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Fishing for NTBs: The Catfish Wars as a Rent-Seeking Problem

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Abstract

Over the past decade, US catfish producers have been collectively engaging in protectionist rent seeking against lower-priced import competition, most notably from Vietnam. This one-sided strategy, which has ironically characterized the so-called Catfish Wars thus far, has led to the imposition of several nontariff barriers (NTBs). For Vietnamese exporters, uncertainty as to trade conditions in the United States, including the ultimate impact of the low-visibility NTBs in existence, has been a persistent problem. **This problem is characteristic of a contemporary phenomenon affecting exporters worldwide: the prevalence of disguised forms of protectionism.** Viewing the Catfish Wars as a rent-seeking problem, this article discusses the incentives and other factors that lead to disguised protectionism. Further, it discusses how exporters doing business in the United States can reduce the potential impact of disguised protectionism through coordinating with consumer-oriented groups.

... A more vexing set of problems has derived from the discreet nature of the nontariff barriers (NTBs) employed in the so-called Catfish Wars. The controversy has involved the lack of fairness inherent in **low-visibility NTBs that frustrate the reasonable business expectations** of the Vietnamese, among other export industries. The fact that the Vietnamese industry was so heavily invested in the US market at the beginning of the Catfish Wars made the results particularly devastating at times. Regardless of who is responsible for the protectionist impact of low-visibility NTBs, or whether exporters can avoid the problem—this article refers to it as disguised protectionism—the result of this problem is unnecessary economic harm for exporters, in which their consumers must share. When uncertain trade conditions in export markets arise in the future, exporters may be able to lessen the impact of protectionist rent seeking and disguised protectionism by coordinating with groups that work toward closely aligned, consumer-oriented goals.

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... *NTBs as Vehicles for Disguised Protectionism*

The NTBs imposed in the Catfish Wars were controversial because they surprised Vietnamese exporters and frustrated their business expectations. This sort of problem has become common in international trade. **Disagreements over whether NTBs represent disguised protectionism (or do so in violation of binding trade agreements) can easily occur without being resolved, as distinguishing legitimate policy reasons for an NTB from unnecessary protectionist impact is often quite difficult (Jackson 1989, 208). As such, disguised protectionism is a part of reality, and often a problem that exporters must manage.**

... But a global reduction in tariffs does not necessarily mean a mass migration toward free trade. Rather, **special interests and governments appear to have mastered another strategy tending to circumvent the upfront cost-benefit assessment that makes governments think twice before slapping on tariffs—the use of low-visibility NTBs as vehicles for disguised protectionism (e.g., Ray 1987; Gould and Gruben 1994; Bhala 1995; Vandebussche and Zanardi 2010).** If liberalization (or at the very least, predictability) is to be considered as a road to progress in international trade, the chaotic uprising of low-visibility NTBs disguising protectionism has distorted visibility on that road, making it difficult to gauge market conditions for what they are. Likewise, it is difficult to gauge with certainty the direction in which the international trade world is moving in today's World Trade Organization (WTO) era.

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While governments might not agree on the implications of disguised protectionism or what might be done about it, one consequence is clear: exporters stand to lose from it. **This article seeks to define the term “disguised protectionism” (a term that lacks an agreed-upon definition) in a way that recognizes this reality.** Two tentative definitions are offered below. **First, where an NTB purportedly serves a neutral, nonprotectionist purpose, disguised protectionism would seem to exist to the extent that the NTB does something else (or fails to relate to the purpose in the first place), and in tandem, offsets the comparative advantages of foreign competitors with unnecessary costs. This problem can have a noticeable impact on competitors in growing economies, as wealthier countries can impose technical NTBs that offset comparative advantages mostly attributable to lower costs of living** (Cho 2007; **National Foreign Trade Council 2004**). Without a doubt, this theme is implicated in the Catfish Wars.

(pp. 122-123)

...References

...**National Foreign Trade Council (2004), “‘Enlightened’ Environmentalism or Disguised Protectionism? Assessing the Impact of EU Precaution-Based Standards on Developing Countries,”** NFTC Research Paper, (accessed September 16, 2011), available at http://www.wto.org/english/forums_e/ngo_e/posp47_nftc_enlightened_e.pdf.