels, he had served as Austria's federal agriculture and forestry minister from 1989 to 1994. In May, the fifty-four year-old commissioner visited Washington to meet with US Agriculture Secretary Ann Venemen and members of Congress before traveling on to Iowa and Missouri. While in the nation's capital, he sat down for an interview with EUROPE *editor-in-chief Robert J. Guttman in which he discusses the European Union's Common Agricultural Policy, a new trade round, and the recent outbreak of foot-and-mouth disease.*

You say the Common Agriculture Policy (CAP) should be reformed, not scrapped. How is it being reformed?

We implemented two major reforms in the last years. We started in 1992 with the first reform and then in 1999 deepened those reforms. Agriculture reform is a process and, therefore, reform must continue. The main paths of the last reform were a further reduction of price support. For example, in these two last reforms, in the cereal sector, we reduced institutional prices by 45 percent and, in the beef sector, by 40 percent. This is a real substantial reduction. On the other hand, the consequence out of that is a total change of how we use our agriculture budget. Before the reforms, we used around 90 percent for market support measures, and now this level is down to around 20 percent, and the export subsidies element is even further down. On the other hand, we introduced direct payments to the farmers, and we made these direct payments conditional on certain practices like environmental considerations or the use of pesticides and the acceptance of good farming practice. In addition to that, we enlarged our concept of agriculture policy, and we introduced a lot of rural development measures, specific environmental programs, which are on a voluntary basis. In the future, we will strengthen this element, and we would like to expand the rural development chapter within the Common Agricultural Policy. And then there's always another request coming from our farming society—that we will continue to try to make our support systems simpler and easier to understand and less bureaucratic.

You've said in the past that people seem to blame the CAP for every farming ill in the world. Why do you think CAP has a bad reputation?

The CAP has a bad reputation because we reacted very late to the changes in the markets. When the CAP started, Europe was in a situation where the CAP's main purpose was nothing other than to increase production, because we weren't self-sufficient, we were a big net importer, and in this respect our policy was very successful. The first major reform started only in 1992, prior to which there was an increasing criticism against the CAP, and we are still dealing with our own history to a certain degree. Therefore, it is important that we can demonstrate what has changed, and that we are now going in a direction where we have learned our lessons from the mistakes we made in the 1980s.

What percentage of the EU budget does the CAP comprise?

Compared with the community budget, it is a large percentage. We are using around 46 percent of the community budget in the agriculture sector, but if you compare this amount of money with the public expenditures in the community, if you add to the community budget also the national budgets and also the national expenditures for agriculture, then you will see that our expenditures are less than 2 percent of the public expenditures. And this is for around 5 percent of our population, so there is a rather good relation between the public expenditures and the share of public expenditures and the benefits for our society. And the more we are able to show that each citizen gets something and can gain something for his contribution, the more the CAP will be accepted in our society.

What about with EU enlargement? People are saying with Poland, a big farm country, coming in, it's going to break the EU. What's going to happen?

Enlargement is a clear challenge. There is no question about that. The number of farms will double after the enlargement process, and the structures in the candidate countries are very different. The main problem is Poland because of their very small farm structures. The average farm size in Poland is around 15 acres and not more. Therefore, how we deal with this challenge is the main question in the enlargement negotiations. We think the only way is that we support a very diversified rural development policy, that we provide jobs for the rural population outside agriculture, that we give incentives that small and medium-sized industry will invest on the countryside. And at the same time, that we improve the hygiene and the veterinary and phytosanitary standards, so that the product produced in the candidate countries can compete with the products of the other member states. This is part of the negotiations because this can't be done from one day to the next, and therefore, we are discussing certain phasing-in concepts and transition measures. In addition to that, we don't want to wait until the date when a candidate country will join the European Union; we are now starting programs where we can support the rural development policy which I described before.

Are you hopeful that a new trade round will be getting off the ground soon? What does the EU hope for agriculture in the next round?

The European Union is absolutely in favor of a new round because we think, for the future, trade policy, it will be very important that we find ways to negotiate trade solutions where the outcome will be, that all partners can win to a certain degree from such a round and not that the outcome will create winner and losers. It is much easier to achieve such an outcome within a round rather than within the limited possibilities...of (only) the agriculture negotiations in Geneva. We are prepared to do that if there is not a new round, but we have a clear preference for a full round.

There is also another reason. With a full round, there will also be a clear timeframe. This is the disadvantage of the ongoing Article 20 negotiations, which lack a clear timeframe. We also favor the multilateral approach because it will have clear priorities compared with other free trade agreements or bilateral agreements. And how should the citizens have confidence in the WTO regime, as such, if we don't demonstrate that we have an interest in strengthening this regime and making progress within this regime?

Is foot-and-mouth disease under control yet?

The foot-and-mouth disease is under control, and in most of the member states, there was no case at all. In two member states, there were one or two cases in the very beginning, but since then, no new cases. In the Netherlands, there aren't any new cases, and yesterday was the first day (since the outbreak) where there were no new cases reported in the UK. Therefore, we can say the disease is under control, and we hope that we can eradicate it soon in the European Union.

Why are European consumers so concerned about genetically modified organisms (GMOs) for use in agriculture products?

In principle, we will need genetic engineering in the future also in the agriculture sector. There are concerns in Europe, this is true, and it will be important to deal with these concerns. One element is here, that we are starting to implement a European food authority. This will help to create more confidence in our society. In addition, we were able to get a decision from our member states about the general approach for the approval and the labeling of GMOs, but there are still some concerns related to traceability and related to some details of labeling. We hope that we can sort out these problems rather soon so that we will have a clear approval system and that we can then overcome the present deadlock.

As a rule, does Europe have smaller farms than the US? The US farming sector is dominated by large agri-businesses, does Europe have that or are they mainly smaller farms?

This view is a little bit old-fashioned. More importantly, we should compare the numbers of real commercial farms on both sides of the Atlantic. I understand that of the 2 million farms in the US, there are not much more than 350,000 real commercial farms producing the main share of the whole American production. In the European Union, there aren't much more than 20 to 25 percent of the 7 million farms producing the main part of our produce. Therefore, it seems to me that in the future we will increasingly have to deal with the different types of farms. It also seems that it is not permanently justified that we support exactly in the same manner all types of farms. We are already starting to diversify the support systems a little bit, and within the Agenda 2000, we allowed member states to introduce modulations, which implies a decrease in farm support for the very big farms and continuation with the normal level of support for the smaller farms.

You said earlier you thought that in the future the EU will have to move to genetically modified food?

I think that in Europe genetically modified food will play a more important role in the future than it played in the past. But it is important that we give the consumer the choice.

A waiter serves a bouillabaisse feast in Cassis, France

Food Tour of France

By Ester Laushway

A Culinary Odyssey

It was Napoleon who reportedly said that an army marches on its stomach. Certainly food is never far from the mind of any Frenchman, and not only footsore soldiers look forward eagerly to the next meal. Instead of planning a trip through France based on the sights you would like to visit, you can easily let your stomach lead the way, which it may well do, after touring a country that can be mapped by its culinary specialties. Each region, each city, even the tiniest village grows some prize produce or makes a local delicacy, usually steeped in tradition, so that any tour of France can be a culinary odyssey, with memorable meals acting as milestones along the way.

Winston Churchill once asked Charles de Gaulle how he could possibly govern a nation that had so many cheeses—there is at least one for every day of the year. He could have asked exactly the same question about wines. France also has enough different sausages and varieties of fruits and vegetables to confuse you for years. In season, my local supermarket routinely stocks about ten different kinds of apples and about half a dozen types of pears, and there is much, much more than a baker's dozen of different breads to choose from. Inventive French cooks diversify the vast array of fresh ingredients even further by preparing them in keeping with the climate and character of each region, so that a fish soup, known as a *marmite Dieppoise* in the damp, cool North, bears only a passing family resemblance to the *bouillabaisse* that is served in the hot, sunny South.

Before we set off on a short food tour of France, let us be quite clear that we will only be skimming the surface, only taking the merest nibble of the inexhaustible banquet of regional specialties that France dishes up with such a generous hand. You can spend a lifetime eating your way around France and maybe die of overindulgence but never of boredom.

For once, Paris and the surrounding Ile-de-France region can be left for last. The French capital is where all the regional cuisines come together and are masterfully presented, but it is not where they originate. If you think of France as a misshapen pie, you can cut it into six lopsided wedges that point towards Paris: the North, the West, the East, the Southwest, the Southeast, and the Mediterranean Basin.

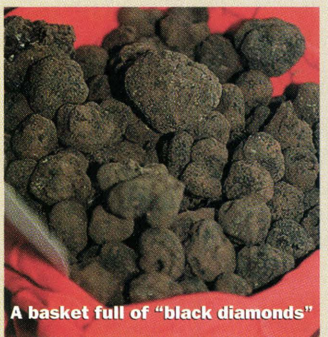
A Nice fisherman proudly displays his catch.

No Trifling with Truffles

You have to hand it to the French. They can ferret out any edible delicacy on earth—or under it—no matter how unappetizing it may appear. Whereas other nations might squirm at the sight of snails, or flinch when faced with frogs' legs, the Gauls, with genetic gastronomic flair, just instinctively home in on delicious morsels, regardless of what they look like.

Take the truffle, for example. To the untutored eye, it resembles a well-aged dirt clod, yet the French recognized it as buried treasure centuries ago—and not just for its culinary merits. Henri IV, born in 1553, was convinced that his conception was due to the fact that his mother had eaten a hefty portion of truffle salad that day, and 200 years later, Madame de Pompadour regularly fed truffles to Louis XV to revive his amorous ardor. With such a longstanding reputation in the bedroom as well as in the kitchen, it is small wonder the truffle has become prized as the "black diamond" of French cuisine, lusted after by every passionate gourmet.

Contrary to the common belief that the Promised Land for truffle lovers is the Périgord, it is Provence that produces 80 percent of the black, so-called "Périgord" truffle, or *tuber melanosporum*, in France. Locally known as the *rabasse*, it has achieved cult status. Every winter, worshippers of the subterranean fungus gather at several truffle markets in the region to sniff, prod, purchase, and to exchange truffle lore.



A basket full of "black diamonds"

Unprepossessing as it is in appearance, the smell of a fresh, ripe truffle can send a strong man reeling at ten paces. Its aroma—woodsy, earthy, giddying—will overpower everything around. "One time the postman brought me a package and said: 'You can't tell me there aren't truffles in there—my whole van is reeking of them!' " The speaker was one of those elegant ladies you encounter in France, with a wicker basket on her arm, a silk scarf around her throat, doing her shopping at the truffle market in the village of Lambesc, north of Aix-en-Provence.

The price of truffles that day was $200 a pound, a bargain when judged by Paris standards and a downright steal when compared to prices abroad. In the United States, trade conflicts over beef and bananas have raised import duty on truffles to such exorbitant levels that each truffle nugget entering the country is worth its weight in gold. Since imported truffles are not allowed to be sold fresh, with any earth adhering to them, either, they mostly arrive embalmed in oil, tamer and more subdued than the raunchy, unwashed fungi sold in French markets.

Jean-Jacques Roux, whose stand at Lambesc was cleaned out of truffles by mid-morning, is employed as the official "truffle technician" for the entire Provence-Alpes-Côte d'Azur region. You can tell a prime truffle, he assured me, not just by its perfume, which is "intoxicating," but by how it looks. It should be deep black, with not too much earth on it (which hides flaws and boosts the cost), have a "pretty shape" and be firm to the touch. The ultimate test is to *canifer* it—cut off a sliver—and check that the interior is black, with delicate white marbling, but it is practically impossible to find a seller willing to put his truffles to the knife.

Supplies have fallen dramatically since the beginning of the century, when there were about 1,000 tons of truffles grown in France. "At that time, there were at

The North

This is the first glimpse of France you get when you emerge from the Channel Tunnel. It does not immediately make you think of French *joie de vivre*, lying flat and damp and often shrouded in fog, between the sea on one side and Belgium on the other. Yet the uncompromising countryside has a melancholy charm all its own, and its rich, robust cooking more than makes up for the lack of meteorological warmth.

This is the land of hearty soups and slowly simmered stews, often with beer added instead of wine. Among the most typical are *carbonnade Flamande*, a beef and onion stew cooked in beer, and *waterzoï*, a fresh water fish, or chicken, stew. Among the abundance of fresh, salted, and pickled fish, the herring is king. You can also eat your fill of tiny, briny gray shrimp and of mussels, served with some of the best French fries you have ever tasted.

Vegetables are plentiful and of outstanding quality, starting with luscious, buttery white asparagus and sweet green peas in spring. There is a profusion of endives, which are particularly tasty braised in butter, and of onions, which appear in practically every dish and take a starring role in *tarte aux onions*, an onion-laden quiche.

The West

The diversified region that fans out westward from Paris ranges from fertile meadows and orchards in the part that touches on the English Channel, to the rugged seascapes and salt marshes of the peninsula that juts out into the Atlantic Ocean.

The cooking is equally varied, drawing on both riches of the sea and land. The blue Brittany lobsters are the best you can imagine, and you are spoiled for choice with other shellfish and seafood, including sublime scallops, or *coquilles Saint-Jacques*, which are served in France with the delicate red coral attached. Freshwater fish, such as trout and pike, are plentiful, too,

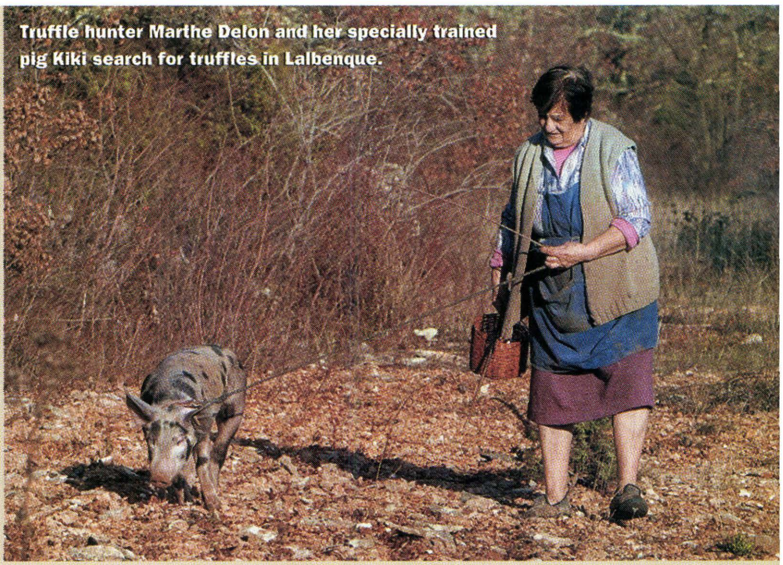
least 600 tons produced in Provence," said Roux. "Now, there are only about 40 tons in all of France, and in the Périgord," he added with a malicious twinkle, "they have a hard time scraping together one ton per year."

Salivating now in anticipation, having talked, touched, and inhaled truffles but not yet actually eaten them, I headed off with some friends on a truffle-hunting expedition, to a *truffière*—a truffle plantation. Planted with trees, generally oaks, that have been inoculated with truffle spores, *truffières* are gradually replacing wild truffle-grounds, which are becoming increasingly rare because natural woodlands are disappearing or no longer being maintained the way they used to be.

Waiting for us was Jean-Luc Roux, with Dick, his blind truffle dog, at his side, and a screwdriver, the tool of the real truffle pro, sticking out of his anorak pocket. "*Cherche*!" he crooned, and Dick pulled him along on the lead for a yard or so, stopped, sniffed, gave a perfunctory few scratches, and looked bored. Surely, he would not be so blasé about an actual truffle? But just as we amateurs had decided this was definitely a false alarm, Jean-Luc dug delicately around the spot where Dick had paused and lifted up a handful of the red earth for us to smell. The olfactory punch that hit us—musky, dizzying—was one of those moments that stay with you, a sensory high you can still relive years later.

A little more careful excavation, and there it was, gleaming darkly in its earthen bed—my first "live" truffle! From then on, it was hard to keep up with Dick. He trotted along, nonchalantly pawing a spot every few minutes, a few times faking it, just to get an extra bit of bread and to keep his master on his toes. In less than two hours, we had close to two pounds of truffles, the smallest no larger than a walnut, the biggest the size of a baked potato.

Roux, who has the tracking flair of a bloodhound, often goes out truffling by himself, "just with my nose and my screwdriver." He looks for characteristic burnt patches around trees, for bumps or cracks in the earth, and for *la mouche*, a breed of tiny flies partial to ripe truffles can be detected by sweeping a bare branch back and forth, parallel to



Truffle hunter Marthe Delon and her specially trained pig Kiki search for truffles in Lalbenque.

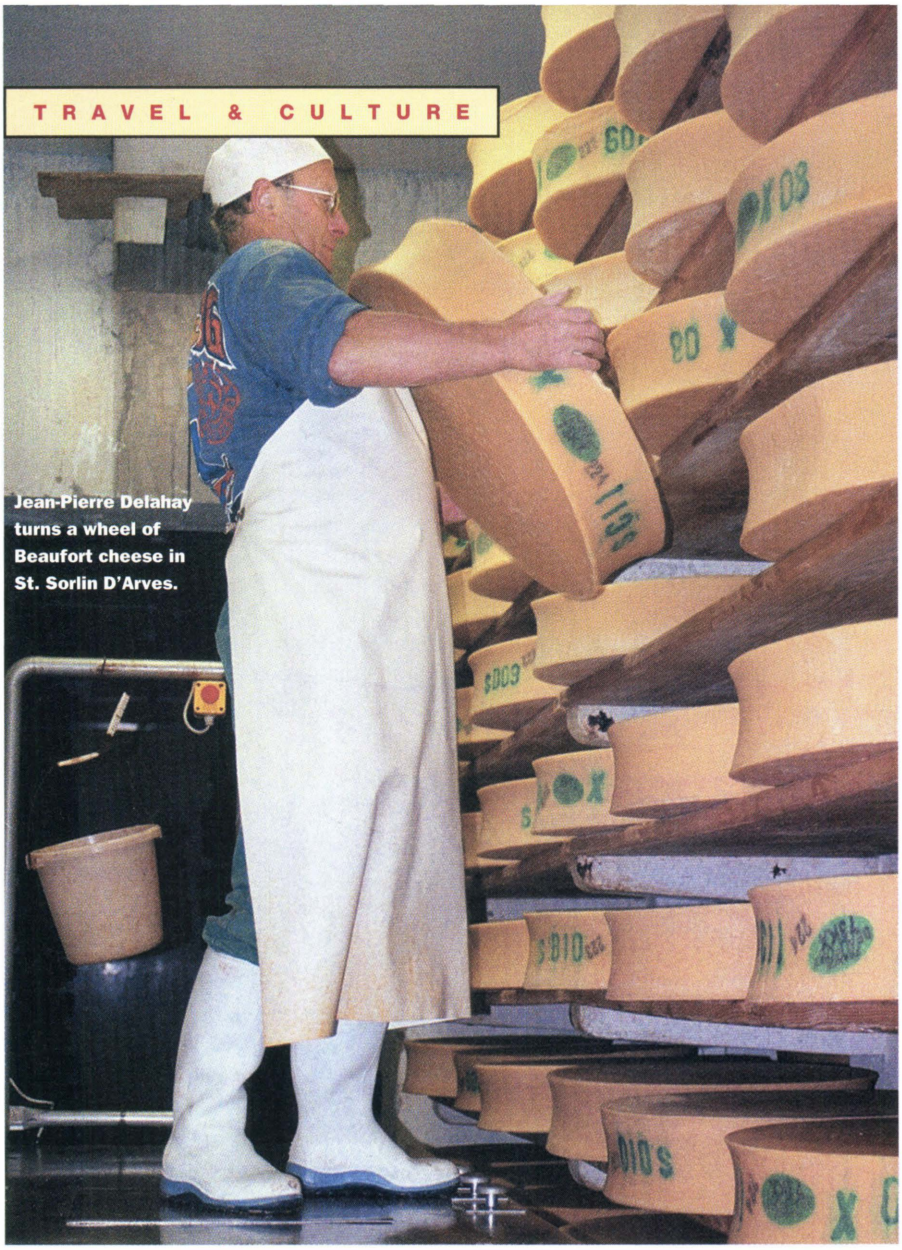
the ground. The spot from which they fly up marks the truffle's underground lair. Roux once found a monster truffle that weighed over a pound by using that method.

If you do not wash freshly dug truffles, they can be stored up to two weeks in the bottom of your refrigerator, where they will defy any hermetically sealed container and permeate everything. It is best to let them have their way and store them with the ingredients with which you plan to cook them: for a truffle omelette or *brouillade* (scrambled eggs), for example, put them together with the eggs for three to four days.

Freshly sliced, on bread toasted in olive oil, with just some salt sprinkled on top, is how I finally sampled my first truffle. The taste did not, could not, live up to its overwhelming aroma but underlined it nicely, with a nutty, earthy flavor, hinting at mushrooms and hazelnuts, with a slight aftertaste of black chocolate.

On the next family walk in the woods, I found myself taking a branch and swishing it hopefully around the base of every oak tree we came across. No little flies rose up, and my entourage did not hide their skepticism, but I am hooked!

—*Ester Laushway*



Jean-Pierre Delahay turns a wheel of Beaufort cheese in St. Sorlin D'Arves.

although the days have passed when the rivers teemed with so many salmon that a law forbids employers from serving it to their apprentices more than three times a week.

The rich butter and cream of Normandy is used to produce more than thirty varieties of cheese, including creamy Camembert and assertive Livarot, and is added with a generous hand to many regional dishes. Whenever something is prepared *à la Normande*, you know that it will feature a white sauce made with liberal lashings of cream, often blended with apple cider or *calvados,* the lethal apple brandy distilled locally.

Of the different desserts featuring apples, the most celebrated is *tarte Tatin*, a luscious caramelized apple upside-down cake, accidentally created in 1898, when one of the Tatin sisters got so rattled during the lunchtime rush at their restaurant that she put her apple cake in the oven the wrong way up.

The East

Between Paris and the German border, dissected by the Vosges Mountains, lies the green, forested East, where game is more plentiful than anywhere else in France. You need a carefree attitude toward cholesterol to do justice to the substantial *pâtés* and *terrines* prepared here from hare, pheasant, venison, boar, and the like, and no weakling can hope to sample all the sausages of the region. Divine but deadly *foie gras* made from goose livers originated here in the eighteenth century and is still considered to be the finest in France.

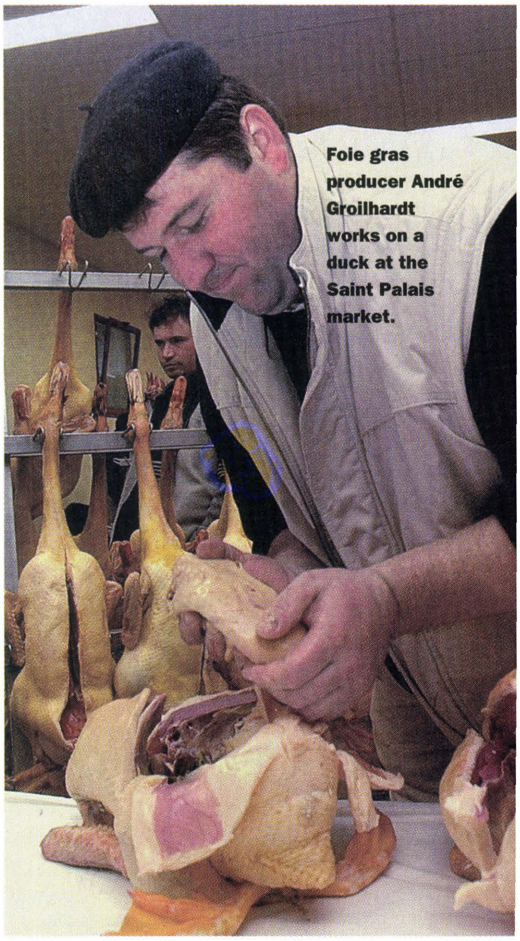
Practically every Alsatian household has its own variation on the *choucroute* or sauerkraut theme. It can be garnished with all sorts of meats, sausages, even fish, and can be simmered in anything from beer to white wine to champagne.

The ubiquitous *quiche Lorraine* hails from this corner of France and has a wide assortment of meat and vegetable tarts and pies to keep it company.

As if all this would not make any stomach cry out "enough!" the East is also known for its cakes and sweets. This is where the Polish father-in-law of Louis XV, Stanislas Leszczynski, poured rum over a sweet yeast bun that was too dry for his taste and invented the *baba au rhum*. The little butter cakes *Madeleines* immortalized by writer Marcel Proust are a regional specialty so is a red currant preserve from which all the seeds are removed with a goose feather.

The Southwest

The large elongated wedge that stretches from south of the Loire River down to the Spanish border, with the Atlantic Ocean along its western edge, is fringed by pine forests and contains the world-famous Bordeaux wine region. It is a part of France where strong, earthy flavors abound, from boletus mushrooms to nuts to truffles. They are often combined with the plump poultry of the region, to produce food so delicious that it gives you little shivers of



Foie gras producer André Groilhardt works on a duck at the Saint Palais market.

guilty delight: truffle and wild mushroom omelets; goose and duck liver *patés* and *confits*, where the meat is cooked and conserved in its own fat. Gastronomic decadence is pushed to the ultimate limit in the recipe for *lièvre à la royale*—a whole, entirely deboned hare, filled with a stuffing of truffles and foie gras.

Only slightly less sinful are the fat, excellent oysters in the northern part of the region, served with grilled sausages, the fried sardines on the southern seaboard, and the snails that take the place of seafood when you travel inland. They are dished up in dozens of ways, with bacon and garlic, with ham and white wine, in stews, omelets, and soups.

If you can still draw breath after the regional main courses, fifty different types of *chabichou* goat's milk cheese are waiting to be tasted.

The Southeast

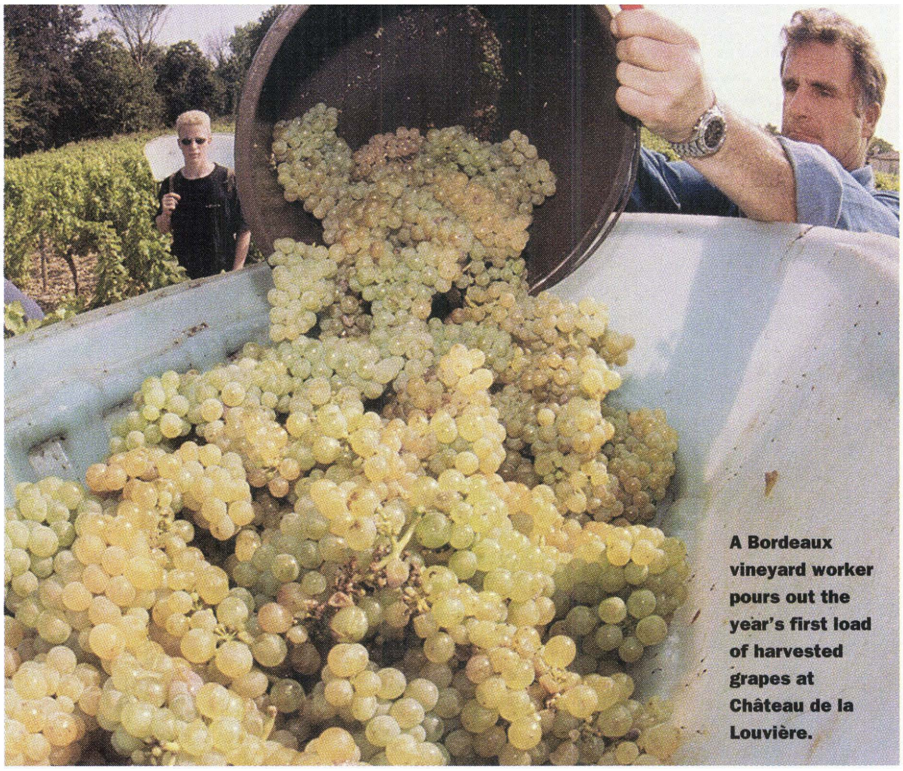
The slice of France that includes the city of Lyon and reaches west to the Swiss and Italian borders is home to as many three-starred chefs as Paris (seven). Lyon prides itself on being the gastronomic capital of the nation, which Paris disputes. It is a closely fought, indecisive, and delicious war, where everyone who loves gourmet cuisine comes out a winner.

Certainly the cooking of the Lyon region is a full-fledged art, drawing on superb local produce like the buttery, blue-footed Bresse chickens to create culinary specialties such as *poularde en vessie* (chicken poached in a pork bladder) and *poulet en demi-deuil*, (chicken with slices of truffle under the skin).

More rustic, home-style fare includes the famous, cheese-laden onion soup and *saladiers Lyonnais*, which are main course salads that can contain chicken livers, lamb's feet, herring, and whatever else inspires the particular chef.

In the Alpine area east of Lyon, potatoes, cheese, and cream are used liberally to produce stick-to-your-rib dishes that will replace all the calories you may have used up during a day's skiing or hiking. *Gratin dauphinois* exists in many variations but all involve potatoes, eggs, and milk, with grated cheese as an option.

The unctuous cheeses of the Alps—Reblochon, Beaufort, Abondance—are a gourmet way to round off any meal, or if you prefer something sweet, try the white, pistachio-studded nougat made in Montélimar.



A Bordeaux vineyard worker pours out the year's first load of harvested grapes at Château de la Louvière.

The Mediterranean Basin

The South of France, which borders on the Mediterranean and is flanked by Italy on the one side and Spain on the other, is a region of astonishing beauty, blessed with a climate that provides a year-round feast of top-quality produce. Fruits and vegetables ripen to such flavorful perfection in the southern sun that they do not need much dressing up with other ingredients. The tomatoes, zucchini, eggplants, and artichokes as well as the melons, peaches, apricots, cherries, and figs are all simply, naturally delicious.

Olive oil is the magic elixir that flows through the cooking of the region. You will find it in *soupe au pistou*, a thick, aromatic vegetable soup that is flavored with garlic, basil, cheese, and olive oil. You will also encounter it in *aïöli*, the regional, knock-your-socks-off garlic mayonnaise that is served with cooked vegetables, and in *brandade de morue*, a piquant salt cod purée.

The Mediterranean Sea supplies the makings of one of the great regional fish recipes—*bouillabaisse*—a fragrant, olive oil and herb-flavored stew that must contain at least four local fish varieties and is served with a saffron-and-garlic-flavored mayonnaise. Tuna, red mullet, and anchovies are also in good supply and, again, are prepared with olive oil, as are the bright, savory salads of the South.

Even some desserts use cholesterol-free olive oil instead of butter, which can make you feel virtuous while indulging yourself. (I have tasted an exquisite strawberry tart and a luscious white chocolate ice cream prepared with olive oil.)

Paris

As I said right from the start, the riches of France's different regions are splendidly showcased in the Paris region, but it is so sophisticated and cosmopolitan that it has not produced much of a regional cooking style itself.

However, one area of gastronomic expertise that I believe Paris has made uniquely its own is the bread and pastry department. Nowhere in France produces such wonderful baguettes and croissants, such exquisite light pastries as Paris. It does not matter where they originated; Paris does them best. Macaroons, for example, were created in eastern France, but the ones I would consider selling my soul for come from Paris.

All in all, you have to try extremely hard to avoid good food in any part of France. Look on this tour as just an appetizer, an introductory titillation of your taste buds. If the French saying holds true that *l'appêtit vient en mangeant*—eating whets the appetite—then you can continue to eat your way around France for the rest of your life. I certainly intend to.

Ester Laushway, based in France, has written about food and wine for Square Meal *and* France Today.

By John Andrews

In Vino Euro

Global competition is squeezing Old World vintners

As the Bible says, "No man also having drunk old wine straightway desireth new: for he saith, the old is better" (Luke 5:39). Doubtless that explains why at a recent auction in Paris a single bottle of Petrus Pomerol 1970 was sold at auction for $1,400. In Los Angeles last year, Christie's managed to auction twelve bottles of Mouton-Rothschild 1945 for $63,000. In London in December, eleven bottles of Petrus 1982 went for a modest $24,000. Clearly, Europe's finest wines—or more especially France's—are for the rich.

The cynics will say they are also for the snobs. Whereas Americans like to identify their wines by the grape—a merlot here or a cabernet there—the Europeans talk of château this and château that. Some otherwise rational Frenchmen will look down their noses (literally) at a fine burgundy, and declare that only a bordeaux will do, and the belief that only France makes truly good wine is seemingly part of the nation's cultural heritage.

But is it justified? Do France's wines deserve their reverence? It is tempting to say no. As long ago as 1976, French wine critics shocked themselves by picking Californian labels, not French ones, in a blind tasting of fine wines. The British, who have a catholic taste in wine (necessarily so, since Britain produces precious little of its own wine), increasingly choose Australian, New Zealand, and South African wines. If they want something that is cheap but still drinkable, the choice used to be wines from Bulgaria and Hungary; now it is more likely to be a bottle from Chile, Argentina, even Brazil or Mexico. Interestingly, however, France's share of the British market has dropped relatively little (in the 1990s from a third to a quarter), rather it is Germany, with its share dropping from a fifth to less than 10 percent, that has suffered most. In other words, French wines are under threat, but they have not yet lost the war.

Nor should they, if you believe that wine making is a question of heritage, tradition, and geography. What makes a wine, say true oenophiles, is what the French call the *terroir*: the mix of soil, topography, and climate that somehow gives an individual wine—be it in France's Rhone Valley or in Italy's Chianti region—its individual taste. How, they ask, can you produce a genuinely fine wine if you reduce it to an industrial process of grapes and fermentation in metal vats?

This is surely one reason why Aimé Guibert, a vintner in France's Languedoc region, is jumping through legal hoops trying to prevent California's Robert Mondavi from starting a vineyard next-door to his own Daumas Gassac estate. The Mondavi plan is to produce a fine wine with a very limited production, but Guibert—who stresses that he respects Mondavi's skills—argues that a giant corporation like Mondavi will inevitably increase its output and so increase the environmental damage he says will occur even with a small vineyard. Right or wrong, no one can doubt Guibert's own skill: the Daumas Gassac red is now recognized as one of France's very best.

Yet the Daumas Gassac wines are labeled as mere *vin de pays* (country wine), without the *appellation d'origine contrôlée* (AOC) designation that even a moderately good wine normally carries. Why the lack of a Languedoc AOC label? Simply because Guibert refuses to use the required blend of grapes—a blend that in the past could explain why Languedoc wines have been so mediocre.

In his case, Guibert makes a good argument: Daumas Gassac is clearly superior to the other wines in the Languedoc. But go beyond the particular to the general, and there is no doubt that appellation controlée has been a boon to both producers and consumers. True, there have been cases of fraud, with wines being illegally boosted in poor years, but the fact is that the appellation labels, and their equivalents in Spain, Germany, and Italy, have kept the link between a wine and its land—and in the process preserved individual wines by the thousands. In France, for example, there are more than 12,000 wine producers in Bordeaux alone; in Italy there may be more than a million—which means there are an awful lot of good Italian wines that never get exported (for the most part, the rest of the world knows only those from Chianti, Valpolicella, Barolo, and Bardolino).

The question is whether the system needs to evolve. Critics say that the appellation too often becomes either a protective device or a straitjacket. The protection comes because the appellation confines a wine to a particular place; the straitjacket comes because the strict rules on grapes, alcohol content, even the way the vines are planted conspire to prevent innovation. Tradition is everything, to the exclusion of something better.

That surely is why Europe's wines, even France's, are losing their share of pa

the world market. The "New World" makers from America, Australia, New Zealand, and South Africa, have used modern technology to produce wines for a mass market—and the wines may not be great, but they are consistently good and competitively priced. Moreover, unconstrained by appellation rules, they have also introduced new tastes—witness the Australian and American fashion (abhorred by French purists) for "oaked" chardonnays. The result is that whereas in the late 1980s just four EU nations—France, Italy, Portugal, and Spain—accounted for 85 percent of the world's wine exports, now their share has fallen to less than 70 percent.

So what is the remedy? One answer is for the Europeans to adopt "New World" marketing methods, which is why you can now see wines labeled "merlot" in French supermarkets. A second answer is to hire your competitors. There are now several Australian wine experts giving advice to old established French producers. And a third answer is along the lines of "if you can't beat 'em, join 'em." France's LVMH company, for example, owns Moët et Chandon and other French champagne brands but also has labels in California, Argentina, and New Zealand. Similarly, Pernod Ricard, which owns the Alexis Lichine label in France, also has labels as far afield as China and Australia.

But the best answer for the consumer is surely to accept the diversity and enjoy it. There are few things better in life than to accompany fresh fish with a chilled chablis or to order a medoc to go with the roast pigeon. As the scientists are discovering, wine is good for you! Ⓔ

John Andrews, a EUROPE *contributing editor, is the Paris bureau chief of the* Economist.

An auctioneer's porter carries a rare bottle of Château Mouton-Rothschild vintage 1945 to the auction room at Christie's.

The Cava Buzz

Spanish bubbly gains popularity

By Kathryn Matthews

En route to Barcelona, I was chatting with a fellow New Yorker when a stewardess magically appeared and offered us a glass of cava. I happily accepted. Sensing my seatmate's obvious indecision, the stewardess added helpfully, "It's champagne."

A glint of giddy recognition prompted an affirmative. "Champagne! Why yes, I'll have one!"

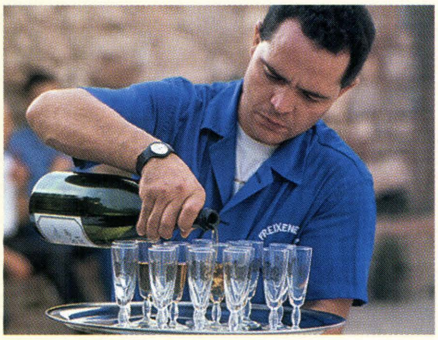
Technically, of course, cava is a Spanish sparkling wine—not champagne (although it's made by the same process). With cava, you get the bubbles sans the champagne price tag. On the tongue, cava is "lighter, restrained, more delicate, and not as yeasty or fruity compared to your average champagne," says Rory Callahan, president of Wine & Food Associates in New York City.

Like champagne, cava is a specific appellation, a *Denominaciónes de Origen* (DO) that details both the method (*methode traditionelle*) and area of production. Unlike France's restrictive Champagne district, the Cava DO is not limited to a single geographic area. The term *cava* refers to sparkling wine produced in Catalonia, Valencia, Aragon, Navarra, Rioja, and the Basque country, and made from three grapes—parellada, macabeo, and xarel-lo. After Spain joined the European Union in 1986, however, the EU stipulated that cava may not be made outside these regions. Today, the indigenous grapes still predominate, but more producers are using chardonnay grapes. In one case, Juvé y Camps, a premium cava house, in 1999 introduced Milesimé Cava, made with 100 percent chardonnay grapes.

About 95 percent of cava is produced in Catalonia, around the hilly Penedes region outside Barcelona, where the climate is temperate (with an average temperature of 60°F) and the jagged peaks of Montserrat form a dramatic backdrop—as well as a protective buffer against chilly northern winds—for most vineyards.

Non-vintage cava spends a minimum of nine months in the bottle and up to three years for vintage, compared with champagne's fifteen months for non-vintage and at least three to five years for vintage.

Among European sparkling wines, cava has established a strong American presence. Thirty years ago Spain accounted for just 0.3 percent of sparkling wines imported into the US; however, it now commands roughly a



fourth of the US market for imported sparkling wines, ranking third after France (44 percent) and Italy (29 percent market share), according to 1999 figures released by Wines from Spain in New York City, an affiliate of the Spanish Trade Commission. This increased market share can be attributed, in part, to the continual marketing efforts of Codorníu and Freixenet, by far Spain's two biggest and best-known cava houses. Codorníu is credited with having produced the first bottle of Spanish sparkling wine in 1872, while its chief competitor, Freixenet, initially made a splash in the US a decade ago with its frosted black bottles of Cordon Negro. Both houses own wineries worldwide, including California outposts.

For some oenophiles, there is no conceivable substitute for champagne's seductive aura of luxury and prestige (or its crisp flavor, rife with hints of toasted nuts, yeast, caramel, and vanilla). But "cava is a popular choice for those who want to drink (and afford) champagne every day," says Shyda Gilmer, general manager at Sherry-Lehmann, a high-end retail wine shop in New York City. He reports that cava sales have slowly inched up over the past few years because of greater consumer awareness and the attractive price point (generally $8 to $11).

While restaurant diners may not be as familiar with cava as champagne, they're certainly willing to convert—if prompted—says Ivan Ruiz, wine director at the nuevo-hip Pipa, a Spanish tapas bar, in New York City, "Even though we have an all-Spanish wine list, people still ask for champagne. We'll explain that Spain doesn't make champagne, then suggest cava. And once they taste it, they love it."

Packaging has also played a significant role in boosting cava's appeal, notes Callahan, "Label artwork and bottle shapes are more sophisticated, an important factor when vying for American wine buyers' attention these days." Ruiz agrees, "On Pipa's all-Spanish wine list, Segura Viudas Heredad is a top-selling cava at $35 because of its awesome-looking bottle. People tend to associate an impressive presentation with product quality." But it's not just about flash and style: cava is also a food friendly sparkling wine and pairs well with tapas, like green olives, salami, and serrano ham, says Ruiz.

Many wine experts consider cava one of the best value bubblies on the shelf. From an American marketing perspective, however, its barely double-digit price is a double-edged retail sword. "People who aren't secure about buying wine automatically gravitate toward more expensive champagne. That's unfortunate because there are some really fine cavas, like Aria Estate Brut Reserve ($12 to $15), which rivals many non-vintage French champagnes and blows first-time tasters away," says Callahan.

Not that relatively pricey cavas don't exist: reserve cuvées can cost $20 to $35. But you can find great grape character and good value at smaller boutique houses like Paul Cheneau, Mont Marçal, Leopardi, and Juvé y Camps. Although not as widely distributed as Codorníu or Freixenet, these producers are well worth discovering. Ⓔ

Kathryn Matthews is a food and travel writer based in New York City.

Fabulous Food

Whether you're dining on reindeer stew in Stockholm, munching on Danish blue cheese and a crusty baguette in Copenhagen, or stopping off for a beer and bratwurst in Berlin, gastronomic adventures await all over Europe. We asked each of our fifteen correspondents in the European capitals to tickle our taste buds with a sampling of foods and beverages from their respective countries. They came up with a smorgasbord of tasty morsels: sweet chocolate *Mozartkugeln* in Austria, soft and creamy Adrahan cheeses in Ireland, light aromatic olive oils from Greece and Italy, slightly salty serrano hams from Spain, and chilled smoked reindeer with lingon berries in Sweden. To wash these down, we have sparkling crémants from Luxembourg, wild berry liqueurs from Finland, and premium malt whiskies from Scotland. Bon appetit!

LONDON

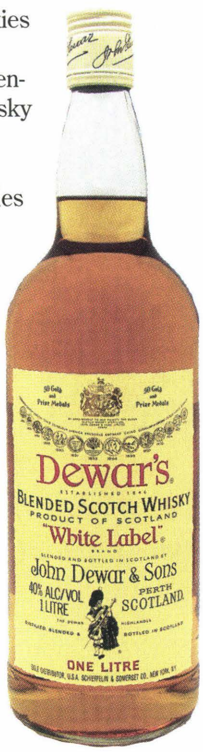
THAT'S WHISKY WITH NO 'E'

Despite all the food scares you read about, the UK is the world's sixth-largest food exporter. Mad cow and more recently foot-and-mouth diseases mean that no meat products can be exported to the United States. Nevertheless, North America remains the UK's fourth-largest export market for food and beverages.

Food and drink exports to the US rose 35 percent in the past decade to exceed $1.25 billion. English teas and Stilton cheese have done well, and beer, too, with sales up 13 percent last year. But the real winner is Scotch whisky, which accounted for $460 million of total food and beverage sales to the US.

Oh, and before you begin to think I have misspelled the word "whisky," let me remind you that rather like the singer Liza Minnelli who insisted "It's Liza with a 'z' not Lisa with an 's'," the Scots insist the correct spelling of their famous tipple is "whisky without an 'e'."

Now that that is cleared up, let's look at what is happening today. "The consumption of premium blends and malt whiskies is growing in the US," summarizes Karen Prentice of the Scotch Whisky Association. "Blended Scotch dominated the spirits scene for decades and people are now looking for something a bit different," she explains. "It's also aspirational—people like to think they are richer and more sophisticated than the previous generation. Malts and premiums exude exclusivity and connoisseurship."



Whisky blends, such as Dewars, outsell single malts four to one.

If you want to "exude connoisseurship," then let me tell you that the top-selling malts are Glenlivet, Glenfiddich, and The Macallan. Together they account for half of all sales of malt whisky, which rose 50 percent in the past decade.

That 50 percent rise in sales by volume actually hides a much more dramatic fact that by value, the earnings from malt sales actually tripled to more than $80 million. The US market for blended Scotch has been "pretty flat," according to Karen, but she is putting an optimistic sheen on the figures which show that they have fallen from 11.6 million cases (each with twelve bottles) in 1991 to only 9.2 million last year.

However, it's still an impressive performance, with blends still outselling malts four to one last year. For the record, the best-selling blends include Dewar's, Johnny Walker Red, Clan MacGregor, and J&B.

As a lad growing up in Ireland, one of the defensive jokes we used to tell to explain the huge popularity of Scotch whisky overseas compared to Irish whiskey (yes, the Irish spell it with an "e") was that we were more sensible because "we drank it at home, while the Scots exported theirs."

Well, now I know it's true because one of the curiosities I discovered about Scotch whisky while researching this report is that 85 percent of Scotch whisky production is consumed outside Scotland. Indeed, more Scotch whisky is drunk in the US than in Scotland.

—David Lennon

ATHENS

CARVING OUT AN OLIVE OIL NICHE

Aris Kefalogiannis followed family tradition and trained as a lawyer, before making a definitive break with the past. Instead of entering politics—a traditional family occupation—he decided to join a small but growing number of Greek entrepreneurs who are trying to put Greek olive oil on the global marketing map.

Kefaloyiannis founded Gaea, a company that produces high-quality olive oil and table olives for export to international markets, and is gradually adding other traditional Greek foods—such as aubergine salad—to its product range.

Unlike many small Greek olive oil producers, Gaea has managed to carve out a niche on the shelves of supermarkets and delicatessens in the United Kingdom, where demand for Mediterranean food products is rising at a rapid rate. Professional marketing is the key to success, Kefaloyiannis says. "Your cold-pressed extra virgin oil may be the best Greece can produce, but as we found out, you need real marketing skills to sell it in northern Europe."

Kefaloyiannis hired a British design studio to create the Gaea brand and devise sophisticated packaging that could compete with top-of-the-range products from Spain and Italy. His UK distributor is a specialist in handling Mediterranean products. But in a market where better-known Spanish and Italian olive oil brands traditionally have the edge, Greek brands have to be priced competitively. "Greek producers can't achieve the economies of scale enjoyed by the big Italian producers, and transport costs are higher because we're farther from our markets. So we have to accept lower margins—at least for now,"

Greece exports almost half its total olive oil output.

Kefaloyiannis says.

With demand for virgin olive oil increasing by an estimated 10–15 percent yearly in northern Europe, the US, and Japan, there is plenty of room for new market entrants.

Greece is the Mediterranean's third-largest producer of olive oil, after Italy and Spain, but the biggest exporter.

This year Greece is expected to export about 200,000 tons of olive oil—almost half its total output. But about 90 percent of this amount will be sold in bulk to bottlers in Italy and Spain, to be mixed with local olive oils and sold as Italian or Spanish products.

Greek bottlers last year sold about 2,000 tons of branded virgin olive oil in the US and another 2,000 tons in the UK. The biggest market in Europe is the Netherlands with almost 4,000 tons.

"The amounts are increasing steadily, but we still have a lot of obstacles to overcome. Because we handle small producers that are relatively inexperienced in retailing, there are issues of maintaining quality and meeting delivery dates," says Panos Manuelides, chief executive of Odysea, a distributor of olive oil and other Greek food brands in the UK.

Greece's cooperatives, which used to handle bulk sales of olive oil to Italian buyers, are also starting to produce branded cold-pressed extra-virgin oils for export. To meet soaring demand in the UK for organically grown products, a handful of growers, mainly on the island of Crete, are producing extra-virgin oil from organically grown olives.

To olive oil aficionados, the Greek brands are unusually varied in taste. They range from strong-tasting greenish oils from Crete and the southern Peloponnese to aromatic lighter varieties from Halkidiki in northern Greece and the island of Mytilene. For many Greeks, the peppery flavor of an extra-virgin oil made from mountain-grown olives is the most appealing of all.

"North Europeans are used to the lighter colors and flavors of Spanish and Italian oils, so it takes time to acquire a taste for the stronger Greek varieties," Manuelides says. "But the market's becoming more sophisticated every year, and that's good news for Greek bottlers."

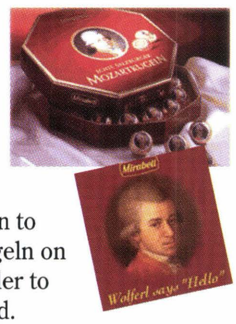
—Kerin Hope

VIENNA

SWEET AUSTRIAN AMBASSADORS

The bust of Wolfgang Amadeus Mozart glitters regally on the gold foil wrapper. Beneath this shiny outer layer lies a delectable treat: the *Mozartkugel* (Mozart ball), a particularly Austrian chocolate candy produced in Salzburg, the composer's birthplace.

Nearly a century after Mozart's untimely death at age thirty-five in 1796, Paul Fürst, a master confectioner, invented the first Mozart ball in Salzburg in 1890. He began with a round ball of marzipan and then coated it with a smooth layer of hazelnut cream. While holding the treat on a stick, he added the final layer of fine dark chocolate. To this day, Mozartkugeln are made by hand in the same fashion at the Konditorei Fürst family candy shop. The Salzburg company Mirabell soon began to produce Mozartkugeln on a larger scale in order to meet a high demand. Nevertheless, the production process remains a painstaking study in quality. Each Mozartkugel requires fourteen different production steps and takes approximately two and a half hours to create.



Mozartkugeln were invented in Salzburg in 1890.

Mirabell, named for a famous castle in Salzburg, remains intimately linked to Salzburg's heritage. The company has partnered with the International Mozarteum foundation, which is charged with the preservation of Mozart's legacy. It presides over his personal artifacts and archives as well as funding musical research and concerts. It originally began as a musical conservatory founded by the composer's son. Today, Mozart's childhood home is a museum and popular tourist attraction. Wedged among other townhouse structures in a block in Salzburg's old town, visitors can climb the stairs of the former Mozart family home and see some of the musical instruments on which the child prodigy learned to play, including a harpsichord (an instrument he began playing at age three and composing for at five) and violas and violins (both of which he was said to play with soloist skill). No trip to the Mozart house, however, would be quite complete without a tasty reminder of one's visit, and happily, the gift shop sells the delectable chocolates that bear his visage.

The reach of the Mozartkugel, however, extends far beyond Salzburg. They are currently exported to approximately fifty countries, where the stately wrapped treats serve as a diplomatic delicacy and reaffirm Austria's cultural history worldwide. Indeed, Mirabell refers to them as "Austria's sweet ambassadors."

—Alexandra Hergesell

DUBLIN

A FONDNESS FOR FARMHOUSE CHEESE

Twenty-five years ago there was only one cheese variety in Ireland, now there's more than one for every week of the year (still well behind the French, who boast they have a different cheese for every day of the year). From that rather lackluster performance in the seventies, Irish farmhouse cheeses now command huge respect wherever they appear on the menu.

In a country that boasts a cherished 'green' image, with a national focus on quality food and drink, cheese plays an increasingly important role in dairy food exports. Michael Duffy, chief executive of the Irish Food Board (*Bórd Bia*), says the recent wide-scale outbreaks of foot-and-mouth disease in neighboring Britain has presented a serious challenge to Ireland's meat exports industry. Nevertheless, Irish farmhouse cheeses are continuing to build new markets and are attracting a growing volume of praise from experts. The revered London food firm of Fortnum and Mason has an impressive counter stocked with Irish cheese, and most of the large retail chains stock Irish cheese.

How has it happened? Well, let's take one small family enterprise based in northwest County Cork. Three miles southwest of Kanturk village lies Ardrahan, where the Burns family has succeeded in putting its name on the international cheese map. Ardrahan? Cheese experts know the name well.

Modern day Ardrahan cheese production started eighteen years ago, but the story really began back in 1925 when Eugene Burns put together a herd of Pedigree Friesian dairy cows, using pedigree sires for replacement heifers. That policy has persisted since, ensuring easy traceability and distinctive flavor.

In 1983, Eugene Burns' son—also Eugene—and his wife, Mary, began producing their own cheese from a secret family recipe. As most cheese producers know, you don't choose France for your first export venture, but that's exactly what the Burns family did.

They established their first export market by loading a small, refrigerated van with ripe cheese and driving to Paris. Their first stop was Rungi's, Europe's largest fresh food market, which bought the entire stock—and continues to do so.

Since then, Ardrahan has grown dramatically. Apart from its success in Ireland, it also has an enthusiastic following in France, the UK, Italy, and Spain; recently went on sale in Japan; excites the palates of Saudi Arabia's sheikhdoms; is served at the White House and sold in specialty stores in the US; and was launched last month in Belgium's largest supermarket chain.

The cheese owes much of its success to its lightly pressed, rustic golden brown-washed rind. Every wheel or round of cheese is "handled" at least twenty times by Mary Burns and her staff of eight—all from the immediate hinterland—and is then tested for taste, texture, and maturity before being "autographed" by Mary (every wheel bears her signature, a quality control testimony and seal of approval).

Ardrahan's nearest comparisons are between Germany's Münster and the French Pont L'Eveque or two other excellent Irish cheeses, Milleens and Gubbeen. It has a semi-soft "washed rind," which refers to rubbing the young cheese by hand with a brine solution. The brine solution stops the growth of mold, while promoting the growth of edible bacterium linens. This bacteria, known in short as b-linens, is where the pungent aroma comes from, and it also creates the dark orange colored rind.

Three weeks on, the rind is smooth. After a further three weeks in the farm's ripening cellars, you have another product, the much softer and creamier Mature Ardrahan. Not everyone's pleasure but a sheer delight—if you excuse the wrinkled exterior—for the cheese connoisseur.

Since the early 1990s, Ardrahan has won a series of major awards, capped in 1999 by two gold medals in the prestigious British Cheese Awards—a first in the "Best Semi-Soft Cheese" category and a first in the "Best Irish Cheese" category. Sadly, within months of collecting the awards, Eugene Burns died of pneumonia at the age of fifty-nine. His wife says, "cheese was his world." In tribute, the organizers of the British Cheese Awards have renamed their "Best Irish Cheese" prize the "Eugene Burns Memorial Trophy."

—Mike Burns

LISBON

THE POWER OF PORT

Few national products are as closely identified with a country as port wine is with Portugal. Not only are the names similar (both derive from Porto, the local name for the city of Oporto), but this fortified wine is the country's biggest single export and has done more to promote its image abroad than any other product.

Port accounts for less than one-tenth of Portugal's wine production by volume, but 68 percent of exports by value, worth about $315 million a year. Its importance is not just a matter of quantity. The best ports have won international renown of a kind that no other fine Portuguese wines have done. So how did this business become so successful?

Although France and even Belgium and the Netherlands have long since overtaken Britain as consumers of port—and the US has become a major market—it was the trade with England that marked its beginning. Oporto emerged as the center of the wine trade to England in the eighteenth century, when English wine drinkers were seeking a politically acceptable alternative to French claret. By the 1720s, English wholesalers were shipping 25,000 pipes (about 126 gallons each) a year.

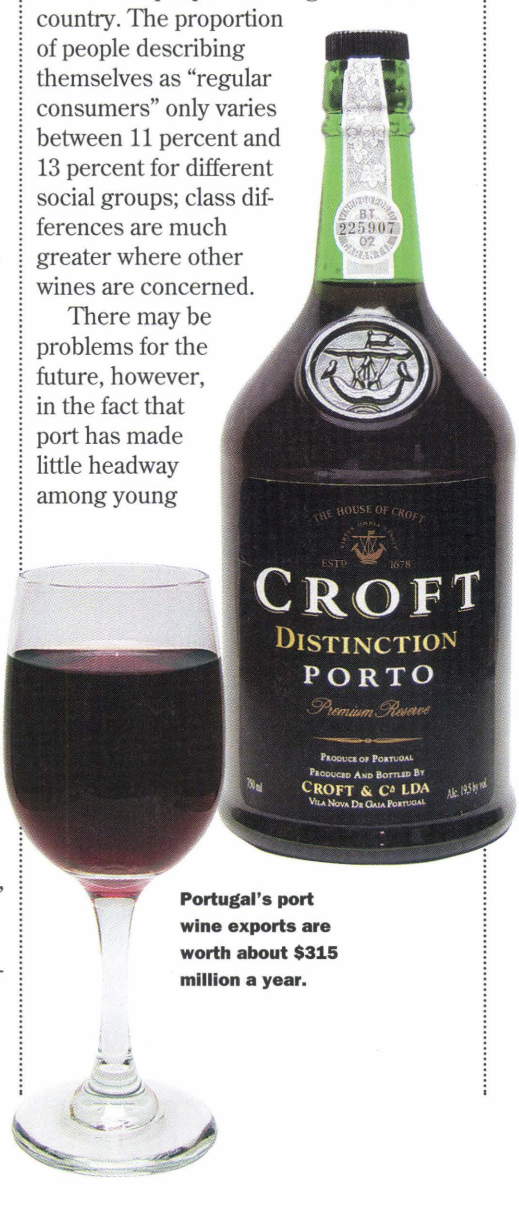
The business was transformed when some English merchants began to lace the best Douro wines with brandy. The resulting "fortified wines" were stored for a few years and then sold as mature "port wine," which generated higher profits. This burgeoning trade was encouraged by the Marquis of Pombal, the enlightened despot who rebuilt Lisbon after the 1755 earthquake. To promote the value of port wine, Pombal in 1756 took a step any modern economist would sanction: improving quality by insisting that vineyards specialize and restricting supply by decreeing that only wine from grapes grown in a strictly limited area could be used for port.

The area designated by Pombal is in the upper reaches of the Douro Valley, one of Portugal's most beautiful man-made landscapes and a Unesco World Heritage Site. It is characterized by slatey soils that stop the hot rays of the summer sun from penetrating deep into the ground, thus allowing useful bacteria to thrive yet retaining warmth at night. This combination helps give the wine made from grapes from these vines its characteristic taste.

Port wine is made from partly fermented wine (known as "must"), fortified with brandy in a ratio of three to one. The high alcohol content of the brandy slows fermentation, resulting in a mixture that is strong but sweet. This mixture is shipped down the Douro to Vila Nova de Gaia, which is across the river from Oporto; there it is blended and stored in casks for between two and fifty years.

Despite its faintly snobby image abroad, in Portugal itself port is drunk by all kinds of people in all regions of the country. The proportion of people describing themselves as "regular consumers" only varies between 11 percent and 13 percent for different social groups; class differences are much greater where other wines are concerned.

There may be problems for the future, however, in the fact that port has made little headway among young



Portugal's port wine exports are worth about $315 million a year.

people either in Portugal or abroad. Efforts to overhaul its image have not borne much fruit, and producers are instead focusing on developing markets with potential, such as the US.

Another serious challenge has emerged in recent years in the form of producers of fortified wines in other countries labeling their product as "port," although they have no connection with Portugal. Just as producers of champagne have fought to protect the name of their product from imitators, producers of port wine know—as did Pombal—that much of its value depends on ensuring both its quality and its relative scarcity, which also means keeping a tight grip on supply.

On this issue, Portugal's membership in the European Union has proved to be a boon. The issue of wine labeling came to be a major sticking point in trade talks between the EU and South Africa, one of the countries where "port" was produced. In the end, the dispute was resolved to the satisfaction of Portugal—and of Spain, which was looking out for the interests of its sherry producers.

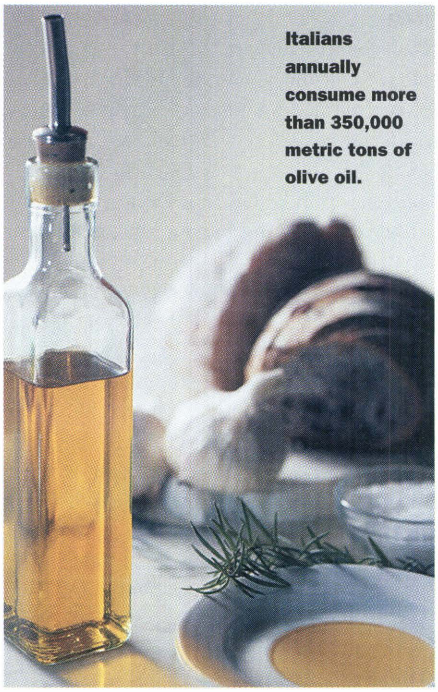
The incident underscores the fact that EU regulation has not been a problem for port producers, who anyway have centuries of experience with strict regulation. Far from it, this is one industry where strict regulation has always been key to its survival and prosperity.

—Alison Roberts

ROME

OLIVE OIL STRAIGHT UP

Italians have always had a passion for olive oil. Whether it is sprinkled straight up over a salad or spaghetti or as a base for sauces and frying, Italians continue to consume it in vast quantities. Like wine, the choice of which olive oil to buy is a personal decision. Every family has its own preferred make, whether it is bought at the supermarket or from a high-end gourmet seller, and the source is a tightly held secret. Whenever an Italian cook is asked "where did you buy this olive oil?" he or she will have trouble remembering the address of the oil mill that still presses the olives using traditional methods or the trusted agricultural cooperative. Even close friends are stonewalled. Many Italian families have built traditions around their olive oil expeditions, going away for the weekend to buy it and returning with car's trunk full of large bottles of the precious stuff.



Italians annually consume more than 350,000 metric tons of olive oil.

Bearing in mind such fanatical devotion to the nectar of the olive, it should come as no surprise that Italy accounts for roughly a quarter of worldwide production of the stuff (more than 110 million gallons) and consumes more than 350,000 metric tons. A large portion of this amount is produced by small companies rather than by the big multinationals in the sector.

Nevertheless, a few years ago it seemed as though the small companies were doomed. But recently a counter-revolution in favor of "slow food" (as opposed to fast food) is taking place in Italian kitchens. An increasing number of Italians are paying close attention to what they are putting on their plates. If by day they make do with a sandwich or a quick slice of pizza—like Westerners everywhere—in the evening they are rediscovering the forgotten pleasures of traditional tastes.

Virtually every region in Italy except two (Piedmont and the Valle d'Aosta, which are located in the northwest of the country) produces olive oil. There are areas of excellence, where the oil is truly extraordinary. For example: Brisighella in Emilia Romagna, Canino in Lazio, the Daunia region in Apulia, Carpino in the province of Foggia, Montiferru in Sardinia or the area around Lake Garda between Lombardy and Veneto. But small, family-run companies, which produce between 1,000 and 40,000 bottles a year, are located everywhere.

Now these companies, although still protective of their independence, have begun a battle to defend the quality of their product. They have a tough time resisting the power of the big food conglomerates, but they have managed to obtain a certificate of authenticity from the Italian government and the European Union, similar to those for wine. They are also battling for clear labeling that would distinguish different production methods and the quality of oil. For example, the term "extra-virgin" is still too vague (technically it can include oil that is chemically processed or extracted). However, short of tasting it, there is one fairly reliable method for determining the quality of a bottle of olive oil: the price. The more a bottle costs—and often it costs much more that a good bottle of wine—the more one can reasonably hope that the product is of good quality. But only when more definitive standards have been set will the consumer feel completely secure.

—Niccolò d'Aquino

BERLIN

LIQUID BREAD

There are those who say that except for bread and sausages, Germany offers few culinary delights. Okay, there is something to be said for schnitzel, dumplings, and sauerkraut. But compared to French and Italian cooking, German food is decidedly dull. That is, unless you adopt a German perspective and stretch your definition of food to include beer. Then—for beer lovers at least—the possibilities are endless. Indeed, your stein runneth over with superb quality—ahem—"nutritional" brews.

"Liquid bread" is how many Germans think of beer. In fact, if you ask a Berliner why he drinks beer at lunch, you're apt to be told "*Bier ist auch eine Stulle.*" (Beer is a sandwich, too.) It's considered a form of sustenance, a notion the German Brewers Association (DBB) eagerly promotes. "Beer is not an alcoholic beverage," says DBB spokesman Erich Dederichs. "It's food. It always has been food, and it always will be."

German beer, of course, does contain alcohol—usually between 4 and 5 percent—but brewers and aficionados tend to emphasize the drink's cultural significance. Even teetotalers in Germany recognize beer as an integral part of their national heritage.

While Germans may not have invented beer, they've done much to perfect it. For centuries they've been striving to create the ideal brew and, in the process, have contributed greatly to the science of beer production. "Lager" beer, for instance, has its origins in fifteenth century Germany. Indeed, some German breweries have been in business about that long. The famous Becks brewery in Bremen (which also makes the St. Pauli brand) has been producing its amber nectar since 1553. Likewise, Germany's Pure Beer Law (*Deutsche Reinheitsgebot*)—which allows only barley malt, hops, yeast, and water to be used in the brewing process—dates back to the middle ages. For many purists, both inside and outside of Germany, this law essentially defines what beer is. Add anything else to the recipe, and it just isn't beer.

With such a long and proud brewing tradition, it's hardly surprising that Germans consume the stuff in copious amounts. Last year every German on average swilled down about 125 liters of beer. That's seven liters less than they were drinking in 1996. The DBB attributes the decline in consumption to increased health awareness and the introduction to the German market of such novel beverages as iced tea. But a quick survey of restaurants and construction sites in Germany suggests beer is not at risk of losing its status as the country's national drink.

Nor is there any indication that Germans are losing their passion for making beer. There are 1,270 breweries in Germany today, most of them concentrated in Bavaria. They account for three-quarters of all the breweries in the entire European Union. The majority of these operations are relatively small and serve local markets. This leaves little room for big national brands. Germany's largest single brewer, Warsteiner, has a market share of just 4.5 percent.

In the last five years, German per capita beer consumption has decreased from 132 liters to 125 liters a year.

With nearly every town in Germany offering a different kind of local brew, it's a paradise for beer-loving travelers. You can crisscross the country, stopping for a beer every fifty kilometers, and never drink the same brew twice. Each region has its own set of tastes, with northern Germans preferring a bitter, dry variation of pilsner, and Bavarians tending towards mild, light lagers or wheat beers. Intrepid tourists may soon tire of eating bratwurst and sauerkraut in Germany, but when it comes to beer they are spoiled for choice.

—*Terry Martin*

HELSINKI

POCKET SCHNAPPS AND NATURAL GOODNESS

It's a small irony that the strongest overseas brand image of Finnish consumption—Finlandia vodka with its cleverly simulated icy exterior and galloping reindeer on the label—is not something Finns drink. That skillful marketing is for foreigners in sumptuous hotel bars around the world. The natives have their own down-home clear liquid version with a functional bottle that can fit in the pocket. This is called *koskenkorva*, which means "the edge of a waterfall," or something to that colorful effect. Anyway, to these purists it's schnapps, not vodka.

Nonetheless, alcohol in its various forms represents the second-largest segment in Finland's foodstuffs exports—vodka (Costa Rica can't get enough of it), specialized liqueurs derived from wild berries, and increasingly, beer, which is occasionally glimpsed in London pubs.

But no one is going to make big claims for Finnish food exports. While these have increased substantially and across a wide range of products since Finland joined the EU in 1995, the nation has all the classic problems of niche hunting in a crowded market.

There are so few items that conjure up a generic idea of Finnish food and drink, and where they can be readily purchased overseas, exporters run slap into the "image problem": whether something should be specifically marketed as Finnish or whether the origin is not important to the product's sale. This was a dilemma faced long ago by the mobile telephone maker, Nokia. It's still possible some foreigners don't realize Nokia phones are made in Finland, but if they like the product its provenance doesn't matter—and so it is with many foodstuff brands.

You may well have enjoyed Finnish candies, Fazer chocolate or liquorice, or crisp bread or cheese. Finnish chewing gum (with cavity-fighting Xylitol) is popular as is Benecol margarine with its magical cholesterol-reducing properties, both of them of them world-beaters in the growing range of so-called functional foods.

Maybe these kinds of niche products are the way forward for exports. Marketing is the key, and let's concede that it has never been a particularly strong arrow in the Finnish quiver. To put it mildly, it's difficult to get room on the shelves of overseas supermarkets even if all the foreign flavor preferences have been worked into the product. The old axiom proves true: Having a good food item is not enough; it has to be flogged hard, and of course, this costs more than many small or medium-sized manufacturers can afford. In the top-fifty European food manufacturers, not a single one is Finnish.

But the country is learning to play to its strengths. It has product themes of purity and naturalness, especially in Valio milk products. The country garnered a Nobel Prize in 1945 for innovations in dairy food processing and excellence in this area is still widely acknowledged. To drink a glass of Finnish milk, for instance, is to realize how superior it is to any other European equivalents.

Dairy products are the top export earners—cheese to the US, yogurts to Sweden (Finland's biggest food export market in the EU), and candies to both countries. There are also some unexpected successes, such as selling Finnish coffee in Sweden and crisp bread to the

Japanese. For geographic reasons, Russia has been the largest non-EU customer, taking 19.3 percent (in terms of value) of Finnish food exports in 1999, but that trade is still recovering from the shock of the ruble's devaluation the previous summer when the price of Finnish goods went through the ceiling.

An official at the Finnish Food and Drink Industries Association says that exports to Russia are now just beginning to recover from that blow, but it will take time and may not reach regain previous levels because the Russians are now producing many more basic foodstuffs than they did under communism.

Finnish food exports are a mixed bag, then. They have increased since EU membership and they will continue to concentrate on niche products such as value-added, functional foods. Where the brand image asserts itself, the emphasis is on purity even more than on flavor. In the prevailing climate of food scares in Europe—and given Finland's small domestic base—that is not a bad strategy for future growth.

—David Haworth

COPENHAGEN

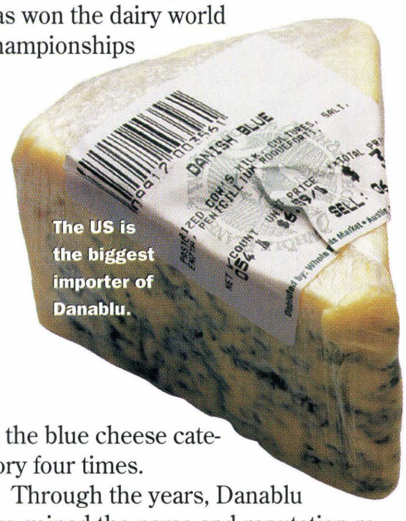
VIKING BLUES

Dan-uh-blooooo. Does this sound like a product from a Danish cow? Actually, it's the proper pronunciation of Danablu—a Danish blue cheese produced in Europe's flat, green dairy nation.

The moldy cheese has been produced in Denmark at least since 1937 when the French producers made their Danish counterparts stop using the name Roquefort. And Danablu is indeed unique and very different from French blue cheese, as it is produced with cow's milk instead of sheep's milk and has an entirely different texture and taste than other blues. The cheese is milder and less complex, semisoft, and also comes in cubes for salads. It can be sliced, spread or crumbled—used on bread, in sauces, salads—you name it.

In the thirties, the Danish blue cheese was in high demand. Italian troops were charging into what is now known as Ethiopia, and Gorgonzola, the renowned Italian variety of blue cheese, was facing a UK and US boycott that increased the demand for Danablu.

Nowadays, the blue-veined cheese from the north is still in high demand. Approximately 12,000 tons are exported every year for around $2 per pound—the largest importer being the United States. Danablu continually ranks among the most popular blues in the world and has won the dairy world championships in the blue cheese category four times.



The US is the biggest importer of Danablu.

Through the years, Danablu has gained the name and reputation required to achieve the so-called PGI status—Protected Geographical Indication. This European status identifies a product as having characteristics inextricably linked to the geographical region where it is produced and allows only products from the region to carry its name.

Svend Ålborg, head of the official circle of Danablu producers points out that once a brand is protected and gains a certain status, it automatically becomes a target for imitation. But with the European Council's PGI seal, "our product has a very strong legal protection, so the threat does not pose a problem for us," he notes.

"You'll find Danablu in a Manhattan grocery as well as in an average holiday kiosk hundreds of miles south of Santiago," says Ålborg. "Being the top dog among the blues means that the Danablu is present all around the world."

As for a typical Danablu consumer, "he has been eating and drinking too much in his life and is advanced in years," jokes Ålborg. "Younger people typically do not tend to favor the Danablu, as it has a very characteristic, strong, and zesty taste."

How to eat it? Ålborg recommends buying a nice dark baguette, spreading on some Danablu—the cheese must be served at room temperature—and, on top of the cheese, dabbing on some organic maple syrup. Finally, pour yourself a glass of good red wine. "The combination of the strong flavor, which is rather salty, and the sweet honey is almost addictive," he says convincingly.

—Maria Bernbom

MADRID

SPAIN'S HEAVENLY HAM

Among the oak forests of Extremadura, the eastern region of Spain which backs up against Portugal, hogs root along the ground, searching for their favorite food: acorns. These bovine treats give a yellow tinge to the fat of the hams from these hogs and a distinctive flavor that commands premium prices in the tapas bars and restaurants around Spain and—as import restrictions in other countries ease—in first-class eateries around the world.

At the Epoca de Esteban restaurant-bar in northern Madrid, a neighborhood joint with plastic tables and chairs set out on the sidewalk, a plate of good quality *jamon serrano* costs 2,200 pesetas, or about $12.

The ham comes in razor-thin slices, the delicious streaks of golden fat glistening, and the meat has a slightly salty taste. It is like Italian parma ham, only earthier, and absolutely nothing like the ham Americans put into sandwiches or have with eggs for breakfast.

Eaten with a sumptuous mixed salad and crusty bread and washed down with a glass or two of dry sherry, this Spanish ham makes for an excellent light supper. Here in its country of origin, it is also a favorite as a *tapa* (appetizer), adds something extra to vegetable dishes, and can be diced and mixed with scrambled eggs for a first course.

So what makes it so special? Those acorns for one and the unique curing process. "Serrano" means mountain, and that's where the drying takes place. First, salt is spread over the stacked hams to absorb excess moisture and act as a preservative.

After several weeks, the salt is removed, and the hams are hung for six months to breakdown the fat and allow the grease to spread through the meat. Then the final step in the curing process—air-drying—lasts from six to eighteen months. The best quality serrano ham is *jamon iberico de bellota*, which comes from free-range hogs fattened on acorns and bearing distinctive black hoofs.

After extensive testing and inspection of the manufacturing process, the Department of Agriculture began allowing the import of regular jamon serrano into the United States only in 1998. Industry sources say there are no current plans to introduce the best quality jamon iberico into the United States because producers have trouble enough meeting demand for the delicacy in their domestic and European markets.

Tienda.com, a Virginia-based catalogue and online retail outfit that specializes in Spanish food products, sells two brands of jamon serrano in the United States, and company spokesman Jonathan Harris says the current foot-and-mouth scare in Europe is not affecting supplies.

"There have been no reports of the disease in Spain and experts tell us that the long-curing process for jamon serrano would kill off the bug anyway," he says. "Our sales are certainly increasing, and once Americans taste the ham, they can't believe just how good it is."

—Benjamin Jones

BRUSSELS

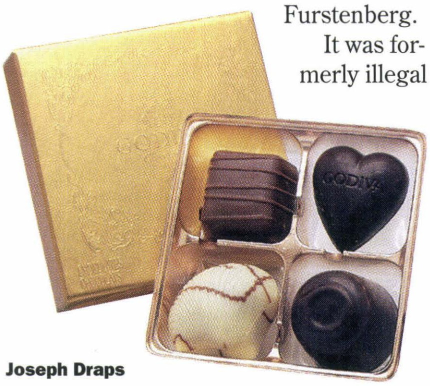
CHOCOLATE HEAVEN

"Life is like a box of chocolates. You never know what you're going to get," said Tom Hanks's mother in *Forest Gump*. In a box of Belgian chocolates, however, the chances are that you will get something quite extraordinarily good.

Although the market in mass-produced chocolates has long been cornered by a handful of multinational companies, based in Switzerland, the United Kingdom, and the United States, the luxury end of the trade is dominated by a number of mostly small Belgian companies, although the best known of these—Godiva—was sold out to the Campbell Soup Company in the 1970s. The beginnings of the Belgian chocolate industry date from just before the First World War, and the pioneer was Jean Neuhaus, the Swiss proprietor of the Brussels' sweetshop Galeries St. Hubert.

He had long been selling sugared almonds but in 1912 decided, as an experiment, to coat the nuts with chocolate instead. He called them pralines and sold them in fancy chocolate boxes designed by his wife, and they became a runaway success. Soon he was rivaled by dozens of other small-scale chocolate makers who opened up their own boutiques in Brussels and other cities, including Paris and London, but Neuhaus is still one of the principal brands, along with Godiva and Leonidas.

The sector is still, however, largely in the hands of small-scale operators. Typical of these is Pierre Marcolini, who started out on his own in 1994, with a single table at the back of a shop in the Avenue Reine Astrid. Within four years, together with his wife and nine employees, he was running three shops. He opened a small factory in 1999 and now employs thirty-five people, with five shops, and a sixth shortly to open in Paris in the Place Furstenberg.



Joseph Draps began selling his Godiva chocolates in Belgium in 1926.

It was formerly illegal in Belgium to include any vegetable fats in chocolate other than cocoa beans, and the Belgian producers were appalled when a draft EU regulation, adopted in 1999 largely under British pressure, allowed products containing up to 5 percent of other vegetable fats to be marketed as chocolate. They were afraid of being undercut by manufacturers using much cheaper substitutes.

So far, however, their fears have not been borne out. They have stuck to their high-quality content, and—partly through energetic use of the Internet—have continued to build up their export trade, not least in the US. At the last count, no less than thirty-five outlets were selling the sweets on the Web, trading under such names as "Chocolates to Die For" and "Chocolate Heaven."

—Dick Leonard

STOCKHOLM

REINDEER RECIPES

It's lean, tasty, and equally good hot or cold. As long as you don't think of it as eating Rudolph, reindeer meat is a Swedish delicacy not to be missed. It's also a delicacy that's attracting increasing foreign attention, in large part because of the foot-and-mouth disease that's devastated European beef herds.

"There's a fantastic market demand," says Tom Lundberg, the chief executive of Arvidsjaurs Renslakt, the country's largest reindeer slaughterhouse and meat packing company. Sales are up 30 percent over last year, thanks largely to foreign demand, Lundberg says, and the exporters' biggest problem is that supplies are running out.

Reindeer are domestic animals, tended by the Sami herders, who live in the Lapland region of northern Sweden (as well as in Finland, Norway, and Russia). The number of animals slaughtered each year in Sweden is limited to about 45,000, which in turn restricts the amount of meat available.

Virtually anything that can be done with beef can also be done with reindeer. In addition to the obvious, such as broiled steak or stew, reindeer meat is also excellent when smoked and eaten cold. A special delicacy is smoked reindeer heart, which is denser than most of the cuts of meat and has a gamier flavor. Lightly smoked, thin-sliced *suovas*, wrapped in pita bread, is the Sami answer to a gyro sandwich.

In Swedish restaurants, one of the new appetizers gaining popularity is reindeer carpaccio. The meat is cut extremely thin, drizzled with oil, given a dusting of coarse salt and served with lingon berries, a Swedish staple similar to cranberries. A variation, served in northern Sweden, is to top the meat with tangy Västerbotten cheese, another local specialty.

Such culinary flourishes are a long stretch from the traditional Sami way of eating reindeer. One basic way is to dry chunks of meat, as a form of preservation, and then shave off slices. Since a chunk is more or less the density of heavy stone, this requires a sharp knife and a palette accustomed to the taste of shoe leather.

Various reindeer products can often be found at tourist shops around Sweden, as well as at airports and on the cruise ships to Finland. Besides small, pricey bags of reindeer chips, a version of the dried meat intended for the uninitiated, reindeer salami is often available.

All kinds of fresh and smoked reindeer meat can be found in the market halls in Stockholm, as well as in food stores and specialty shops throughout northern Sweden. Vacuum packed, the smoked meat travels well and can also be frozen. Arvidsjaur Renslakt ships its products throughout Europe, although for non-Swedish speakers ordering can be difficult, since the company's home page is only in Swedish.

Of course, the same animals that make such good eating are a major tourist attraction. But because reindeer are also susceptible to foot-and-mouth disease, tourists have been restricted from contact with the reindeer, a blow to the Sami, who offer guided reindeer tours. If the herds contract the disease, it could be devastating for the Sami. Not only would the reindeer have to be destroyed, but the newfound export market would vanish and would take years to rebuild.

The Sami know only too well what that's like. After the Chernobyl accident in 1986, thousands of reindeer had to be killed because of the high concentration of radioactivity in their systems, which would have contaminated their meat. Reindeer eat lichen, a porous plant that absorbs like sponge. With ground fallout from the accident greatest in northern Sweden, the reindeer stood almost no chance. Although meat sales resumed just a couple of years after Chernobyl, it's only been in the past few years that consumer confidence in reindeer meat has been completely restored. Annual testing of radioactivity levels in the meat is still done.

For now, however, the UK and Continental Europe's loss is Sweden's gain. "People are worried and seeking an alternative to beef," says Lundberg. "All of Europe's now open for us."

—*Ariane Sains*

LUXEMBOURG

MOSELLE VINTNERS AND THEIR BUBBLY CRÉMANTS

One of the great charms of Luxembourg is the country's range of sparkling wines, known locally as *schampes* or, more commonly, *crémants*. No, they're not champagnes, but they're made the same way, that is by a second fermentation in the bottle or in a closed vessel. As a result, they have the same bubbly quality and share much the same pedigree.

The story of their origin holds that back in the 1860s the Germans imposed heavy taxes on French champagne, the importation of which was crippling their own sparkling wine producers. To regain lost sales in Germany, the famous French producer Mercier subsequently opened up in Luxembourg, which was part of a customs union with Germany. The Germans subsequently relented and withdrew the tax, but the French champagne makers stayed on Luxembourg, having discovered that grapes from the Moselle and the good deep cellars along the river offered perfect conditions for champagne production.

Outstanding crémants are produced today by Bernard-Massard, the market leader, by the cooperative Vin Moselle and many others along the Moselle River. Since 1988, sparkling wines that meet rigorous checks have qualified for the appellation *Marque Nationale*, testifying to their own qualities and to those of the different basic wines that make up the combination used in their production, the cuvée. I can't think of a visitor to Luxembourg who hasn't been delighted by these sparkling wines, which rank high on most tourists' shopping lists. They are exported, mainly to neighboring Belgium and in smaller quantities to the US and Japan, but volumes are not large.

It's a small wonder that grapes grow at all in Luxembourg, which is one of the world's most northerly wine producers. Heavy rains have been known to wash the vines away, and killing frosts are not uncommon. But since Roman times 2,000 years ago, a tiny strip along the Moselle River separating. Luxembourg from Germany, just twenty-five miles long and a few hundred yards wide, has ranked as one of the most famous wine regions in Europe.

Nobody knows more about the Luxembourg Moselle, or is more enthusiastic about it, than Bob West who runs a translation service and has been responsible for a number of books on the wines of the Grand Duchy. In 1988, West was made an Officer of the Order of Merit for his services to Luxembourg. I asked him to a quick synopsis of Luxembourg wines.

"At the bottom of the chain is elbling," he says, "which is acidic, fairly low in alcohol, and very much the wine grower peasant drink. Next up is the rivaner—softer than the elbling and about the same strength, a very nice, easy-to-drink bar wine—but not with food. Then auxerrois, which is fruity and boring, in my opinion. Then pinot blanc, very delicate and very, very soft, perfect with shellfish and seafood. Next is pinot gris—strong enough to hold its own against even red meat but probably best with something like cheese. Then you've got the classic, the noble grape, the riesling, which some people, including me, say originated in Luxembourg though the Germans would not agree. And that is a classic, it is a perfect rounded, dry flowery riesling, quite wonderful."

There is also a Luxembourg gewürztraminer "not as spicy as the ones you get from Italy or Alsace but very flowery, nice bouquet, you can spot it a mile off." Now Luxembourg vintners are experimenting with pinot noir, a red grape that until about five years ago was used to produce an undistinguished rose wine. Vin Moselle in particular, is producing a red pinot noir, "which is actually jolly good and well worth mentioning as the wine of the future," said West. "They've developed the vinification brilliantly, and although it's still in very limited quantity, it is a cracking good north European red wine."

—*Alan Osborn*

THE HAGUE

VEAL CONNECTION

The Netherlands has emerged as one of the world's preeminent producers of veal or the meat of calves. Dutch veal can be ordered in two colors: white or a rosy pink. Its production involves the hauling of newborn calves, and its market is an example of unexpected consequences of the European Common Agricultural Policy.

The Italians, French, and Germans love Dutch veal. Ninety percent of the annual production is exported, mainly to other European countries. More than a third of the calves are imported from EU nations to be fattened on Dutch farms. The whole process is tightly controlled by just two agro-industrial firms that deliver the two-week old calves at the farms, provide the food, collect the calves after six months, bring them to their own slaughterhouses, and control the meat processing and export. It's simply called "the integration," covering the entire veal production chain.

The farmers work on contracts with the companies and receive fixed sums for each calf they raise. The color of the meat is determined by the kind of food the calves eat. Powder milk and corn gluten provide the white meat (favored by the Italians and French), while adding power fodder results in a rosy-pink meat, which is quickly gaining in popularity.

Two EU agricultural policy decisions help explain the exceptional growth of the Dutch meat-fattening industry. In the eighties, a milk quota system was introduced to curb the excess capacity of milk production at dairy farms. Due to the milk subsidies, dairy production far exceeded demand. Diminishing the number of dairy cows caused excess capacity at the farms, so farmers, looking for alternative ways of making money, turned to raising calves. As part of the Union's agricultural reforms during the early nineties, the EU stopped paying premiums to farms with large numbers of full-grown bulls for meat production. This change made it more attractive to raise calves.

Between 1995 and 2000, the number of Dutch farms specializing in fattening calves rose 25 percent. In total, there are now 2,900 calf-fattening farms that produce an annual total of 1.4 million calves. The value of veal exports amounts to roughly $1 billion—about 20 percent of the total annual Dutch meat export, which includes cattle, hogs, and chicken. About a third of the calves are kept in boxes, a form of fattening that has been fiercely criticized by animal rights groups and will be banned by 2004. Increasingly, farmers keep calves in "group stables," which still offer only limited space.

This year, things look gloomy, not just for the calf-fattening farms and the two companies that control the process but for the entire Dutch meat and dairy industry. Due to the outbreak of foot-and-mouth disease, the export of meat and dairy products has come to a complete standstill. Even if the ban on exports is lifted shortly, the losses are already staggering. It may be a fatal blow to the industry, making it just as short-lived as the life of the calves.

—Roel Janssen

PARIS

CHOCOLATE COUTURE

The bride wore a multicolored dress guaranteed not to melt in the hand. The gown, made out of M&M's, surely every bridegroom's dream, was one of twenty-one designs that prove just how tasty haute couture can be. At the annual Salon du Chocolat in Paris, now in its sixth edition, two French passions, food and fashion, are united in a one-of-a-kind fashion show. Celebrity models slink down the runway clad in luscious little numbers that are literally good enough to eat. Big name houses such as Balmain, Cerruti, Chantal Thomass, and Carven team up with top French chocolatiers for a delectable display of chocolate couture—miniskirts, evening gowns, trench coats, lingerie, and accessories, including hats, jewelry, purses, and fake fur stoles, are all miraculously confected out of chocolate.

French pop star Ophélie Winter models a bridal gown made from M&Ms at the annual Salon du Chocolat in Paris.

Take a moment to consider just how fragile and temperamental a material chocolate is: burning when you want it to melt, melting when you want it to stay solid, crumbling when you just barely touch it. Then imagine molding it into wearable shapes, stitching, sticking, and spraying it onto cloth, and having a warm human body slip into that creation. As if that were not astounding enough, picture the mannequins sauntering down the catwalk without their outfits melting off them, and after the Paris show, those designs being packed in refrigerated cases and flown to New York, where they are worn for a second time at the American Chocolate Show, which has followed the French one for the past three years.

Chocolate chef Thierry Bridron, from the Hotel Lutetia in Paris, worked with the designer Chantal Thomass to produce a fetching chocolate tutu for last year's Paris show, worn by leggy French actress Astrid Veillon. He explained that he had to "cheat" a little, by adding grape seed oil instead of cocoa butter to the extra-dark Valrhona chocolate he used. "I had to keep the bright sheen of the chocolate, the suppleness of the cloth material, and make sure that the dress doesn't melt under the lights and can travel across the Atlantic." The Crillon's pastry chef Christophe Felder joined forces with Cerruti for a man's summer safari suit modeled by photographer Peter Beard, where all the trimmings usually made out of leather were replaced by chocolate. He stitched about 800 chocolate tablets onto the jacket, 250 onto the Bermuda shorts and spray-painted a velvety chocolate finish onto the hat.

Chocolate has been a favorite French indulgence since 1615, when the Spanish princess Anna of Austria married King Louis XIII. She brought the habit of drinking chocolate with her, and soon the entire French court was addicted. The first shop selling chocolate opened in Paris in 1671. Nowadays, France ranks third in chocolate consumption in the European Union, behind Germany and the United Kingdom. The French prefer it dark and not too sweet, with a high percentage of cocoa, and being sticklers for quality ingredients, they frown upon a new EU regulation adopted last March that allows manufacturers to substitute six different vegetable oils for the traditional cocoa butter.

For the chocolate couture show, however, purist notions of taste were put aside. No matter how appetizing they look, the outfits were primarily meant to be worn, not nibbled on, even though former French swimming champion Muriel Hermine wore a transparent dispenser designed by Courrèges that provided her with a ready snack supply. Olivier Lapidus dressed his wife Yara in a nursemaid's outfit and sent her down the catwalk pushing a baby carriage encrusted with hundreds of chocolate pastilles that shimmered in different colors, like sequins. The house of Scherrer produced a slinky number in chocolate-crocodile skin, with a stunning edible fox stole. The yummy show finale was the tempting M&M bridal gown designed by Fernando Guzman from Luxembourg and worn by blonde pop star Ophélie Winter.

Some equally tantalizing morsels will be unveiled at the next Salon du Chocolat in Paris (October 31 to November 4) and given a second showing in New York at the Chocolate Show (November 15 to 18).

—Ester Laushway

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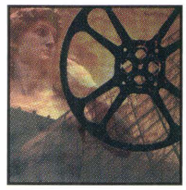

SPORTS

TOUR DE LANCE

American Attempts to Win Third Tour de France Amid a Swirl of Controversy

When Lance Armstrong climbs onto his bicycle and clips into his pedals at the start of this year's Tour de France, he'll begin the chase for his third consecutive victory in the world's most famous bicycle race. He will also have the chance to silence—or further inflame—the critics who have raised questions about whether he has used illegal substances to aid his record-setting victories.

Lance Armstrong will attempt to defend his Tour de France title next month.

On July 7, twenty-one teams will start in the eighty-eighth Tour de France, which is composed of twenty stages covering a total of 2,151 miles in twenty-two days. The teams, each consisting of nine riders, are led by one cyclist whom the others aid throughout the race, protecting him from crashes in the peloton (the main pack of riders), blocking the wind for him, and carrying his water and supplies. Riders cross the finish line in Paris on the Champs-Elysées in front of the Arc de Triomphe on July 29 with the winner determined by his cumulative time for all twenty stages.

This year's tour begins in the port city of Dunkirk with a short time trial in which the riders race alone against the clock. The tour's next flat and long stages will be held in Belgium (the race is so popular that other countries clamor to host stages) and in the French countryside. As the tour enters its second and third weeks, it moves into the Pyrenées and Alps Mountain ranges, where riders face grueling, calf-straining climbs and daunting, high-speed descents.

The Tour de France has such a following that the legendary sports columnist Red Smith once wrote, "There is a saying that an army from Mars could invade France, that the government could fall and even the recipe for sauce béarnaise could be lost, but if it happened during the Tour de France, nobody would notice." The tour is so important, in fact, says Sam Abt, author of several books on the race, that it has its own traveling bank (open on Bastille Day) and its own motorcycle police force, members of the Garde Republicaine from Paris.

According to Peter Nye, the historian for the American Cycling Hall of Fame in Somerset, New Jersey, bicycle racing was once a major US sport. "It was popular because of its utility. It cut across social, economic, and gender boundaries." Furthermore, it was profitable. In 1920, promoters signed a contract with Madison Square Garden to hold two six-day bike races per year for five years, each paying a $50,000 purse. By comparison, this year's winner of the Tour de France will receive about $333,400. However, following the Great Depression, many of the indoor bicycle racing tracks folded, and the sport's popularity plummeted in the United States.

Cycling, nevertheless, remained popular in Europe, especially the Tour de France, which was first run in 1903. Henri Desgrange, owner of the newspaper *L'Auto* (*L'Equipe*'s predecessor) sponsored the event, which began as six-day races. He also began the tradition of giving the race leader a yellow jersey—a marketing ploy designed to identify the race with his newspaper, which was printed on yellow paper.

According to Nye, 500 million people worldwide follow the Tour de France. In France, it is the sporting event without equal, combining the glamour of the Super Bowl and the international flavor of soccer's World Cup. Best of all, it's free since anyone can stand along the route. Furthermore, "It involves the entire country," says Lance Armstrong. "It's on every TV station, and it's on the front page news every day for three weeks."

But, the use of illegal performance-enhancing substances has plagued the tour for decades. In the 1920s, riders used cocaine, which they called "eagle soup" because it made them fly, says Nye. In 1967, British rider Tom Simpson reportedly died from drinking too much brandy and an overdose of amphetamines.

Most recently, the tour was dealt a devastating blow in 1998 when French authorities arrested Willy Voet, a trainer for the French Festina team. He was caught carrying substances banned by the International Cycling Union (known by its French acronym UCI), including growth hormones and large quantities of erythropeietin (EPO), a substance that puts more red blood cells into a cyclist's blood and increases his endurance. After questioning Voet, the French police raided the team's hotel rooms. Festina was ejected from the tour on its sixth day, and eventually, six other teams also left under allegations of using banned substances.

"Until then," says Nye, "neither the media nor the sport's governing officials exerted significant influence at curbing doping abuses."

In the wake of 1998's scandal-ridden tour, controversy has dogged Armstrong, who made a full recovery from testicular cancer to win his first Tour de France in 1999 and defended his title last year. For months, French judicial officials investigated his team, sponsored by the US Postal Service. The inquiry focuses on an incident during last year's tour in which someone affiliated with the US Postal Service team disposed of medical waste that was later shown to have traces of the drug actovegin, which is similar to EPO. However, actovegin has only recently been banned by the UCI and was not illegal during last year's race.

In April, Armstrong announced in Paris that results of urine tests taken during last year's Tour de France had cleared him and his team. However, the French judge overseeing the case asked the UCI for blood samples taken from US Postal Service riders during last year's tour for further tests. A spokesman for UCI confirmed that the blood samples had been turned over to French judicial authorities with US Postal Service's consent and testing began in May.

Some are skeptical of Armstrong's denials in light of the Festina Affair. "It is very important to understand that it has been proved that doping is everywhere for every rider," says Antoine Vayer, a French writer who covers cycling for *L'Humanité* and was himself tainted by scandal when he served as part of the Festina team's support staff during the notorious 1998 tour. "The conclusion [from the Festina Affair] is that from all the races in the past ten years is that everybody is doping."

Facing this type of criticism, Armstrong, who is training in Spain, expressed his frustration in a telephone interview. He believes that the French are disillusioned with cycling, in part because of the drug scandals but also because French riders have not fared well in their home event in recent years. "They have no Bernard Hinault and no La Vie Claire," he says, referring to the Frenchman who won five tours and his French team, which dominated the race during the 1980s.

"Belgium, Spain, or Italy do not share France's obsession with drug use," says Armstrong. "The most beautiful race in the world exists in the middle of cynicism."

Jean-François Quenet, a French journalist and now director of public relations for the Mercury-Viatel Team, says there is no real proof that members of US Postal Service team used drugs. "There is nothing special," he says. "No evidence of drug use, no [direct] allegations against Armstrong himself."

This year and in the future, it will be tougher to get away with using EPO. The UCI is now able to use a urine test capable of detecting the banned performance enhancer, which until last year was impossible to detect.

In spite of the controversy, Armstrong is confident of a third Tour de France victory. He believes his toughest competitor is Jan Ullrich, who rides for the German Telekom team and placed second in 1998. "There are illnesses, crashes, and tactical mistakes," Armstrong says. "But if we race like we have the previous two Julys, I think we'll be there."

—Jonathan E. Kaplan

BOOKS

The Historic Restaurants of Paris, A Guide to Century-Old Cafés, Bistros and Gourmet Food Shops

By Ellen Williams; Little Bookroom; 250 pages; $15

Contrary to conventional wisdom, searching for the perfect restaurant in the City of Lights can be a formidable task. The very abundance of options in Paris makes the decision of where to dine for each meal seem particularly important. Making these choices can be especially difficult for those who come to Paris looking for restaurants with a sense of history. Guidebooks tend to include the great culinary icons like La Tour d'Argent and the famous haunts of artists and writers like Café de Flore. Yet in Paris, it is possible to spend three hours savoring a delicious meal at Drouant, for example, and never realize that Emile Zola was a regular. Or worse still, stroll right past Angelina's, blissfully unaware that Marcel Proust was among the early customers at this renowned tea salon overlooking the Tuileries Gardens.

Thankfully, there is now a book written for those travelers who come to Paris hoping to take a step back in time. *The Historic Restaurants of Paris* is a well-organized, compact volume, dishing up practical information and insightful anecdotes about almost 100 carefully selected restaurants, cafés, and gourmet shops in the French capital.

Historic Restaurants is organized by arrondissements, and at first glance, it would appear that author Ellen Williams, the former art editor at *Vogue*, was aiming for a similar kind of indispensability. The book includes restaurants in seventeen of the twenty arrondissements, regrettably neglecting the third arrondissement, and the more peripheral nineteenth and twentieth arrondissements, now home to many of the newcomers to Paris and filled with ethnic flavors. That said, the restaurants she does include are wonderful. With the help of this guide, it is possible to find the gilded Belle Époque restaurant favored by Degas (Ledoyen); the vintage confectioner that supplied bonbons to Monet (Foquet); and the shaded café terrace frequented by Zola (Café de la Paix).

The entry for each restaurant includes the address, phone number, opening hours, and nearest Metro stop, as well as a brief history and anecdotal description of the restaurant. A helpful index at the end lists entries by luxury restaurants, tea salons, cafés, pastry shops, and those with garden dining among other categories.

In the very first entry, Angelina in the first arrondissement, Williams informs the reader that "then as now, it was the province of women, tea salons being one of the few public places where a proper lady could dine unescorted by a man....Left Bank residents Gertrude Stein and Alice B. Toklas regularly traveled across the city to this stylish Right Bank address."

She later describes Brasserie Lipp, a favorite Hemingway haunt in the sixth arrondissement. Williams tells you where the famous author was usually seated and what he ate "*cervelas* (a garlicky pork sausage), potatoes marinated in olive oil, and a *sérieux* (a large stein of draft beer)." She notes that all of Hemingway's favorites remain on the menu.

Although *Historic Restaurants* is not a comprehensive guide to Parisian dining, it offers visitors an enticing entry into the world that was nineteenth-century Paris.

—Saskia Reilly