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Stephen Moore

NRO Financial Columnist



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August 27, 2004, 8:53 a.m.

Grapes of Wrath

Choosing Chile over Champagne makes a difference.

The latest reports on France's socialistic economy portray a bleak picture of French workers on a treadmill running faster and faster just to stay in place. The French unemployment rate has soared to 9.5 percent, and the economic growth rate over the past year has trudged forward at the turtle-like speed of 1.5 percent (versus about 4.5 percent for the U.S.). If the U.S. had an unemployment rate as high as France, there would be about six million more Americans out of work — the equivalent of putting every worker in the state of Michigan in an unemployment line.

Of course, the major reason France is suffering this economic sclerosis is its love affair with socialist policies. With Communism now on the ash heap of history and the nations formerly behind the Iron Curtain racing to adopt capitalism and free markets, arguably the most socialistic economy among the industrialized nations is based in Paris. Taxes are so high — to feed France's obese welfare state — that virtually no net new jobs have been created in France so far this century.

Compounding France's economic miseries has been the residual damage from the boycott by Americans of everything French. Last year millions of Americans, incensed by the French government's outrageous failure to support the U.S. in the war in Iraq, heeded the advice of talk-show icon Bill O'Reilly and began a boycott of French products. Even though critics like the *New York Times* editorialized that the boycott was futile, the immediate impact of the voluntary decision by Americans not to buy French goods (from cheese to lingerie to wine) — or to travel to Paris or the French Riviera for vacation — hurt the French big-time in the pocketbook.

But despite assurances from French officials that the economy has weathered the storm and that



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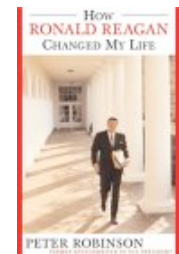
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no aftershocks persist, the truth is that France is still suffering from the boycott.

The short-term impact of the boycott against the French was devastating to key French industries. According to a report by the trade publication Wine Spectator, French wine sales fell by 26 percent in the first three months of the boycott and the global share of wine sales by France for the first half of 2003 plummeted by half. A poll by the French Luxury Marketing Council discovered that nearly 4 out of every 10 wealthy Americans were swearing off French goods.

Now the evidence for 2004 indicates continued residual damage to the French business environment resulting from the boycott. Real imports from France to the U.S., which stood at \$2.6 billion a year in 2001, are on course to reach barely \$2.5 billion in 2004. French wine sales have not recovered, potentially because consumers switched to new brands and never went back. Here is what the evidence shows: The value of French wine exports fell 10 percent in the first five months of 2004, compared with the same period in 2002. Even more embarrassing for the French is that wines from California, Chile, and Australia overtook French wines on global export markets for the first time last year. France exported 1.78 billion bottles; new-world vintners exported 1.93 billion.

French tourism has evidently recovered, but industrial production and investment continue their anemic growth rates. French business investment is nearly flat at one-percent growth a year.

Of course, if anti-French fervor is evident in the U.S., the views of the French toward Americans are even more hostile. The French have launched their own boycott of American products, like Coca-Cola and McDonalds, but there's no evidence that it has harmed U.S. export volume much.

Anti-Americanism appears to be spreading in Europe, and this may hurt our export markets. As a strong advocate of the benefits of global free trade, I find that deeply troubling and economically destructive. But the U.S. government must not adjust our foreign and national-security policies to accommodate European pacifists and socialists. The paramount mission of the U.S. government is to protect the security of our nation: If the French and Germans prefer not to trade with us as we pursue that mission, then losing their trade dollars is a small price to pay.

The French are not our military allies, and they have unapologetically turned their back on a loyal friend. That's a sad statement to make on the 60-year anniversary of the U.S. liberation of France. But it is something Americans should remember when deciding between a French red wine and one from Napa Valley.

— *Stephen Moore is president of the Club for Growth.*

12:45 p.m.

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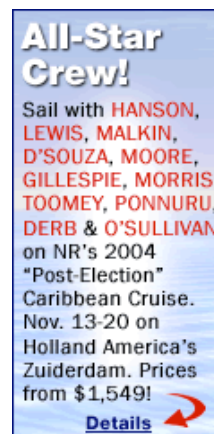
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