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31 This is true according to various indicators. See, for example, International Bank for Reconstruction and Development, “Science and Technology,” The World Development Indicators (Washington, DC: International Bank for Reconstruction and Development, 2000): 300.


51 Trends in International Migration, retrieved March 18, 2005, from oecd.org/dac/tdi/749434736.


CHAPTER 6
Trade Protectionism

OBJECTIVES

After studying this chapter, you should be able to

1. Explain why governments try to enhance and restrict trade
2. Show the effects of pressure groups on trade policies
3. Compare the potential and actual effects of government intervention on the free flow of trade
4. Illustrate the major means by which trade is restricted and regulated
5. Demonstrate the business uncertainties and opportunities created by governmental trade policies
6. Discern how businesses may respond to import competition
7. Fathom how the growing complexity of products and trade regulations may affect the future

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—English proverb
Catfish are the sixth most consumed seafood or fish product in the United States and have long been part of the U.S. Deep South diet.¹ The U.S. industry is centered in poor areas of four states—Alabama, Arkansas, Louisiana, and Mississippi—which account for over 90 percent of U.S. production. At its peak, it employed about 10,000 people. However, as imports (mainly from Vietnam) have increased and taken a larger share of the U.S. market (20 in 2005 versus 76 percent in 2011), U.S. production has fallen. Meanwhile, the Vietnamese industry is also located in one of the poorer areas of the country, the Mekong Delta. (The opening photo shows small boats there.) It employs about 1 million people and accounts for about 2 percent of Vietnam’s economy. The changing competitive situation has spurred a dispute between the two countries as the U.S. catfish industry has sought means to limit the importation of Vietnamese catfish. (Map 6.1 shows the production areas in the two countries.)

**THE RISE OF AQUACULTURE**

Humans have always depended on marine life for part of their food consumption, and during most of history this marine life grew faster than humans could consume it. However, the last half century has seen such an increase in marine catch (overfishing) that the numbers of many species are not being replenished. This increase has been due to a higher world population coupled with technology that enables fishing vessels to locate and land fish like never before. The boats must now go farther offshore, which increases fuel consumption at the same time that fuel prices are rising. One factor counteracting the overfishing has been the rise in aquaculture, or “fish farming.” (The 2012 global revenue from commercial fishing and aquaculture combined was about $370 billion.) The catfish industry in both the United States and Vietnam has been part of the aquaculture revolution. In other words, rather than being caught in the wild in nets or hooked on fish line, catfish are grown in ponds and harvested when they grow to a certain size. As this change has taken place, the catfish have ceased to be traditional scavengers; instead, they are fed corn and soybean feed. Catfish growers in the United States, in turn, have publicized the feeding change to promote sales to consumers who do not want to eat scavenger fish.

**THE VIETNAMESE ADVANTAGE**

The U.S. catfish industry has been developed largely by converting unproductive cotton lands to fishponds. Much of that land is so high in clay content that, although it will no longer grow much cotton, it will hold pumped-in water very well. Meanwhile, the Vietnamese production has some competitive advantages that enable it to export. To begin with, the winterless Vietnamese climate permits the fish to grow faster. One Vietnamese catfish species, the *tra*, can go to the surface to breathe air; thus, fish can be grown in greater density. Further, U.S. governmental regulations limit the discharge of fishpond waters into rivers, whereas Vietnam has no restrictions. This difference also allows for a greater density of production in Vietnam. Finally, labor rates are lower in Vietnam than in the United States, an important factor in the cost of filleting and freezing the fish.

**THE U.S. INDUSTRY FIGHTS BACK**

*Changing Names* Alarmed by market losses, U.S. catfish growers’ first defense was to convince their congressional representatives to push successfully in 2002 to disallow Vietnamese imports to be called “catfish.” Thus, Shakespeare’s “A rose by any other name would smell as sweet” was deemed not to be analogous for catfish. (Approximately 3,000 fish species fall into the overall family of catfish found mainly in freshwater places all over the world.) Because Vietnamese fish were of a different variety than those farmed in the United States, the Vietnamese varieties had to be imported as *tra*, *basa*, or *pangasius*. (The Maine lobster industry and European Union sardine fisheries were unsuccessful, respectively, in having Chilean langostino lobsters called crabs and Peruvian sardines called pilchards.) The U.S. producers reasoned that consumers, mainly in the Deep South, were not likely to buy some strange-sounding and unknown fish in lieu of the catfish that was part of their regular diet. Although the name change may have slowed the Vietnamese inroad, it did not prevent it. One of the problems the U.S. industry encountered was that few U.S. locales have truth-in-menu laws. Thus, the names for *tra*, *basa*, and *pangasius* were changed on menus to be “catfish,” a more expensive grouper, or just plain “fish.” Clearly, the U.S. catfish producers needed a different means to stifle the imports.

In the meantime, the U.S. industry was also facing a problem of diminished profit because of increased costs. In essence, the price of corn and soybean feed was rising faster than costs could be pushed onto consumers. The rising costs were due to a combination of harvest shortfalls, increased grain demands in Asia, and the use of corn and soybeans to produce ethanol. In order to raise prices and increase demand, an association representing catfish growers, the...
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MAP 6.1 Areas of Major U.S. and Vietnam Catfish Production

The catfish production for both the United States and Vietnam are near deltas of major rivers, the Mississippi and the Mekong respectively. Both areas have a great deal of poverty.

Catfish Institute, decided to change the fish’s name. Basically, the name “catfish” has had a negative connotation for many people. (The catfish has been referred to in many ways over the years, including some ways that would be inappropriate in this textbook.) The Institute noted how name changing had recently helped sales of other previously unpopular fish, such as the slimehead becoming “orange roughy” and the Patagonian toothfish “Chilean sea bass.” After market testing various names, the Institute has decided on “delacata” as a name for premium catfish. At this writing, it is too early to tell if the change-of-name strategy will work or not.

Unfair Competition: Dumping

Let’s get back to the import question. Because the U.S. industry was losing jobs and sales, it petitioned for increased taxes on the imported Vietnamese fish, claiming that they were being sold below the cost of production (dumping). Given that Vietnam is a command economy, it was difficult to establish what the true production costs were; however, these were estimated on the basis of Bangladesh production costs, and antidumping taxes (tariffs) of 64 percent were placed on the importation of the fish. In 2013 the industry succeeded in having estimates based on higher Indonesian costs.

Health Arguments

Despite the higher prices, the Vietnamese fish have kept increasing their share of the U.S. market. Then, in 2007, the U.S. catfish industry seemed to have found salvation when about 39,000 U.S. dogs and cats were sickened or killed after consuming imported Chinese pet food. This led to an alert and negative attitude toward imported food products in general, especially seafood originating anywhere in Asia. The U.S. catfish farmers responded quickly with several initiatives. First, they publicly implied that imported fish may be contaminated, such as when the Catfish Institute put out publicity saying, “U.S. farm-raised catfish: Safety you can trust.” The Institute has pushed for and gotten several states to require country-of-origin labeling on food and menus by advocating that consumers have the right to