

Corporate Welfare for Jumbo Shrimp

By Andrew Wells-Dang | June 29, 2004

Pity the U.S. shrimp industry. Over the last decade, shrimp have evolved from a delicacy only the rich could afford to the most popular seafood in America. The problem is, Gulf Coast trawlers can only catch 10% of the country's demand. The rest comes from imports, and 230 U.S. companies, joined together in the Southern Shrimp Alliance, feel that is unfair.

In December 2003, the Alliance filed a \$2.4 billion anti-dumping petition against six Asian and South American countries who export shrimp to the U.S. (A seventh country, Mexico, was not included in the suit after reportedly making a \$1.3 million payment directly to the Alliance.) The U.S. Department of Commerce will make a preliminary ruling in the case in July. In order to impose punitive tariffs on imported shrimp, the U.S. government needs to prove that imports have caused harm to a U.S. industry and are being sold in the U.S. market under cost.

Neither claim stands up to the evidence. Higher tariffs on imported shrimp would benefit 13,000 people employed in domestic shrimp production—but hurt 250,000 other American workers in the distribution, sales, and service sectors. Imported shrimp do cost less, for the simple reason that production costs in developing countries are lower than in the United States. Shrimp farmers in poorer countries, the majority private entrepreneurs, depend on export markets to lift their families out of poverty. If they sold their products below cost, they would have no way to survive. Nguyen Thi Hong Minh, a bright and energetic woman who serves as Vietnam's vice minister of fisheries, points out that “shrimp farming has helped improve the standard of living for three million Vietnamese in a short period of time.”

The companies in the Southern Shrimp Alliance aim to capture these gains for themselves, using a 2000 U.S. law, the Continued Dumping and Subsidy Offset Act, also known as the Byrd Amendment. The act provides for duty collected by U.S. customs officials in anti-dumping cases to be paid directly to U.S. producers. Each company involved in the petition would receive up to an estimated \$1 million in pay-

outs from dumping duties: a direct transfer from Third World farmers to the U.S. shrimp industry.

This is corporate welfare at its most crass, but the Alliance is finding support in unlikely places. A campaign by Ralph Nader's consumer advocacy group, Public Citizen, attacks imported farm-raised shrimp for destroying mangrove forests, ruining coastal environments, and benefiting multinational corporations. Public Citizen blames “[i]nternational development institutions [that] are bankrolling the conversion and privatization of coastal areas to the detriment of the environment and citizens.”

On the contrary: local entrepreneurs entering the shrimp business in Vietnam are acutely aware of the environmental risks that, if not carefully managed, could wipe out their investment. They also know that only clean, high-quality shrimp will attract buyers in a competitive market. According to Nguyen Thi Hong Minh, reforestation has reversed the decline of mangroves in the Mekong Delta, as farmers “realize that it is in their long-term interests...to keep 70 percent of the existing forested area intact and use the remaining 30 percent for shrimp farming.”

Vietnam's government is worried about both the potential economic impact of shrimp tariffs and the negative political precedent. “We went to great lengths to sign a bilateral trade agreement with the U.S. [in 2000],” a Vietnamese Embassy official told me recently in Washington. “But now almost every product that we sell successfully in the U.S. market has come under restrictions. First catfish, then quotas on textiles, and now shrimp. It seems that the trade agreement is a useless piece of paper.”

Foreign Policy In Focus (FPiF)



The rules of the global economy, as enshrined in the WTO, are already tilted in favor of the strong over the weak. Unfair trade practices enabled by U.S. anti-dumping laws deepen the injustice, taking away from the baby shrimp to give to the jumbo. It's no wonder that the Vietnamese smell something fishy.

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Published by Foreign Policy In Focus (FPIF), a joint project of the Interhemispheric Resource Center (IRC, online at www.irc-online.org) and the Institute for Policy Studies (IPS, online at www.ips-dc.org). ©2004. All rights reserved.

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Recommended citation:

Andrew Wells-Dang, "Corporate Welfare for Jumbo Shrimp," (Silver City, NM & Washington, DC: Foreign Policy In Focus, June 29, 2004).

Web location:

<http://www.fpiif.org/commentary/2004/0406shrimp.html>

Production Information:

Writer: Andrew Wells-Dang

Editor: John Gershman, IRC

Layout: Chellee Chase-Saiz, IRC

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