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Global Food Trade: Fair Trade or Safe Consumption

Today, U. S. Citizens trudging through freezing Minnesota winter can indulge their cravings for summer-fresh raspberries. Europeans who are thousands of miles away from North America can put Mexican mangoes on their breakfast cereal. Japanese shoppers can buy radishes that were grown from seeds cultivated in Oregon. Globalization of the food industry, falling trade barriers, and the formation of regional trading blocs make it possible for people to choose from produce grown all over the world. Unfortunately, these forces have also made it more likely that consumers will contract illnesses from food-borne pathogens.

In recent years, several outbreaks linked to the burgeoning global trade in produce have made headlines. One serious case occurred when 2,300 people were victims of a parasite called *Cyclospora* that had hitched a ride on raspberries grown in Guatemala. Outbreaks of hepatitis A and *Salmonella* from tainted strawberries and alfalfa sprouts, respectively, have also sickened consumers. The outbreak of severe acute respiratory syndrome (SARS) killed hundreds and sickened hundreds more, mainly in China, Singapore, and Canada. Some scientists believe a fair amount of those cases might actually have been cases of H5N1, also called Avian (bird) flu. Avian flu is particularly virulent and can cross barriers between species. It is most likely transmitted through the handling of poultry and poor sanitation.

Although health officials say that there is no evidence that imports are inherently dangerous, they do cite several reasons for concern. For one thing, produce is often imported less advanced countries where food hygiene and sanitation are lacking in important ways. Also, some microbes that cause no damage in their home country can be deadly when introduced to other countries. Finally, the longer the journey from farm to table, the greater is the chance of contamination. Just consider the journey taken by the Salmonella-ridden alfalfa sprouts: The seeds for the sprouts were bought from Uganda and Pakistan, among other nations, shipped through the Netherlands, flown into New York, trucked to retailers all across the United States, and then purchased by consumers.

Incidences of food contamination show no sign of abating. Since the passage of NAFTA, cross-border trade in food among Canada, Mexico, and the United States has skyrocketed. Meanwhile, federal inspections of U.S. imports by the Food and Drug Administration (FDA) have declined. Increasing imports have strained the U.S. food-safety system, which was built 100 years ago for a country contained within its own borders. Yet the U.S. Congress continues to tray to advance the cause of greater food safety when it comes to trade. Changes that have been considered include giving the FDA mandatory recall authority, increasing the frequency of food inspections, and requiring food safety plans for food makers.

Although it isn't feasible for the U.S. to plant FDA inspectors in very country, options are available. The U.S. Congress could further tighten the ban on importing fruit and vegetables from countries that fail to meet the expanded U.S. food-safety standards. Better inspections could be performed of farming methods and government safety systems in other countries. Countries that blocked the inspection could be forbidden to sell fruits and vegetables in the United States. The World Health Organizations (WHO) also proposes new policies for food safety, such as introducing food radiation and other technologies. The WHO believes the most critical intervention in preventing food-borne diseases is promoting good manufacturing practices and educating retailers and consumers on appropriate food handling.

1. How do you think countries with a high volume of exports to the EU would respond to the introduction of any stricter food-safety rules? Do you think such measures are a good way to stem the tide of food-related illnesses? Why or why not?

2. Sue Doneth of Marshall, Michigan, is a mother of a schoolchild who was exposed to the hepatitis A virus after eating tainted frozen strawberry desserts. Speaking before Congress, she said, "We are forcing consumers to trade the health and safety of their families for free trade. That is not fair trade. NAFTA is not a trade issue: it is a safety issue." Do you think food-safety regulations should be built into an extension of NAFTA or the EFSA? Why or why not? What are the benefits and drawbacks of putting food-safety regulations into international trade pacts?

3. The lack of harmonized food-safety practices and standards is just one of the challenges faced by the food industry as it becomes more global. What other challenges face the food industry in an era of economic integration and opening markets?

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Should We Cry for Argentina?

Argentina's past President Eduardo Duhalde had summed it up perfectly: "Argentina is bust. It's bankrupt. Business is halted, the chain of payments broken, there is no currency to get the economy moving and we don't have a *peso* to pay Christmas bonuses, wages, or pensions, he said in a speech to Argentina's Congress.

Although it was the star of Latin America in the 1990s, Argentina defaulted on its $155 billion of public debt in early 2002, the largest default by any country ever. After taking office in January 2002, President Duhalde implemented many measures to keep the country's fragile economy from complete collapse after four years of recession. For 10 years, the Argentine *peso* was fixed at parity to the dollar through a currency board. The president cut those strings immediately. But when it was allowed to float freely, on currency markets, Argentina's *peso* quickly lost two-thirds of its value and was trading at 3 *pesos* to the dollar. Then, strapped for cash, the government seized the savings of its citizens and restricted how much they could withdraw at one time. Street protestors turned violent, beating up several politicians and attacking dozens of banks.

Local companies were having a difficult time, too. Many companies blamed their default on the requirement that they get authorization from the central bank to send money abroad. Stiff restrictions on foreign currency exchange forced importers to wait several months or more while the government authorized payments in dollars. Companies also struggled with new rules that raised taxes on exporters and other cash-rich firms to help the government pay for social services. Local firms also had a hard time obtaining funds to pay their debts to foreign suppliers. But the loss of confidence among non-Argentine businesses was more difficult to quantify. Many entered Argentina during a wave of free-market changes and privatizations in the 1990s, but grew weary over time. Foreign businesspeople believed that if the government could arbitrarily change contracts as it saw fit, then they could not feel secure about the future.

The declining *peso* intensified problems for U.S. companies that fought to manage soaring debts and mounting losses from their Argentine operations. Argentine units of the U.S. companies, which tend to collect revenues in *pesos*, had an increasingly difficult time repaying their dollar-dominated debts as the *peso's* value fell. The government decreed that electricity and gas companies switch their contracts from dollars to less valuable *pesos* and then froze utility rates to protect consumers. But parent companies were unlikely to rescue their ailing operations in Argentina because the parents generally were not required to support the cash flow or debt service obligations of these independent subsidiaries.

The government, trying to lighten its debt load and establish its credibility with the International Monetary Fund (www.imf.org), ordered $50 billion in dollar-dominated government debt (mostly domestic) swapped into *pesos*. The swap was aimed at unlocking $10 billion in IMF loans that were frozen when Argentina failed to meet certain economic targets. U. S. and European investors owed another $46 billion in government bonds, which were to be restuctered in a separate transaction. Argentina's government spent the previous decade amassing debts in dollars and other foreign currencies. But when the government cut loose the *peso* from the dollar in 2002, the *peso* made the debt far more expensive to repay.

Argentina's economic collapse was devastating. From 2001 through 2002, the economy shrink by 15%, unemployment shot up to 21 percent, and poverty engulfed 56 percent of its citizens. The government's plan of stimulating demand by raising wages, imposing price controls, keeping the *peso* low, and spending public funds worked for a time. But inflation reached 26 percent and higher in 2012, cutting customers' purchasing power and increasing poverty. Many news agencies stopped reporting Argentina's inflation rate altogether after that because of suspension that the government was not reporting a truthful figure.

1. Q: *Argentina's peso was linked to the U.S. dollar through a currency board for ten years before it was cut loose. Why did Argentina peg its currency to the dollar in the first place?*

2. Q: *Companies encounter many difficulties in adapting their strategies to deal with the effects of a currency crisis that becomes an economic crash. How did local and international companies adapt to the business environment at the height of Argentina's crisis?*

3. Q: *What has been the impact on the savings and purchasing power of ordinary citizens?*