IUU Fishing: Economic Effects of IUU Imports on U.S. Commercial Fishers

Species: Swordfish

Model Release

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This model accompanies the USITC report, *Seafood Obtained via Illegal, Unreported, and Unregulated Fishing: U.S. Imports and Economic Impact on U.S. Commercial Fisheries*, Inv. 332-575. The report includes a quantitative analysis of the economic impact of IUU imports on U.S. commercial fishers and U.S. commercial fishing production, trade, and prices. Economic effects are modeled by species, with each species-level model customized to fit the unique features of the U.S. domestic industry. Consumers of seafood products choose between domestic marine-capture sources, imports, and in some models, domestic aquaculture products. Imports include both legal and IUU sources that enter the U.S. at the same price, so consumers cannot distinguish an IUU from non-IUU product. 2018 data is used to establish an initial equilibrium with imports of IUU products included in the baseline. The model then removes the IUU imports, as estimated in chapter 3, and solves for a new equilibrium absent those products.

Data inputs in the simulation are in the BLUE-shaded cells (with sources for the input data listed in the cell above). Outputs are in the GREEN-shaded cells. The white cells are intermediate calculations.

This PDF is a printout of the Mathematica file “IUU Fishing Model - swordfish - model release.nb”

In[1353]:=
```
ClearAll[f];
```

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1. Model Parameters

1.1 Elasticity of Substitution

Source: USITC's econometric estimation using the trade cost method in Riker (2020). More information can be found in the technical appendix (appendix I).

Unprocessed products

In[1354]:=
```
sigmau = 1.9703;
```

Processed products

In[1355]:=
```
sigmap = 1.9703;
```

1.2 Industry Price Elasticity of Demand

Source: USITC Staff Estimate.

Unprocessed products

In[1356]:=
```
etau = -1;
```

Processed products

In[1357]:=
```
etap = -1;
```

1.3 Illegal Imports Replacement Rates

Source: USITC Staff Estimate. Further discussion on qualitative factors and rate determination can be found in appendix I of the USITC's report.

Unprocessed products

In[1358]:=
```
replu = 0.30;
```

Processed products

In[1359]:=
```
replp = 0.30;
```

1.4 Price Elasticity of Supply

Source: USITC Staff Estimate and Interviews with Industry Participants.

Unprocessed production

In[1360]:=
```
eu = 5;
```

Processed production

In[1361]:=
```
ep = 5;
```

2. Data Inputs

2.1 U.S. Landings Quantities and Prices

Source: National Oceanic and Atmospheric Administration. National Marine Fisheries Service (NOAA Fisheries). Fisheries of the United States 2018. Current Fishery Statistics No. 2018. U.S. Department of Commerce. Silver Spring MD: NOAA, February 2020. https://www.-fisheries.noaa.gov/resource/document/fisheries-united-states-2018-report.

In[1362]:=
```
qdu0 = 2,445,877;(*kg*)
```

In[1363]:=
```
pdu0 = 5.8965; (*$/kg*)
```

2.2 U.S. Processing Production Quantities and Prices

Sources:
National Oceanic and Atmospheric Administration. National Marine Fisheries Service (NOAA Fisheries). Fisheries of the United States 2018. Current Fishery Statistics No. 2018. U.S. Department of Commerce. Silver Spring MD: NOAA, February 2020. https://www.fish-eries.noaa.gov/resource/document/fisheries-united-states-2018-report.

National Oceanic and Atmospheric Administration. National Marine Fisheries Service (NOAA Fisheries). NOAA Processed Products database. Accessed September 1, 2020.https://www.fisheries.noaa.gov/foss/f?p=215:3:5412288074334::NO:::

In[1364]:=
```
qdp0 = 2,150,000;(*kg*)
```

In[1365]:=
```
pdp0 = 12.9048;(*$/kg*)
```

2.3 Import Quantities and Prices

Source: IUU Estimate Database as described in Chapter 3 of the report.

Total imports, unprocessed

In[1366]:=
```
qtu0 = 8,161,053 ;(*kg*)
```

In[1367]:=
```
ptu0 = 7.45838;(*$/kg*)
```

Total imports, processed

In[1368]:=
```
qtp0 = 3,526,084 ;(*kg*)
```

In[1369]:=
```
ptp0 = 7.01504;(*$/kg*)
```

Total illegal imports, unprocessed

In[1370]:=
```
qiu0 = 961,937 ;(*kg*)
```

Total illegal imports, processed

In[1371]:=
```
qip0 = 559,387;(*kg*)
```

Calculation of legal imports

In[1372]:=
```
qlu0 = qtu0 - qiu0;
```

In[1373]:=
```
qlp0 = qtp0 - qip0;
```

2.4 Export Quantities

Source:National Oceanic and Atmospheric Administration. National Marine Fisheries Service (NOAA Fisheries). NOAA US Trade in Fishery Products database. Accessed September 1, 2020. https://foss.nmfs.noaa.gov/apexfoss/f?p=215:2:14884747663545::NO

In[1374]:=
```
qdue0 = 109,919;(*kg*)
```

In[1375]:=
```
qdpe0 =  57,357; (*kg*)
```

2.5 Catch Limits

Source:NOAA Fisheries, "NOAA Fisheries Adjusts the 2018 North and South Atlantic Swordfish Quotas," NOAA, July 15, 2019, New England/Mid-Atlantic, Southeast, https://www.fisheries.noaa.gov/bulletin/noaa-fisheries-adjusts-2018-north-and-south-atlantic-swordfish-quotas.

In[1376]:=
```
qdcap = 3,453,000;(*kg*)
```

2.6 Import Market Share Statistics

In[1377]:=
```
N[qtu0 / (qtu0 + qdu0 - qdue0)]
```

Out[1377]=
```
0.777464
```

In[1378]:=
```
N[qtp0 / (qtp0 + qdp0 - qdpe0)]
```

Out[1378]=
```
0.627559
```

3. Calibration

Baseline values of domestic apparent consumption and imports

In[1379]:= $vtu0 = qtu0\ ptu0;$

In[1380]:= $vtp0 = qtp0\ ptp0;$

In[1381]:= $vdu0 = (qdu0 - qdue0)\ pdu0;$

In[1382]:= $vdp0 = (qdp0 - qdpe0)\ pdp0;$

3.1 Supply Parameters

In[1383]:= $edu = N\left[eu \frac{qdu0}{(qdcap - qdu0)}\right];$

In[1384]:= $adu = (qdcap - qdu0)\ pdu0^{edu};$

In[1385]:= $adp = qdp0\ pdp0^{-ep};$

3.2 Demand Parameters

In[1422]:= $btu = \frac{vtu0}{vdu0}\left(\frac{ptu0}{pdu0}\right)^{sigmau-1};$

In[1387]:= $Pu0 = \left(pdu0^{1-sigmau} + btu\ ptu0^{1-sigmau}\right)^{\frac{1}{1-sigmau}};$

In[1388]:= $btp = \frac{vtp0}{vdp0}\left(\frac{ptp0}{pdp0}\right)^{sigmap-1};$

In[1389]:= $Pp0 = \left(pdp0^{1-sigmap} + btp\ ptp0^{1-sigmap}\right)^{\frac{1}{1-sigmap}};$

In[1390]:= $ku = \frac{qtu0\ Pu0^{-etau-sigmau}\ ptu0^{sigmau}}{btu};$

In[1391]:= $kp = \frac{qtp0\ Pp0^{-etap-sigmap}\ ptp0^{sigmap}}{btp};$

4. New Equilibrium Calculation

In[1392]:= $Pu = \left(pdu^{1-sigmau} + btu\ ptu^{1-sigmau}\right)^{\frac{1}{1-sigmau}};$

In[1393]:= $Pp = \left(pdp^{1-sigmap} + btp\ ptp^{1-sigmap}\right)^{\frac{1}{1-sigmap}};$

Equilibrium equations

Total supply (landings) of swordfish = exports + consumer demand

In[1394]:= $E1 = qdcap - adu\ pdu^{-edu} == qdue0 + ku\ Pu^{etau+sigmau}\ pdu^{-sigmau};$

Supply of imported unprocessed product = demand for imported unprocessed product

In[1395]:= $E2 = qlu0 + replu\ qiu0 == ku\ btu\ Pu^{etau+sigmau}\ ptu^{-sigmau};$

Supply of imported processed product = demand for imported processed product

In[1396]:= $E3 = qlp0 + replp\ qip0 == kp\ btp\ Pp^{etap+sigmap}\ ptp^{-sigmap};$

Supply of processed domestic product = demand of processed domestic product

In[1397]:= $E4 = adp\ pdp^{ep} == qdpe0 + kp\ Pp^{etap+sigmap}\ pdp^{-sigmap};$

In[1398]:= `FindRoot[{E1, E2, E3, E4}, {pdu, pdu0}, {ptu, ptu0}, {ptp, ptp0}, {pdp, pdp0}]`

Out[1398]= {pdu → 5.94843, ptu → 8.03209, ptp → 7.59597, pdp → 12.9759}

In[1399]:= `pdu1 = pdu /. %;`

In[1400]:= `ptu1 = ptu /. %%;`

In[1401]:= `ptp1 = ptp /. %%%;`

In[1402]:= `pdp1 = pdp /. %%%%;`

In[1403]:= $Pu1 = \left(pdu1^{1-sigmau} + btu\ ptu1^{1-sigmau}\right)^{\frac{1}{1-sigmau}};$

In[1404]:= $Pp1 = \left(pdp1^{1-sigmap} + btp\ ptp1^{1-sigmap}\right)^{\frac{1}{1-sigmap}};$

In[1405]:= $qdu1 = qdcap - adu\ pdu1^{-edu};$

In[1406]:= $qtu1 = qlu0 + replu\ qiu0;$

In[1407]:= $qtp1 = qlp0 + replp\ qip0;$

In[1408]:= $qdp1 = qdpe0 + kp\ Pp1^{etap+sigmap}\ pdp1^{-sigmap};$

5. Results

Unprocessed product

Percent change in price of unprocessed domestic production

In[1409]:= $\frac{(pdu1 - pdu0)\ 100}{pdu0}$

Out[1409]= 0.880688

Percent change in price of unprocessed imports

In[1410]:= $\frac{(ptu1 - ptu0)\ 100}{ptu0}$

Out[1410]= 7.69215

Percent change in unprocessed price index

In[1411]:=
$$\frac{(Pu1 - Pu0)\ 100}{Pu0}$$

Out[1411]=
```
6.36789
```

Percent change in quantity of landings

In[1412]:=
$$\frac{(qdu1 - qdu0)\ 100}{qdu0}$$

Out[1412]=
```
4.15884
```

Quantity (kg) change in landings

In[1413]:=
```
qdu1 - qdu0
```

Out[1413]=
```
101,720.
```

Percent change in quantity of unprocessed imports

In[1414]:=
$$\frac{(qtu1 - qtu0)\ 100}{qtu0}$$

Out[1414]=
```
-8.25085
```

Change ($) in operating income, unprocessed product

In[1423]:=
```
(1 / sigmau) (pdu1 (qdu1 - qdue0) - pdu0 (qdu0 - qdue0))
```

Out[1423]=
```
368,665.
```

Processed Product

Percent change in price of processed domestic production

In[1416]:=
$$\frac{(pdp1 - pdp0)\ 100}{pdp0}$$

Out[1416]=
```
0.551028
```

Percent change in price of processed imports

In[1417]:=
$$\frac{(ptp1 - ptp0)\ 100}{ptp0}$$

Out[1417]=
```
8.28118
```

Percent change in processed price index

In[1418]:=
$$\frac{(Pp1 - Pp0)\ 100}{Pp0}$$

Out[1418]=
```
4.10612
```

Percent change in quantity of processed domestic product

In[1419]:=
$$\frac{(qdp1 - qdp0)\ 100}{qdp0}$$

Out[1419]=
```
2.78567
```

Percent change in quantity of processed imports

In[1420]:=
$$\frac{(qtp1 - qtp0)\ 100}{qtp0}$$

Out[1420]=
```
-11.105
```

Change ($) in operating income, processed product

In[1424]:=
```
(1 / sigmap) (pdp1 (qdp1 - qdpe0) - pdp0 (qdp0 - qdpe0))
```

Out[1424]=
```
469,958.
```