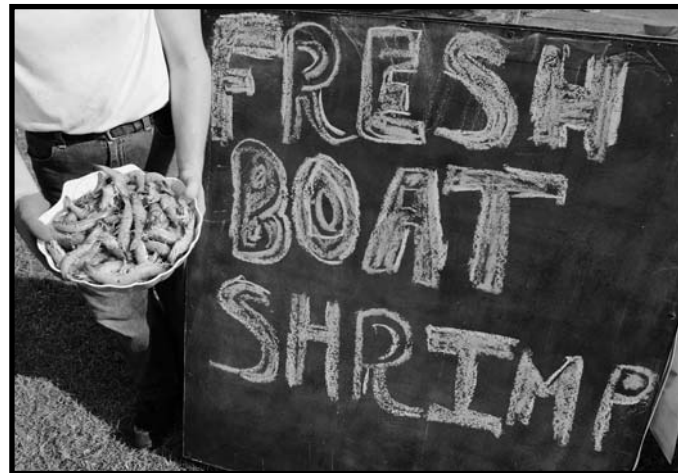


BY GREG RUSHFORD

Aiming to peel back imports of America's most popular seafood, the floundering United States shrimp industry launched a legal assault on six Asian and Latin American shrimp-exporting countries in 2003. After two years of maneuvering, the American shrimpers won the battle: federal regulators imposed tariffs ranging from 4 percent to more than 100 percent on imports from Thailand, Vietnam, Brazil, Ecuador, China and India. But now, though the battle wages on, it is clear that the Americans are stuck in a holding action, with little or no hope of ultimate victory.

True, the tariffs have inflicted pain, and not just on the exporters they were aimed at. Importers' supplies were disrupted until they established new supply chains. Predictably, some of those new sources were found in places like Indonesia and Mexico, where shrimp exporters who were not subject to the punitive United States duties have since enjoyed the windfalls from reduced competition. Thus, despite the tariffs, United States shrimp imports, which totaled around \$3 billion a year before the litigation, now exceed \$4 billion.

The American shrimp fishermen, who entered the 21st century unable to compete in the global marketplace, are still struggling. No real surprise there: the shrimp farms of Asia and Latin America can supply the product at lower cost in whatever quantities and sizes



customers demand. What's more, further Congressional action designed to protect the fisherman would almost certainly be subject to sanctions by the World Trade Organization. Thus to survive, shrimpers in the United States must serve niche customers who demand wild shrimp and are willing to put up with the vicissitudes of ocean catches.

The shrimp war deserves a closer look. In the course of covering it, I met intrepid entrepreneurs from the Gulf of Mexico to the Gulf of Thailand. Their economic fate is largely

GREG RUSHFORD edits the *Rushford Report* (www.rushfordreport.com), an online newsletter that analyzes the politics of international trade and finance.

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being driven by basic laws of competition. But these are not theoretical people, and their stories – particularly those of the Cajun shrimpers in the Louisiana bayous, who are being left behind for cultural as well as economic reasons – are compelling.

I believe there is room for sympathy for all parties in the rough and tumble of global markets – all, that is, except for politicians on Capitol Hill who follow the money, and the bureaucrats at the Department of Commerce and the Customs and Border Protection Agency who invent their own rules as they go along. The only wrongdoing of those who

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have been penalized for trafficking in foreign shrimp has been to bring affordable seafood to Americans' dinner tables. But before explaining the how's and why's, it is worth examining the conflict through the eyes of people who make a living (or would like to) in the shrimp business.

CAPITALIST HEROES

One of the heroines is Kim Chauvin, a determined entrepreneur from the bayous of southern Louisiana. I visited her at her home in the eponymic town of Chauvin, La. (pop. 3,075) in the summer of 2003. Kim's husband David, a fourth-generation shrimp fisherman who, with his father, had built his own 73-

foot boat, the *Mariah Jade*, was threatened with bankruptcy by falling prices for wild-caught shrimp. Indeed, many of David's peers had already given up and were looking for other jobs.

So Kim Chauvin got busy learning how to add value to the wild-caught shrimp through savvy marketing. A high school graduate and a mother of two, she took a 10-week class at a local university where she learned marketing, financial management and the fundamentals of business planning.

Chauvin started by selling fresh shrimp by the roadside. Four years of perseverance later, the Chauvins now own three boats and sell some 10,000 pounds of Louisiana shrimp a week via the Internet, as well as to restaurants as far away as Minnesota – niche markets that didn't exist until the Mariah Jade Shrimp Co. created them.

Kim Chauvin likes foreign competition as much as Rush Limbaugh likes feminazis, and adamantly refuses to sell imports. But while she has supported the antidumping litigation, Chauvin spends less time complaining and more time developing market opportunities. She has learned that because wild-caught shrimp from the Gulf of Mexico taste better than farmed shrimp – the one fact that all parties seem to agree upon – there are more niche markets waiting to be developed by domestic entrepreneurs wielding Cajun spices.

Another heroine is Christine Ngo. Her family also became economic risk-takers because life offered them few alternatives. In 1978, her father, Hua Ngo, piled her, her brother and mother into a boat and fled their native Vietnam. The Ngos made it to a refugee camp in Malaysia, and the family was relocated in San Francisco the next year. Hua Ngo, who never had had the opportunity for much schooling during the Vietnam War (in which he lost three brothers), worked as a



\$4.24 an hour laborer for a couple years, before he started peddling fish on the streets of Chinatown.

Fast forward to 2007. Christine, a 34-year-old college graduate and Los Angeles resident, plays a key role in managing H&N Seafoods, which imports shrimp and other seafood from all over the world and last year generated \$250 million in revenues. The Ngos also buy domestic seafood, including some wild-caught shrimp from Louisiana. Coping with the various legal and financial uncertainties that came with the antidumping litigation was “a headache,” Christine relates. “But we worked around it.”

Or consider Choopong Luesukprasert, the managing director of Marine Gold Products Ltd. Seven years ago, Choopong’s mother began Marine Gold, located about a 45-minute drive south of Bangkok. At the time, Thai-

land was still reeling from the Asian financial crisis of the late 1990s. Choopong was 26 and not long out of college. “We didn’t know anything then,” he recalled, when I recently visited his operation. “We almost went out of business after the first two years.” But the family persevered.

Now, Choopong is the managing director of Thailand’s ninth-largest seafood exporter. Marine Gold supplies shrimp to Japan, Europe and Canada, as well as to major American retailers including Costco – more shrimp than the entire American shrimp industry could deliver. The bright-eyed young women I saw peeling and packaging shrimp at Marine Gold worked like demons in the sparkling clean modern plant, for roughly \$300 a month. Choopong told me that next year, Marine Gold will employ at least 2,500 workers. Despite the headaches and expenses of



litigation, Choopong said, the United States tariffs of 6 percent have only been a distraction. “They have made me a better competitor,” he concluded.

Choopong also pointed out that Marine Gold, like virtually every other shrimp processor in the world, buys peeling and cooking equipment from Laitram Machinery Inc. Laitram manufactures both at its Louisiana headquarters and at a subsidiary in Denmark. Choopong said that he could understand why the United States government would want to help American shrimpers. But what would happen to other American companies like Laitram, he asked, if Washington put their customers out of business?

TROUBLED SHRIMP WATERS AND CULTURAL ICONS

When I visited isolated Terrebonne Parish, some 70 miles south of New Orleans, in 2003,

it quickly became evident that Cajun fishermen in the bayous of southern Louisiana had been happily oblivious to the march of technology and globalization. “This is not just an industry, this is a culture,” Bobby Bergeron, the parish president, explained at a meeting of shrimpers. “It’s where I come from. It’s who I am.” Bergeron was rightly proud of his gentle and tolerant Cajun culture and its people.

“I sit back, turn on the music, and steer with my toes, feeling happy,” one of the Cajun cultural icons added the next day, while demonstrating at dockside how he does just that. This is a Bubba Gump lifestyle that shrimpers learned from their daddies, most of whom never had much opportunity for, or interest in, book learning.

I met a 25-year-old shrimper named Benji and his girlfriend, who was pregnant. Benji, who said he had left school after the eighth grade, knew he was in trouble. “I’ve been

trolling a week and a half, and I've only made \$400 so far," he said. "Trolling is fun. All I ask is bring the price back where it used to be," Benji declared – not realizing that the laws of supply and demand will never allow that to happen.

I also visited a dock used by Vietnamese-American shrimpers, former "boat people" who fled to the bayous after the fall of Saigon in 1975. A pleasant-looking white man, who happened to be leaving the dock as I arrived, smiled and waved. I learned later that he was from a Texas bank, looking to seize a boat from one of the many owners who had fallen into arrears on loans.

But these Vietnamese-Americans are not likely to share the fate of their Cajun counterparts. A man who introduced himself as Captain Nguyen explained that two of his children were in college, one of whom plans to be a physician. Despite the difficult shrimp economics, at the end of the day the Vietnamese exile community is going to make it, one way or the other.

LAGNIAPPE FROM SENATOR BYRD

The one competitive advantage that the American shrimpers have enjoyed in recent years was a gift from Senator Robert Byrd. In October 2000, the venerable senior senator from West Virginia slipped a rider into an agricultural appropriation. Known as the Byrd Amendment, the law makes domestic petitioners (rather than the U.S. Treasury) the recipients of tariffs collected in antidumping litigation. The idea was to tax the foreigners twice – first by making them pay the tariffs, and second by handing their money to their American competitors.

There had been no public hearings, and no opportunity for more objective heads to point out that the measure would likely run afoul of U.S. obligations as a member of the World

Trade Organization. This is, in fact, what a WTO dispute-resolution panel determined in 2003. Congress eventually voted to scrap the measure, but delayed the date until October 2007 – giving antidumping petitioners an extra four years in which they could keep the fruits of their legal efforts.

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WHO'S DUMPING ON WHOM?

Last year, U.S. Customs handed over \$101 million in Byrd Amendment cash to the domestic shrimp industry. Kim Chauvin, who says that her share amounted to around \$72,000, told me that she couldn't understand why people regarded the Byrd Amendment as double taxation. Since the foreigners' "unfair" shrimp dumping had hurt shrimpers like her, Chauvin reasoned, it was only fair that injured Americans should be compensated for their losses. That, however, doesn't square with the reality of how the American antidumping laws are administered.

For openers, U.S. trade laws create economic rules for foreigners that don't apply to their domestic counterparts. Consider the loss leaders often prominently displayed in supermarket aisles, or for that matter all the cars sold by Detroit at prices that may cover

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the costs of materials but not the companies' considerable overhead. As this discounting is not part of a predatory pricing scheme to put rivals out of business, ruthless price-cutting – Coke versus Pepsi, Wal-Mart versus Target, for example – is regarded as a sign of healthy competition. Within domestic borders, pricing according to demand in various places and segments of the market is entirely legal, even when it doesn't cover the full costs of production. But when goods come from other countries, price discrimination is called dumping and subject to punitive duties calculated by hostile paper-pushers.

shrimp farmers “fair” or “unfair” in 2003? The Commerce Department looked up the average price of water in four cities in India in a 1997 edition of the Asian Development Bank's Water Utilities Data Book. For Vietnam, the officials looked at the six-year-old published rates for water in two cities in Bangladesh. Commerce played the same pretend game to find “fair” prices for ice, electricity, factory overhead costs and so on. They found that a tariff of 112 percent was needed to bring Chinese shrimp prices up to real costs. For Vietnam, the tariff was calculated at 93 percent.

When pressed in formal legal proceedings, U.S. officials finally conceded that the 21 Viet-

United States antidumping laws have nothing to do with free-market economics and everything to do with interest-group politics.

Cutting to the chase, United States antidumping laws have nothing to do with free-market economics and everything to do with interest-group politics. Indeed, the laws have deliberately been crafted to give federal officials sufficient discretion to find almost every foreigner at fault. The antidumping case for shrimp was typical: the Commerce Department rounded up the usual suspects and pronounced them guilty of unfair pricing.

Consider how American officials “investigated” Vietnam and China. The Commerce Department categorized both as “non-market” communist economies that are not disciplined by market forces. And this non-reality allowed the department to determine the cost of foreign production from comparable free-market economies, rather than from the actual accounts of the foreign producers who were charged with dumping.

Was the price of water used by Chinese

name and 24 Chinese shrimp exporters charged with dumping did, in fact, operate in “market driven” environments. Still, it was decided that, market or no market, all were selling below cost, a decision that puzzles Choo-pong, the Thai exporter. “Why would I be in business to lose money?” he asks. The duties were recalculated at 16 percent and 49-98 percent for the Vietnamese and Chinese, respectively.

HEADS I WIN, TAILS YOU LOSE

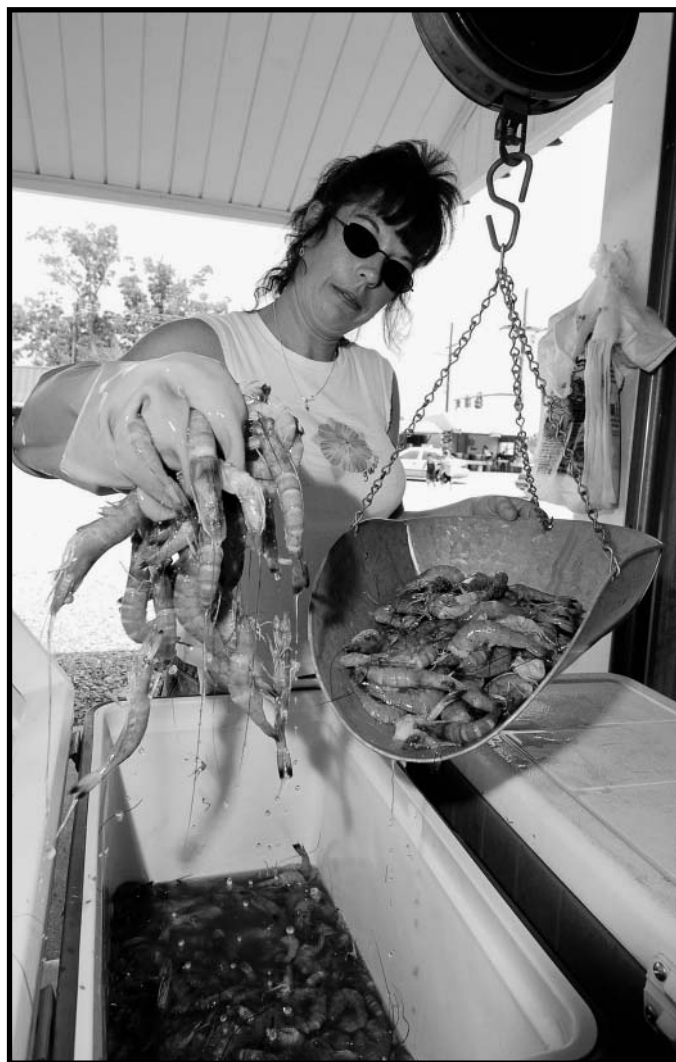
In the case of Ecuador, the bureaucrats used an outrageous methodology called “zeroing,” in which the numbers-crunchers eliminated high-priced imports in calculating the average price of imports in order to justify a 4 percent antidumping tariff. But zeroing has been declared a violation of World Trade Organization protocols. And Washington is being pressed to drop the tariffs on Ecuador.

That, however, doesn't exhaust the protectionists' bag of dirty tricks. U.S. Customs officials who collected the tariffs came up with a creative accounting idea for increasing the amount of money an importer must deposit as a contingency against tariffs and other fees collected at the border. When the National Fisheries Institute took Customs to court over the issue, Judge Timothy Stanceu of the U.S. Court of International Trade ruled that the agency had been motivated "by domestic political pressures to take action directed against the shrimp-importing industry." As one Customs memo that was never supposed to see the light of day candidly put it, "The domestic petitioners in this case are from South and Southeastern states that have Congressional representation" on key committees. "The importers are not as geographically concentrated."

BEATING THE SYSTEM

Fatima Satya, who runs a California-based importing firm called Pacific Supreme Company, has learned a thing or two about coping with such dirty tricks. Pacific Supreme's survival was imperiled when its major supplier in China was hit with nearly 100 percent antidumping duties on shrimp. So Ms. Satya (and many other importers at risk) went "tariff shopping," shifting to suppliers from countries yet to be targeted by domestic shrimpers. Last year, shrimp imports from Indonesia rose by 15 percent, from Bangladesh by 30 percent, and from Malaysia by 17 percent. And that more than made up for the decline in imports from India and Vietnam.

The lessons for the struggling American shrimp industry seem clear: Instead of resisting globalization, embrace it. Don't resent the success of Thai entrepreneurs like Marine Gold's Choopong; emulate it. There is a lot of money to be made by Cajuns who can add value to imported shrimp with Louisiana-



style cooking and recipes. Learn more about the smart marketing of tasty wild American shrimp into niche markets, following the lead of entrepreneurs like Louisiana's Kim Chauvin. And learn from Vietnamese-Americans like Captain Nguyen in Louisiana, whose daughter is in medical school. Learn, too, from Hua Ngo, who refused to be defeated when life dealt him a wretched hand.

In seafood markets – for that matter, in virtually every global market – the winners are those who learn to swim faster. **M**