



Worksheet 21.6

Vietnam's Shrimpers Decry U.S. Tariffs

Practice DRQ

Vietnam's shrimpers say they are getting a bad deal. This seems to be a classic case of protectionism, and would make a great Paper 2 data response questions. Read [this article](#) and outline your answers to the questions below.

1. Define:
 - a. Comparative advantage
 - b. tariff (4 marks)
2. The U.S. has defended their decision on tariffs by arguing that Vietnam has been “dumping” subsidized Vietnamese shrimp into their market. Using an appropriate diagram, show the effect of this export subsidy . (4 marks)
3. The United States has imposed a tariff 93 per cent on Vietnamese shrimp. Explain and show how this has affected the shrimp market in the U.S. (4 marks)
4. Using information from the text and your knowledge of economics, evaluate the use of protectionist policies to protect domestic employment. (8 marks)



Mark scheme

1. Define the following terms:

(a) Comparative advantage

[2 marks]

level

0 *Wrong definition* 0

1 *Vague definition* 1

The idea that one country produces more efficiently than another.

2 *Precise definition* 2

An explanation that countries benefit by specializing and trading goods they produce with the lowest opportunity cost

(b) tariff

[2 marks]

level

0 *Wrong definition* 0

1 *Vague definition* 1

The idea that it is a tax, or a trade barrier.

2 *Precise definition* 2

An explanation that this is a tax placed on imported goods.

2. The U.S. has defended their decision on tariffs by arguing that Vietnam has been “dumping” subsidized Vietnamese shrimp into their market. Using an appropriate diagram, show the effect of this export subsidy [4 marks]

0 *Inappropriate answer* 0

1 *Identification of appropriate theory* 1-2

For drawing a correctly labelled export subsidy diagram showing how a shift in the shrimp supply market far to the right could lower domestic prices below the world price, creating a surplus, **or** an explanation of the same.

2 *Correct application of appropriate theory* 3-4

For drawing a correctly labelled export subsidy diagram showing how a shift in the shrimp supply market far to the right could lower domestic prices below the world price, creating a surplus, **and** an a clear explanation of the same.

Candidates who incorrectly label diagrams can receive a maximum of **[3 marks]**.



3. The United States has imposed a tariff 93 per cent on Vietnamese shrimp. Explain and show how this has affected the shrimp market in the U.S. [4 marks]

0 Inappropriate answer 0

1 *Identification of appropriate theory* 1-2

For drawing a correctly labelled tariff diagram that shows an increased world price, reduced foreign quantity and revenue, increased domestic quantity and revenue, and relevant deadweight losses **or** an explanation of the same.

2 *Correct application of appropriate theory* 3-4

For drawing a correctly labelled tariff diagram that shows an increased world price, reduced foreign quantity and revenue, increased domestic quantity and revenue, and relevant deadweight losses **and** an explanation of the same.

Candidates who incorrectly label diagrams can receive a maximum of [3 marks].

4. Using information from the text and your knowledge of economics, evaluate the use of protectionist policies to protect domestic employment.

Responses **may** include:

Position of Vietnam:*repetition of tariff graph is unnecessary, wasteful

- Comparative advantage in shrimp/catfish
- US fears of rapid increase of structural UE
- WTO membership would allow Vietnam to appeal; force US to open market

Possible, if not central solutions could be:

- Vietnam levies tariffs on US products
- Vietnam uses this tariff revenue to subsidize Catfish/Shrimp
- Subsidize V. industry, though this would be expensive for Vietnam
- Expand markets with other countries besides US; advertise
- Join customs union/FTA with US or other countries
- Vietnam punish US with embargo on imported US goods

Two **primary** solutions:

- Negotiate a **VER** or **Quota**
- *Allowed by WTO*
- Graph is the same, effects the same
- Distinction: Quotas imposed by importing country, tougher to remove; VERs are voluntary and easier to dispel
- Benefit: restricts imports for US, give exporting Vietnam benefit of increased prices and revenue

Ver/Quota graph should show:

- Pworld below domestic Equilibrium
- Quota amount



Economics

- Domestic supply picking up where quota stops
- Higher Price with Quota for all goods
- Reduced Quantity on market
- Increased Domestic Q and Domestic Revenue Boxes
- Decreased Import Q and Import Revenue Box