“U.S. States in U.S.-EU Relations: Transatlantic Communities in an Age of Multi-Level Governance”

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ABSTRACT

The role of U.S. states in transatlantic relations has largely been overlooked. This paper examines U.S. states in US-EU relations by expanding theories of multi-level governance (MLG) to incorporate subnational actors such as U.S. states and EU regions. Social constructivism is used to analyze the changes in rules, norms and expectations of subnational actors in the U.S. and EU. A constructivist MLG framework allows for widening the definition of governmental actors while also including non-governmental actors. The significance of U.S. domestic politics is factored into the transatlantic relationship, along with a close examination of the EU’s 2002 report on trade barriers that draws heavy attention to U.S. states. Evidence about U.S. states’ activities is illustrated through comments by U.S. federal and state officials about U.S. states’ work in export promotion and investment attraction and U.S. states’ international competence is compared to EU regions such as German Länder. This paper explains the evolution of “parallel regionalism” such that subnational actors have slowly gained international competence by establishing international offices, forming bilateral partnerships, and going beyond their national capitals to increase their economic strength.
The Missing Role of U.S. States

In theoretical and empirical terms, the rising international competence of U.S. states has been left out of transatlantic relations. Theories of multi-level governance (MLG) have included European subnational actors, but neglected U.S. states. Social constructivism can be used to analyze changes in rules, norms and expectations in subnational actors—such as U.S. states and European Union (EU) regions—as the definition of intergovernmental actors is expanded. Multi-level governance and social constructivism both need to place more emphasis on subnational actors. A new web of transatlantic actors is seen through growing international activities of U.S. states and EU regions in establishing international offices, forming bilateral partnerships, and going beyond their national capitals to increase their economic strength. This paper will show how parallel regionalism has emerged since 1970. U.S. states are crucial to transatlantic relations because their international actorness remains stronger than EU regions with direct engagement in export promotion and investment attraction, as well as the EU’s recognition of U.S. states as a significant source of trade barriers.

The U.S. and EU share a political and economic partnership representing the largest bilateral trade and investment relationship. Although the U.S. and EU remain committed to this partnership with over 98% of trouble-free trade, approximately one to two percent of trade causes disagreements (Ahearn 2003; U.S. Mission to the EU 2003). International relations theory continues to be transformed to include many non-governmental actors now participating in world politics and governmental organizations, from the local to supranational level. Gary Marks, Liesbet Hooghe, and others explain European integration using MLG (Marks and Hooghe 2001; Marks, Hooghe and Blank 1996). Their analysis criticizes intergovernmentalism
for being too state-centric and tries to include actors on subnational, national, and supranational levels.

Multi-level governance (MLG) claims “authority and policy-making influence are shared across multiple levels of government—subnational, national and supranational” (Marks and Hooghe 2001, 2). Although MLG analysis has examined EU regions, it has not looked at U.S. subnational actors (states). The international competence of U.S. states is widely overlooked, overall considered by few American politics scholars. The power and influence of nation-states is contested from both directions, above and below the national level, a trait shared by the U.S. and in Europe. By widening MLG to examine U.S. states’ activities within a constructivist framework, a more precise picture of US-EU relations is indicated. Both the U.S. and EU use international rules and norms to justify their trade dispute claims (Cortell and Davis 1996). Social constructivism draws upon the significance of changing rules and norms involved between actors of all levels, especially the changing expectations of subnational actors.

Over two-thirds of U.S. states have formed offices in Europe and elsewhere to promote US exports and foreign direct investment (FDI) since 1950 (Fry 1998, 15). EU subnational governments have placed offices in Brussels, lobbied EU institutions, and participated in institutions such as the Committee of the Regions (CoR). Some EU regions have opened offices outside Europe and many transregional associations further EU integration. These actions demonstrate a parallel regionalism in the U.S. and EU. This paper will show the complexity of governmental and non-governmental actors on several levels and illustrate the indirect relationships between the EU and U.S. states, arguing increasing economic interdependence is likely to bring these two actors closer together.
Theoretical Trajectory

Mark Pollack and Gregory Shaffer (2001) name three types of transatlantic relations. Intergovernmental relations include national governments and chiefs of government (COGs) “determined by internal domestic processes.” Transgovernmental relations comprise technocratic bureaucrats, and transnational relations consist of business interests, civil society groups, and non-governmental (NGOs). These categories illustrate “new forms of transatlantic governance” from the 1995 New Transatlantic Agenda (NTA) (Pollack and Shaffer 2001b, 5; 2001c, 287-288). Lines blur between domestic and international politics, public and private spheres, and governmental and non-governmental actors. Pollack and Shaffer (2001c) claim intergovernmental networks of U.S. national government and Commission officials are central to U.S.-EU relations; transgovernmental networks are somewhat important in some areas, but “remain relatively immature or unimportant in many others,” and transnational networks “have played an important role in transatlantic governance but nevertheless fall far short of the ideal type predicted by the literature on global civil society” (293). Although well-done, their study remains too state-centric by ignoring subnational governmental actors and underestimating transnational actors’ importance. The non-governmental Transatlantic Business Dialogue (TABD) was instrumental in creating the NTA and influential in several U.S.-EU summits (TABD; Cowles 2001).

Pollack and Shaffer observe the dominance of intergovernmental cooperation in settling disputes. “Intergovernmental diplomacy and dispute resolution” is highlighted without the influence of “technocratic networks of lower-level government experts” (2001c, 298). Yet, this statement only reveals how intergovernmental relations dominate transgovernmental relations, not transnational relations. TABD does not resolve transatlantic disputes after they emerge, but
works to prevent disputes over regulations and standards (TABD; Cowles 2001). TABD is a “transnational ‘civil society’ dialogue” on economic disputes—“a political actor in its own right” (Cowles 2001, 214-215). Pollack and Shaffer maintain the continued importance of the Commission and US federal government but “variable influence of lower-level governmental and non-governmental actors” within the NTA (2001c, 302). Scholarship needs more explanation about the “variable influence” of subnational actors.

Subnational actors are only recently acknowledged in IR literature. Since “states” usually refers to nation-states, I will use “U.S. state(s)” to refer to the 50 U.S. subnational governments. Neofunctionalism asserts subnational elites “can be involved in the integration process once the policy area is put under supranational control” but deny local or regional authorities can be directly involved in the dynamics of integration (Leonardi 1995, 24). Although neofunctionalism offers help in understanding EU integration, it lacks attention to subnational actors in the territorial dimension of integration since the 1980s. Intergovernmentalism draws upon states’ importance. These theories do not treat states as unitary actors, but examine a state’s internal actors and domestic politics. Intergovernmentalism is especially relevant since regional governments realize the EU “operates according to a state-base structure and is unlikely to institutionalize regional participation in the near future” even if subnational actors play increasingly important roles (Sloat 2001, 17-18). Member States control EU regional funding, decide programs proposed to the Commission, and make discretionary decisions (John 1997, 137). US states are aware of limitations on their authority, especially in foreign affairs, but have gained “limited international competence” since 1950 (Kincaid 1999, 111).
MLG explains agenda-setting as a shared and contested process between institutions, interest groups, and subnational actors, advocating “overlapping competencies” among and across multiple levels of governments (Marks, Hooghe and Blank 1996, 359; Rosamond 2000, 110). Regions now have direct involvement “in the European arena” and use influence to “pressure state executives into particular actions” (Marks, Hooghe and Blank 1996, 356). Marks and Hooghe call MLG an “international and domestic phenomenon” revealing the “almost seamless” transition of domestic and international politics (2001, 78). The MLG model “does not reject the view that national governments and national arenas are important,” but acknowledges the interconnectedness of political arenas. Subnational actors “operate in both national and supranational arenas, creating transnational associations in the process.” Marks and Hooghe claim EU national governments do not “monopolize links between domestic and European actors;” domestic political battles continue to the EU-level, thereby denying the state-centric model separating domestic and international politics (2001, 3-4).

MLG does not “confront the sovereignty of states directly” and, like intergovernmentalism, says nation-states are dominant institutions “capable of crushing direct threats to their existence.” During the 1980s, European-level institutions began using its power and subnational actors began to assert their influence as regional players by establishing Brussels offices, leading to direct lobbying of EU institutions and greater involvement in EU policy-making (Marks and Hooghe, 12-14). Unlike neofunctionalism and intergovernmentalism, MLG looks at subnational actors as a significant part of policy-making processes because it is neither drawn toward presuming integration as a top-down nor bottom-up process, but recognizes the unpredictable, complicated process of measuring actorness on each level. While MLG may give a more accurate view of the policy-making process, this analysis has not been applied to the U.S.
MLG has not considered how U.S. states complement—or challenge—U.S. national-level authority.

Social constructivism highlights changing rules and norms involved in interaction. Constructivists believe ideas “influence understandings of interests, preferences, and political decisions” because norms are established to guide behavior. Norms are drawn from “proper behavior” established by a “community able to pass judgments” (Risse and Sikkink, 6-7). Rules have been instituted in trade, politics, and economic interdependence. By working with the WTO, both the U.S. and EU have another level of formal and informal rules shaping their policy-making norms. Constructivism shows “even our most enduring institutions are based on collective understandings” (Adler 1997, 322). Alexander Wendt (1992) asserts “institutions are fundamentally cognitive entities that do not exist apart from actors’ ideas about how the world works” (399). Wendt underscores how social constructivism emphasizes changing rules, norms, and meanings established during interaction. He counters Kenneth Waltz arguing “the way international relations are conducted is socially constructed rather than transhistorically given” (Zehfuss 2002, 14). Maja Zehfuss (2002) claims identity is crucial to Wendt’s theories which, in Wendt’s view, should focus on “the relationship between what actors do and what they are” so an actor’s identity is not given, but “transformed in interaction” (15, 38). These identities “provide the basis for interests” in collective meanings (Wendt 1992, 398; Zehfuss 2002, 40 quoting Wendt 1999, 231, 329-330).

Wendt (1992) agrees states remain the dominant actors in the international system (424). Although his analysis is helpful in highlighting the importance of interaction among governmental actors, Wendt does not consider transnational business links and NGOs when examining transatlantic relations. He admits states “are influenced by domestic factors that I do
not address,” (1999, 11) but holds “these processes are treated as always already completed when international interaction takes place” (1999, 11, 21, 27-28 quoted by Zehfuss 2002, 61). This analysis joins other constructivists’ theories in downplaying the ability of domestic politics to change and leaves out subnational actors’ influence in policy-making. Social constructivism asserts states cannot be viewed as unitary actors and acknowledges the complexity of many actors. Understanding norms and rules in intergovernmental interaction adds depth to many EU governance areas such as regional policy and trade policy (Rosamond 2000, 174).

To remedy problems of MLG and constructivism, this study’s theoretical trajectory links constructivist ideas with MLG so subnational actors and non-state actors are included in U.S.-EU relations. MLG’s fluidity can be combined with constructivist insights to produce a conceptualization examining the changing roles of all intergovernmental actors—including U.S. states—by incorporating transnational networks as transatlantic actors (Rosamond 2000, 173). MLG looks at influences of governmental or non-governmental actors and constructivist views recognize how domestic politics and governmental interests can be altered. A “constructivist MLG” framework enhances understanding of a complex web of transatlantic actors.

Parallel Regionalism

New York opened a European office in 1954 (Fry 1998, 68; Blase 2003, 21). Since then, U.S. states have set up over 175 offices overseas, made agreements with EU regions, issued resolutions on foreign policy matters, and gradually increased their role in trade politics. The international competence of U.S. states—although still somewhat limited—has steadily increased (Kincaid 1999, 111). During the 1970s, subnational actors formed offices in Brussels to attempt to participate in the EU regional policy. Their participation increased in the 1990s with establishment of the CoR, an institutional tool for voicing subnational actors’ concerns.

1 Emphasis in the original.
Regions such as like Catalonia, Scotland, and Northrhine-Westphalia have become increasingly involved at the EU level by working with Members of the European Parliament (MEPs), their Member State’s permanent representatives, and NGOs like business associations (see Mazey and Mitchell 1993; Jeffrey 1997; Sloat 2001). These developments have occurred in the U.S. and EU particularly since 1970 as subnational actors became increasingly active in the supranational realm of politics—an evolution I call “parallel regionalism.”

International actorness of U.S. states is primarily limited to the economic arena. However, U.S. states have voiced foreign policy decisions, such as placing sanctions on U.S. and foreign businesses in South Africa during apartheid—prior to Congressional action being taken (Fry 1998, 5). U.S. states’ National Guard units have participated in the State Partnership Program where they are paired with other countries to “conduct engagement programs” and provide military assistance (Howard 2004, 179-180). John Kline says U.S. state governments realized “global interdependence presented both opportunities and threats” in the 1970s—therefore attracting FDI was required of state governments (Blase 1998). Scholars disagree about the impetus of these activities. Fry (1998) warns U.S. states may infringe upon federal responsibilities with foreign policy actions (131-132), but James Rosenau claims transnational issues pulled U.S. states into the international realm, not motivations to challenge national sovereignty (Blase 1998).

Many U.S. states are economically stronger than most countries. California is the fifth largest global economy and joins New York, Texas, and Pennsylvania in the world’s top 16 economies (California Business Investment Services 2005; Fry 1998, 51; Pennsylvania Office of International Business Development 2005). U.S. states’ international competence is not surprising considering some states’ economic strength, but states’ involvement in foreign affairs
means Washington has trouble speaking with one voice to the world—a consequence of cooperative American federalism (Fry 1998, 4-5). U.S. states’ international offices primarily focus on attracting FDI, but also work on export promotion (Ford 2003; Fry 1990a, 1998; Vogler 2003). Increased international activity is attributed to U.S. states’ “relative ease in establishing international liaisons; impressive economic base; expanding scope; constitutional ambiguities and political uncertainty; and reaction to perceived advantages and imbalances in the U.S. federal system” (Fry 1998, 36).

North Carolina governor Luther Hodges led the “first business delegation to western Europe in search of direct investment” in 1959 (Fry 1998, 67). U.S. states have opened an average of 3.1 offices abroad, spending about $200,000 per office with popular destinations in Frankfurt, London, Mexico City, Seoul, and Tokyo (Fry 1998, 70). Although U.S. states’ economic development agencies vary in size and place in bureaucracy, most states link agencies concerning international economic affairs to the governor’s office. Larger state legislatures have commissions for international issues. In 1998, approximately 80% of U.S. states maintained “more than 160 offices abroad for trade, investment and tourism promotion purposes,” and most U.S. governors lead economic missions abroad (Fry 1998, 15).

The Council of American States in Europe (CASE) was formed in the 1970s as the coordinating organization for U.S. states’ European offices. In 2003, CASE’s membership included 22 states (Vogler 2003; CASE). CASE assists U.S. states in their two primary missions—export/trade promotion and attracting FDI. Since 49 U.S. states must maintain balanced budgets, some offices have been closed or consolidated during harder economic times.

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2 California and Texas have legislative committees to oversee international issues.
Administrator Ute Vogler says CASE operations are funding by “economic development operations” of U.S. states and activities include “USA Trade Days,” seminars, and conferences with U.S. Commercial Service officials, embassies, and U.S. state representatives (CASE; Fry 1998, 75-76; Vogler 2003). For the purposes of this paper, I contacted all U.S. states in the 2003 CASE membership. Research presented here is taken from interviews with those officials that responded to my inquiries.

U.S. states have formed organizations like the National Governors Association (NGA), an influential bipartisan organization (NGA). U.S. states’ trade offices can be “the nexus” of a trade development system, but—with limited resources—these offices “cannot alone assure the international competitiveness of the state’s economy” (NGA 2002, 20). A 2002 NGA Report explains governors should be “prepared to take the lead in ensuring the competitiveness of their states’ businesses in the global marketplace” because as the U.S. government expands multilateral trade agreements, awareness of economic opportunities is crucial to remaining competitive (23). The NGA Report declares governors must embrace the role of “principal economic ambassador” since they are seen abroad as “high-prestige, high-impact heads of state” possessing great knowledge of their state’s economy (2002, 16). The expanding international role of U.S. states has an impact on the study of regionalism. “While regionalism is an old story in U.S. politics, institutionalized direct relations between U.S. states and foreign nations is new.” U.S. states pursue relationships with foreign actors by themselves and perhaps “according to the

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3 “Every state except Vermont has a constitution that mandates a balanced budget. But that hasn't prevented states from taking on debt; in 2000, states owed about $548 billion, mainly as development bonds” (Easterbrook 2003).
4 There are also regional associations for state governors such as the Southern Governors Association, Western Governors Association, and Council of Great Lakes Governors.
5 On international economic activity, U.S. states “have found it fruitful to cooperate on a regional or national basis” and formed the Committee on International Trade and Foreign Relations in 1978 (Fry 1990b, 287).
desires” of Washington. More research is needed to determine how U.S. states “evolved to the point of institutionalizing foreign relations” (Blase 1998).

Once an important regional voice during the 1970s and 1980s, regional associations “lost influence as alternative channels have become available” (Marks and Hooghe 2001, 88). Since 1992, the EU has seen important changes in regional policy: formation of the CoR, allowing regions to place lobbyists in Brussels, and active involvement by regions in the EU’s policy-making process—especially by Member States that devolved certain powers to regions (Loughlin 1997, 147; Keating 1998, 170). The expanded role of subnational actors is illustrated with more than 150 (Marks and Hooghe 2001, 86) Brussels “regional information offices” (Jeffrey 1997, 199). These Brussels offices lobby, gather information, and set up contact networks with EU officials and other subnational governments. Scotland created an official partnership—signing a “formal, bilateral agreement with the autonomous government in Catalonia,” a highlight of regional networking (Scottish Parliament 2002; BBC News 2002). Regions have found cooperation with central governments leads to more success at the European level (Sloat 2001, 15, 23-24). Brussels offices provide and receive information to know “what is in the policy pipeline” and lobby Commission officials and MEPs (Marks and Hooghe 2001, 87-88). Regions cooperate but officials realize the competition for EU structural funding and are not always willing to share information.

Europe’s regions have also formed transregional associations, required information from central governments about EU proposals, demanded formal channels of influence in “ministerial representation in the EU,” communicated directly with Commission officials, campaigned for direct representation in the Council of Ministers, and complained subsidiarity is ignored in EU treaties (Marks and Hooghe 2001, 78). Regions in Germany, Belgium, and Austria have a direct
voice in Council of Ministers meetings, and other regions implement EU legislation and regulations, since 40% of the EU population is “covered by structural funds policy” (Marks and Hooghe 2001, 82, 85).

MLG dynamics have been altered because regions are not as united with the Commission against national governments as once before (Marks and Hooghe 2001, 85). The Commission’s design of EU cohesion policy and regional offices in Brussels illustrates the Commission working to break the “national mold” and “induce subnational actors—interest groups, social movements, firms, and subnational governments—to participate in EU decision making.” Regional policy has not always been successful. The CoR has been ineffectual for policy initiatives and diversity of subnational actors causes problems because stronger regions—German Länder and Spanish comunidades autónomas—do not want to lose power, but “weak regions have little to lose if policy-making is shifted to the European level” (Marks and Hooghe 2001, 90-91).

MLG and social constructivism are important to understand parallel regionalism. Constructivism is seen in the “phenomenon of ‘me-tooism’” of subnational paradiplomacy where regional actors have developed greater policy-making roles on the supranational level and in changing international norms of subnational actors’ capabilities and expectations (Soldatos 1990, 46). “State and local actions in the international arena are governed more by custom, political practice, and intergovernmental comity than by enforcement of constitutional and statutory rules” (Kincaid 1999, 118). MLG relationships between subnational actors and their central governments show the degree to which influence and policy-making have changed (Jeffrey 1997, 199). International offices illustrate subnational actors are finding new places of influence and input to economically (and perhaps politically) improve their regions.
Parallel regionalism in the U.S. and EU has some qualifications—primarily structural and institutional variations—needing explanation. U.S. states are more involved in establishing international offices than EU regions. Although half of U.S. states have overseas European offices (Vogler 2003), Brussels offices of EU regions are also outside their home countries. The main difference between U.S. states and EU subnational actors’ offices is not their location, but their objectives. Primary responsibilities of U.S. states’ European offices are trade and investment promotion. The chief goals of EU regional offices in Brussels are to collect information, lobby officials, and set up contact networks.

The German Länder offer legitimate comparison with U.S. states because of Germany’s federal system. Länder consider themselves “free of constitutional restriction” because their ability to “communicate directly with foreign regions” was sanctioned by the Federal Constitutional Court (Leonardy 1993, 239). The Treaty on European Union’s Article 146 gave Member States authority to place ministerial-level representation from regions in the Council, “whereas before only national government members had been admitted” (Leonardy 1993, 247-248). Compared with U.S. states, Australian states, and Canadian provinces, German Länder have “by and large not been very actively engaged in direct export promotion” (Michelmann 1990, 233-234). Germany is a bigger “source, rather than a recipient” of FDI and has not needed the investment promotion activities carried out by U.S. states. Länder have not had international representatives long, but Baden-Württemberg has offices in Japan and China. Rhineland-Palatinate has offices in Houston and Japan (Michelmann 1990, 234-235).

Intergovernmental connections have increased rapidly. Most U.S. states formed Washington, DC offices “to keep track of legislation or executive initiatives” and work with organizations like the NGA (Fry 1990b, 290). EU Member States and regions have Brussels
representatives with similar duties. Structure is different, but an increasing number of formal intergovernmental connections have been established. U.S. administrations’ desire to devolve power to U.S. states was echoed in Europe during Spain’s transition to democracy after 1975 with some regions gaining autonomy. Italian regions have slowly gained more regional control since the 1970s. Devolution processes continued with the UK granting certain powers to Scotland and Wales in 1997.\(^7\)

U.S. state governments have decreased “their reliance on transfer payments from Washington” because, although more programs are within their control, there are not appropriate revenues to fund these initiatives. “Washington’s aid to the states and localities fell by almost 40% in real terms in 1980-1988” (Fry 1990\(^b\), 282). With 49 U.S. states committed to balanced budgets, it is crucial to gain international economic strength. EU regions, on the other hand, are going beyond their national capitals to solicit EU funds, such as structural funding and forming transregional economic agreements. Some European regions have become more engaged with international economic representation such as Baden-Württemberg and Bavaria with “economic objectives beyond Europe.”\(^8\) Therefore, both EU subnational actors and U.S. states are going beyond their national capitals to increase economic strength.

The Web of Transatlantic Actors

The web of transatlantic actors has significantly grown since 1970. Transnational associations join an assortment of governmental actors. The European Commission is a supranational institution, so the U.S. national government technically matches up with EU

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\(^6\) In their foreign relations, Länder were not allowed to have their own “diplomatic missions.”

\(^7\) The degree of devolution is different in each European country. In Spain, the three historical regions—Catalonia, the Basque Country, and Galicia—received regional autonomy that is “considerably more extensive” than other regions. In Italy, regionalism has grown since 1976 and regions gained “general competence to promote their interests” in 1996 (Hocking 1993, 75; Marks and Hooghe 2001, 198-202).

\(^8\) Baden-Württemberg and Bavaria are two of the most prosperous EU regions. International offices “may well be a trend of the future” (Michelmann 1990, 241).
Member States. Since the U.S. interacts with EU institutions and Member States, this analysis will appear to blur lines between supranational and national levels. U.S. states and EU regions are more easily compared. U.S. and EU trade politics have many institutional constraints and “conflicting pressures and priorities.” Some scholars incorrectly assume EU trade policy is formulated by “rational calculations of different actors” but a “messy process of lobbying, log-rolling, side-payments, and inter-institutional conflicts” determines U.S. and EU trade policy (Wallace 2000, 532).

The Commission administers EU external trade policy and represents the EU at WTO meetings, but Member States are also WTO members. In EU trade politics, there are interwoven links between Member States, Member States and the Commission; and external links. These linkages combine with numerous private actors to make “the ‘inside’ and ‘outside’” of EU trade policy “intimately connected if not indistinguishable.” This is seen in how the EU is both a magnet for investment and fortress for economic exchange inside its borders (M. Smith 1999, 277-278).

Transnational actors have largely replaced transgovernmental actors. Trade unions, consumers lobbies, and NGOs have combined together so trade policies have “become less technocratic and more subject to pressures for accountability and short-term responsiveness”. This transformation has brought about issues of legitimacy and authority, increasing the “politicization of trade policy”—now institutionalized now in the U.S. and EU (M. Smith, 280). The Commission controls many areas of trade politics and serves as antitrust watchdog with its U.S. counterpart, the Federal Trade Commission (FTC). Yet, Member States cannot be “reduced to the status of Connecticut or Bavaria” because of the Council of Ministers—even if the

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9 A similar relationship exists in the OECD (M. Smith 1999, 276).
Commission has the “capacity to adapt and innovate at the strategic level” in trade politics (M. Smith 1999, 286).

**Insert FIGURE 1. The Complicated Web of Transatlantic Actors**

The U.S. government is limited by constitutional powers, domestic politics, its federal relationship to 50 states, and independent regulatory agencies such as the FTC, FDA and SEC managing issues like trade, agriculture, biotechnology, and banking regulations, and working with EU counterparts. Agencies “may hold stronger positions within the transatlantic governance networks than ordinary government ministries or departments by virtue of their expertise and legal autonomy” (Pollack and Shaffer 2001c, 302-303).\(^\text{10}\) The Department of Commerce (DOC) and Office of the U.S. Trade Representative (USTR) are most associated with external trade and representing America’s business community. But, DOC and USTR’s authority over trade policy is limited on areas like biotechnology because FDA controls food regulation (see Pollack and Shaffer 2001a, 153-178). U.S. states also have independent agencies, providing more complexity. USTR initiated a “single-point-of-contact’ program” for one official in each U.S. state to routinely interact with it, staying informed about international negotiations affecting state policies (Fry 1998, 89-90). Charles Ford says U.S. federal-state cooperation regarding business with Europe “will continue to be an interesting subject to watch” and claims intergovernmental relations have improved over the years (2003).

The U.S. Commercial Service works to assist small and medium-sized businesses with export promotion with 151 offices in 93 countries overseas.\(^\text{11}\) The U.S. State Department

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\(^{10}\) Bureaucrats in these independent regulatory agencies would be called “transgovernmental actors” under Pollack and Shaffer’s categories.

\(^{11}\) The U.S. Commercial Service “maintains a network of 1,800 employees” including “105 Export Assistance Centres through the United States” and “assists with trade missions, but also can be engaged to provide services to exporters including finding international partnerships, providing custom market research” and holding trade events (NGA 2002, 21).
controlled embassies’ commercial officers and DOC ran the domestic agency responsible for export promotion. Embassies’ commercial offices were transferred to DOC and merged with domestic offices to form the present agency inside the International Trade Administration in 1980. A dual mission of promoting FDI and exports was discussed because of interest “in helping [U.S.] states promote investment,” especially in Europe (Ford 2003). However, Congress moved to ban federal officials from working on FDI because it could not escape causing disagreements among U.S. states and was increasing being taken up by them. A 1988 act formally ended the U.S. federal government’s role in promoting FDI (Congressional Research Service). Rules were amended during the Clinton administration after some ambassadors complained embassies were not able to work with U.S. states. Revised regulations allow U.S. states to use embassy facilities, but federal officials do not engage in investment promotion (Ford 2003). Today, U.S. states’ overseas offices usually work on both fronts: promoting exports and FDI. The U.S. Mission to the EU is a Brussels office with more staff than most Member States’ permanent representations (Wallace 2000, 539). Ford, Minister Counselor for Commercial Affairs at the U.S. Mission, reports he “worked mostly with officials in DG Enterprise” on business policy, but also worked with DG Trade. USTR has its own office in the U.S. Mission, an uncommon practice because USTR “does not usually have a separate office in a U.S. embassy” (Ford 2003).

Subnational actors are often neglected in literature about transatlantic trade. U.S. and EU subnational actors find it hard to play any part in high-level trade discussions, but subnational governments are not completely reliant upon national governments because they have international offices. However, offices sometimes require cooperation from the federal

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12 Blase says U.S. national trade policy has historically said the “national government neither discourages nor encourages foreign investment” (2003, 5).
government or its agencies. International legal norms make foreign governments question their association with “a proliferation of subnational entities” possibly harming their official relationship with COGs. “Instances of foreign governments actively courting NCGs in the face of opposition from the federal authorities appear to be rare” (Hocking 1993, 70).


U.S. state officials confirmed Fry’s view that investment incentives are “bidding wars” in which “America’s competitive federal system has convinced subnational leaders that incentives must be offered.” Fry says FDI will come to the U.S. even if without incentives but the competition climate among U.S. states is unlikely to change (Fry 1993, 132; 1998, 78-88). U.S. states’ competition is serious and expensive. Kentucky gave incentives of $50,000 per employee to attract Toyota in 1984; South Carolina “boosted the cost per employee to $65,000 in 1992 when it attracted BMW.” I agree with Fry’s (1998) assessment that this loss of tax revenue has become ridiculous—taking away funding for schools, roads, and other needs—but U.S. states will use incentives to attract investment until the rules of the game change (81).

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13 USTR’s European headquarters remains in Geneva, Switzerland.
14 Fry (1998) contends the U.S. remains attractive for FDI because “it is the world’s largest, best-integrated, most affluent national market” and other characteristics that make for enough incentives to attract FDI (79).
During economic downturns, some U.S. state leaders consider “consolidating, reorganizing, or even closing overseas offices” (Fry 1998, 76; Blase 2003, 21). In 2002-03, Pennsylvania closed offices in the Czech Republic and Argentina, lowering its overseas offices to 15 (Black 2003). Overseas offices must boast of referrals such that Illinois’ offices in Brussels, Warsaw, and Budapest claimed to have convinced 1,200 European companies to set up subsidiaries in Illinois and Georgia’s Toronto representative alleged “almost $100 million in new direct investment” (Fry 1998, 76). But, an unhealthy economic climate keeps state legislators discussing budget cuts. Different governors’ priorities can also play into closing overseas offices. Texas Governor Ann Richards “opened several overseas offices in the early 1990s; her successor, then-Governor George W. Bush closed all but the Texas Trade Office in Mexico City, continuously open since 1971” (Blase 2003, 22).

Transnational actors such as chambers of commerce and other NGOs are important in U.S.-EU relations. Ninety-four branches of the American Chamber of Commerce Abroad (AmCham) operate in 82 countries (U.S. Chamber of Commerce). AmCham-EU represents 140 large U.S. companies as a powerful lobbying agent and informs members about EU matters through publications (AmCham-EU; Wallace 2000, 539). Except “handicraft business” and the “free professions and farms,” all German companies are legally required to join chambers. DIHK is the overall association for German chambers national network and AHK sets up foreign chambers of commerce.15 Unlike the U.S. Government, Germany’s Commission for Foreign Investment works to attract FDI and formed the Industrial Investment Council with the new states of former East Germany (Industrial Investment Council). Länder do not have the competitive rivalry of U.S. states and overall “trust federal officials to represent even-handedly

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15 DIHK has 111 representatives in 90 countries (German Federal Ministry of Economics & Labor; German American Chamber of Commerce, Inc.)
their interests abroad.” But, Länder are not as internationally involved as U.S. states because they would supplement federal initiatives (Michelmann 1990, 234). The U.S. government does not promote FDI and its export promotion service charges fees, so U.S. states operate their own export promotion programs.

Many U.S. state officials report chambers of commerce as members of their contact network. Some call chambers an important partner; others call them a “variable feast of information” (Hillbery (2003). Officials note France and Germany require businesses to be chamber members and can lead to possible contacts in foreign trade departments (Stilwell 2003).

Table 1 lists comments from U.S. state officials.

**TABLE 1. Feedback About U.S. States’ Relationship with Chambers of Commerce Organizations**

<table>
<thead>
<tr>
<th>US State or Organization</th>
<th>Officials’ Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Georgia</td>
<td>AmCham refers “are rare to non-existent”; periodic work with local and regional chambers; work with French CCI branches.</td>
</tr>
<tr>
<td>Illinois</td>
<td>Contact network includes local chambers, AmChams; periodically receive referrals for investment-related activities. “We are also a member of some Chambers of Commerce which prove useful when conducting promotional events in their respective regions.”</td>
</tr>
<tr>
<td>Kentucky</td>
<td>“In two years...I have not received a lead from [AmCham] in Belgium.”</td>
</tr>
<tr>
<td>New Jersey</td>
<td>A “variable feast of information.” With membership requirements, they can be helpful for contacts, but some chambers are “incredibly inefficient” at producing business leads. “German chambers are extremely helpful and efficient.”</td>
</tr>
<tr>
<td>North Carolina</td>
<td>“Work with [AmCham] in Frankfurt and with European representatives of the German Chamber of Commerce, AHKs.”</td>
</tr>
<tr>
<td>South Carolina</td>
<td>Work with local, regional and national chambers, AmChams, and use AmCham-EU publications. AHKs are similar to the Commercial Service. With membership requirements, contacts are possible with “regional or national foreign trade departments.”</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>“Most offices work closely with [AmChams] and regional chambers.” PA works with AmCham offices in Philadelphia and affiliates worldwide.</td>
</tr>
<tr>
<td>Council of American States in Europe (CASE)</td>
<td>Work with AmChams; German chambers are “an efficient organization”; U.S. states’ European offices have competition from German-American chambers in the US specializing in consulting and personnel issues.</td>
</tr>
<tr>
<td>U.S. Mission to the EU</td>
<td>Positive working relationship with AmCham.</td>
</tr>
</tbody>
</table>

**Sources:** Personal correspondence and telephone interviews with U.S. state and organization officials.

TABD recommendations helped to initiate the NTA. The Clinton Administration and European Commission created all dialogues to provide input to and support for the NTA (Pollack and
There is no brief summary of transatlantic business links and interactions, but large MNCs have representatives abroad, are involved in associations like TABD, and/or have memberships with AmCham-EU or similar organizations.

**U.S. States and the European Union**

The WTO, EU, and various nation-states claim many current problems with the U.S. “are not centered in Washington, but rather in state capitols and city halls” (Review of Earl Fry; Fry 1998, 121). The EU’s connection to U.S. states is predominantly economic. “The EU is the number one export market for 21 [states]” and “the number two export market for 25 others” (Burghardt 2003; Delegation of the European Commission to the U.S. 2003; Depayre 2003). This paper demonstrates how many US states are connected to transatlantic trade disputes and trade barriers, ignored by most literature. Table 2 shows U.S. states concerned in five areas of continued disagreement (European Commission 2002a, 7-9). With so many states affected, perhaps it is more easily understood why U.S. states have sought to protect their own industries from foreign businesses.

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16 Other transatlantic dialogues include the Consumer Dialogue (TACD), Legislative Dialogue (TALD), and Environmental Dialogue (TAED).
**TABLE 2. Long-Term Transatlantic Trade Disputes and U.S. States Affected**

<table>
<thead>
<tr>
<th>Areas of Disagreement</th>
<th>U.S. States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bananas(^{17})</td>
<td>OH</td>
</tr>
<tr>
<td>Biotechnology and GM-products(^{18})</td>
<td>CA and TX (primarily) and other farm states in the Midwest and South</td>
</tr>
<tr>
<td>Environmental policy (natural resources, automobile fuel efficiency, greenhouse gas emissions)</td>
<td>AK, MI, TX and other manufacturing areas throughout the U.S.</td>
</tr>
<tr>
<td>Farm subsidies(^{19})</td>
<td>CA and most Midwestern and Southern states including: AL, AR, FL, GA, IL, IN, IA, KS, MS, NE, NC, OH, SC, TN, and VA</td>
</tr>
<tr>
<td>Steel(^{20})</td>
<td>OH, PA, WV and other states</td>
</tr>
</tbody>
</table>

**Sources:** See footnotes above relating to specific topics.

Since 2002 EU actions have drawn attention to U.S. domestic politics because they have targeted certain issues, constituencies, and interests. The actions themselves are not as surprising as the fact EU officials have *publicly stated* objectives to take advantage of U.S. domestic politics. The U.S. and EU both must “understand the domestic political constraints under which their opposite numbers operate” (Peterson 1996, 97). In 2002, President George W. Bush put 30% tariffs on 12 metric tons of foreign steel (*The Economist* 2002b, 60). In retaliation, the EU threatened tariffs on a variety of U.S. products, totaling up to $2.6 billion.\(^{21}\) Europeans “selected a “carefully chosen set of countervailing tariffs designed with the U.S. electoral map in mind” (Richter 2002; Ahearn 2003, 8-9). Bush was thought to have placed steel tariffs to help states with many electoral votes—namely Pennsylvania, a state he lost in 2000. Just as Bush was thinking about the U.S. Electoral College, so were EU officials. The EU threatened tariffs on

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\(^{17}\) Cincinnati, Ohio is headquarters to Chiquita Brands Intl. Bananas are not grown in the U.S., but Chiquita has many employees in Ohio and is a large political contributor to both Democrats and Republicans. When the EU initiated import regimes to give preference to African, Caribbean or Pacific (ACP) countries under the Lomé Convention, the U.S. organized a WTO complaint on behalf of Ecuador, Guatemala, Honduras, Mexico and Panama (see Peterson 2001, 48; Shaffer 2001, 99-104; Guay 1999, 77-78; H. Smith 2002, 142).

\(^{18}\) Biotechnology involves three sectors: therapeutic, reproductive and agricultural (see California Office of Trade and Investment). I am primarily focusing on agricultural biotechnology (as in GM-foods).

\(^{19}\) Both the U.S. and EU are guilty of subsidising their farmers, representatives of a large and powerful agricultural lobby.

\(^{20}\) U.S. states such as CT, IL, LA, ME, MI, MD, NY, PA, RI and WV maintain local content requirements for locally produced steel and WV and OH have “recently adopted legislation that introduces procurement restrictions on steel imports.” Many states are affected in the U.S.-EU trade war over steel (European Commission 2002b, 36).

\(^{21}\)
products hurting U.S. states where electoral votes were important for Bush. EU Trade Commissioner Pascal Lamy bragged about his scheme, “the long list for sanctions under the standard WTO disputes process was intended to maximize the political impact on the Bush administration” (Meller 2002). This abridged list of products shows the U.S. states most affected: orange juice (FL); apples (FL, VA); pears (FL); t-shirts and men suits (textiles in AL, GA, SC, NC, VA and other Southern states); flat roll steel and steel drums (OH, PA); and pin ball machines (OH). Over 80 electoral votes could easily be affected by this EU siege on the Electoral College.²²

The 2002 Report on U.S. Barriers to Trade and Investment [herein “The Report”] claims many U.S. states’ legislation “impedes the free circulation of alcoholic beverages,” preventing cross-state retail sales of wine and spirits. Rules “prohibit EU exporters from distributing, rebottling, or retailing their own wine” and the Commission is seeking bilateral negotiations on a trade agreement (European Commission 2002b, 18). The Report says foreign businesses are overburdened with different equipment standards on U.S. national, state, and local levels. Stilwell (2003) says many U.S. companies find the EU standards equally puzzling because of disagreements about regional, national, and EU-level approved standards and internationally-adopted standards. He notes “it is hard to tell where national organizations and associations begin and end.” EU and U.S. companies feel their home environment is more user-friendly and less complex in regulatory issues; stubbornness from both sides keeps these issues contentious. U.S. states have their own insurance regulatory structure and “federal law does not provide for

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²¹ On July 11, 2003, the WTO ruled in favour of the EU and other countries that had challenged the U.S. steel tariffs. The U.S. is expected to appeal this ruling (BBC News). On June 18, 2002, the EU threatened tariffs of up to $336 million (The Economist 2002a, 91).

²² Electoral votes of U.S. states can be determined by taking the number of members in the U.S. House of Representatives and adding two for U.S. Senators. The U.S. House is based on state population, re-configured every ten years after the U.S. Census is conducted (see U.S. House of Representatives).
the establishment of federally licensed or regulated insurance companies”—leading DG-Trade to conclude the U.S. regulatory structure is “far behind that of the EU” (European Commission 2002b, 64-65; Depayre 2003). Accounting standards continue to be debated such that regulatory structures once “viewed as purely domestic are now central to transatlantic disputes and their resolution” (Aaron et al. 2001, 8).

The Report says 18 U.S. states inhibit trade with procurement and purchasing rules. In 1996, Massachusetts placed sanctions on U.S. companies in Myanmar “even before President Clinton placed a ban on new U.S. business investment there,” an action joined by more than 20 cities.23 “The EU strongly objects to these attempts to regulate the behavior of EU companies that are acting in full compliance with EU and Member States’ laws” (European Commission 2002b, 34). In fact, the EU and Japan both fought this MA law claiming it violated the General Procurement Agreement the U.S. and EU signed in 1994 (Lelyveld 1998). The EU is also disturbed by “buy local” legislation employed by “more than half of all U.S. states and a large number of localities”.24 Sixteen U.S. states and the District of Columbia are mentioned in The Report about unitary taxation formulas. This legislation impacts foreign investment because it “assess[es] state corporate income tax for foreign-owned corporations on the basis of an arbitrarily calculated proportion of their total worldwide profits” so companies pay tax “on income arising outside the state” (European Commission 2002b, 52; Fry 1990b, 292).

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24 “Buy American” or “Buy State” programs exist in 46 US states (Fry 1990b, 293). There are considerable “‘set-aside’ measures” by U.S. states to favor minority-owned businesses and small businesses—hindering EU companies’ ability to compete. Sympathy for the EU is difficult here, especially since it maintains a similar philosophy about restrictions in the Lomé Convention.
TABLE 3. The European Commission’s 2002 Report on U.S. Barriers to Trade and Investment: Drawing Attention to U.S. States

<table>
<thead>
<tr>
<th>Area of Disagreement</th>
<th>U.S. States Named</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wine &amp; Spirits Trade Laws</td>
<td>Many U.S. states [no states specified]</td>
</tr>
<tr>
<td>Complex Regulatory Systems</td>
<td>Many U.S. states [no states specified]</td>
</tr>
<tr>
<td>Procurement and Purchasing Laws</td>
<td>AK, CT, IL, KY, LA, ME, MD, MA, MI, MS, NM, NY, OH, PA, RI, SC, TX, WV</td>
</tr>
<tr>
<td>Unitary Taxation Laws</td>
<td>AL, AZ, CA, CO, CT, IL, IN, IA, KS, MA, NH, NJ, NY, OH, RI, WV (and DC)</td>
</tr>
</tbody>
</table>


Another development since 1970 is bilateral agreements between U.S. states and EU countries or regions. Perhaps Sister State agreements serve as a foundation for these partnerships, which vary considerably. U.S. states have entered into thousands of compacts, accords and agreements—but not treaties—silently condoned by Congress (Blase 1998; Fry 1990b, 279-280; 1998, 5, 92) and have created “more cooperation between U.S. states and European regions on the industry rather than the governmental level” (Vogler 2003). NC and SC officials said their partnerships with EU regions have led to “reciprocal trade facilitation services” and begin from informal working relationships (Stilwell 2003). This area needs further investigation by scholars. Systematic causes and conditions for these partnerships would be helpful for the study of international cooperation.

Several officials insisted their U.S. states had no official agreements with European countries or regions. Spokesmen from NC and SC were more open with their definitions of “bilateral partnerships.” Comments from CA, IL, PA and NY officials show cultural and economic ties are being made between U.S. states and Europe. However, there is still wariness in acknowledging partnerships, perhaps because officials believe U.S. states are venturing into unknown territory. The term “bilateral partnership” recognizes the informal style of accords and the prudence needed to analyze effects. Several interviewees agreed U.S. states are likely to pursue more bilateral partnerships in future years. Some U.S. state officials are increasingly
frustrated to be so involved in international trade and investment promotion, but not have any input into U.S. trade policy. A California trade policy official said, “‘We are involved in a push-pull relationship with Washington in the trade area. The federal authorities are anxious to see the states increasingly involved in trade promotion but not in the trade policy area’” (Hocking 1993, 73). U.S. states remain unsure of their roles in the international economy.25 As attention is given to U.S. states—and more effects come from unofficial and official European connections—the likelihood of frustration at lack of input and intergovernmental cooperation in the determination of U.S. trade policy increases.

**Conclusions**

The transformation of subnational actors has been predominantly ignored by scholars but must be acknowledged, evaluated, and included in MLG—theories incorporating EU regions, but not US states. By establishing international offices, forming bilateral partnerships, and engaging in international economic activities, US states and EU regions have demonstrated parallel regionalism. U.S. states are more internationally active than European regions, but some German Länder have offices outside Europe.26 U.S. governors, like Länder officials, understand economic dependency on exports and investment (Michelmann 1990, 213; NGA 2002, 16, 23). Critics of parallel regionalism will claim EU regions are more diverse than US states. Although true with respect to different historical and cultural heritages, U.S. states are economically,

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25 “Southern states have had a fairly narrow definition of what [their] roles are. Many simply see it as hosting and recruitment, not state-EU policy discussion. We are working to elevate their perception of global roles” (Conway 2003).

26 I indicated U.S. governors serve as ‘economic ambassadors’ more than executives of EU regions. Exceptions include former Bavarian premier Franz Josef Strauss who became “involved in international matters that are normally expected only of national politicians”, even hiring officials to oversee affairs in Brussels and a defence expert. Therefore, Strauss (who served as premier from 1978-1988) was engaged in “‘classical’ diplomatic activities” not even performed by U.S. governors at any time (Michelmann 1990, 239 and http://www.bartleby.com/65/st/StraussF.html).
geographically and culturally diverse, even as they share a similar history and nationality. The important similarity for parallel regionalism is both U.S. states and EU regions have gone beyond their national capitals to increase economic strength.

Actors working with US states in Europe include CASE, U.S. Commercial Service posts, U.S. Mission to the EU, chambers of commerce, EU Member States’ governments, EU subnational governments, and non-governmental actors. This paper has shown how U.S. states work with EU regions and sampled opinions of U.S. state officials. The Commercial Service is a solid contact for most European offices, but chambers of commerce have mixed results. Many U.S. state officials reiterated the variety of networks used by European representatives. Each state seems to have its own way of constructing a contact network. More research is needed to determine how U.S. state’s European contacts may be institutionalized.

Ford (2003) says U.S. states should concentrate on FDI “and let export promotion be handled by providing referrals.” In other words, U.S. states can use the U.S. Commercial Service for export promotion—especially since the U.S. government offers no help in attracting FDI. But U.S. state officials would argue businesses first seek state-level agencies in promoting exports. Services are usually subsidized by state budgets, unlike fees charged by the U.S. Commercial Service. U.S. states promote both FDI and exports, although Pennsylvania is focusing more on FDI—putting more money toward investment attraction even though overseas offices promote exports (Black 2003).

27 Stilwell notes small states such as South Carolina could have “personal relationships” between bureaucrats in different agencies and offices, but larger states—such as California or Texas—would have more “institutionalised relationships” (2003).

28 Peter Eisinger shows that in the 1970s most U.S. states concentrated on attracting FDI but found by the mid-1980s U.S. states were spending two-thirds of these budgets on export promotion (Blase 2003, 20).

29 “Many state and local officials believe that they are better positioned than officials in the federal government to help small and medium-size businesses to compete internationally” (Fry 1998, 50).
It is important to remember what U.S. states can afford to do, especially during economic strain (Ford 2003). Commercial Service posts may be more reliable than U.S. states’ offices because U.S. states must worry about annual budget battles. In July 2003, Jeffrey Gersick said California’s state legislature “adopted a budget that ‘de-funds’ all of the state's foreign trade offices” and resulted in closure of all 12 offices. Many U.S. states’ European representatives must periodically defend their worth to state legislatures (Fry 1998, 76). U.S. states “have to work with the Member State-level, although it is sometimes easier to work on the subnational level” (Ford 2003).\textsuperscript{30} This ease could be attributed to bilateral partnerships or because technocrats face similar policy-making limitations from national governments. Ford says the U.S. Mission to the EU works with European subnational governments—especially since regions set up Brussels offices—but primarily deals with Member States (2003).\textsuperscript{31} The U.S. national government will continue to be a strong element in transatlantic relations although Ford agrees US governors have been “more active in Europe” (2003). EU regions have increasingly been able to work directly with Brussels, but U.S. states still rely on indirect EU relations.\textsuperscript{32}

Some U.S. state officials expressed concerns about leadership changes and shifting voters’ priorities as factors threatening subnational actors’ ability to remain engaged in international activities. These suggestions do not acknowledge changing expectations for U.S. state governors as economic ambassadors. It would be effective for U.S. states to employ former

\textsuperscript{30} Stilwell reiterated this view. The complicated structure of EU trade policy has not stopped it from entering into many bilateral agreements and EU staff have already noted that trade barriers can exists on the national and subnational levels (2003; see M. Smith 1999, 285-286).

\textsuperscript{31} Ford says although the U.S. Mission does not work much with DG Research it monitors cohesion policy funds and structural funds important to EU subnational governments and industry (2003).

\textsuperscript{32} Stilwell says personal relationships play a role in forming contacts and claimed his own working experience in Brussels has provided reliable colleagues that can be contacted for information (2003).
federal officials, such as USTR staff.\textsuperscript{33} US states’ international competence has had effects primarily in areas of intergovernmental cooperation, American federalism, and trade politics.

U.S. federal officials believe a “mix has to be developed” to combine federal and state resources, asserting the commercial side of intergovernmentalism is becoming more “streamlined” to include U.S. states (Ford 2003). Although intergovernmental cooperation can benefit U.S. state and federal governments, there is no evidence the U.S. national government seeks opinions of U.S. states officials. The NGA’s Committee on International Trade and Foreign Relations takes credit for legislative changes supporting such as the U.S. Export Administration Act, U.S. Export-Import Bank activities, and establishment of the U.S. Commercial Service (Fry 1990b, 291). U.S. states are not mentioned in the Transatlantic Declaration or NTA. Just as Washington has confirmed TABD’s influence, U.S. states’ economic role should be recognized. Some literature argued NCGs should be included “into the mainstream of contemporary, multilayered diplomacy” but stressed conflicts could result (Hocking 1993, 87).

American federalism is “in a state of flux” as U.S. states gain international competencies (Fry 1998, 109). “New federalism” began as more powers were devolved to states and intergovernmental affairs sections were created in federal executive departments. More intergovernmental cooperation will likely cause problems if NCGs continue to demand access to international negotiations. Two disagreements are bureaucratic battles between federal officials who believe state officials should not have influence on their policy turf and the federal government’s worry about a singular message (Hocking 1993, 79). U.S. states’ activities in the economic sector and bilateral partnerships pose few (if any) challenges to federalism.

\textsuperscript{33} California’s influence in trade policy is attributed to using former USTR officials as its “Washington-based trade adviser in the late 1980s and early 1990s...a factor which was regarded as valuable by both state and federal trade policy officials (Hocking 1993, 81-82).
This paper demonstrates how subnational actors have increased their international competencies. Desires to be included in trade negotiations will increase with more bilateral partnerships and EU reports highlighting trade barriers with U.S. states. As interdependence grows, states’ regulations will likely cause more disagreements, embroiling states in trade policy discussions, an area in which state leaders are becoming increasing attentive. Thirty U.S. states’ attorneys general “signed on to a letter prepared by the National Association of Attorneys General calling for greater protections of state interests in trade agreements” in 2003 (Whatley 2003, 10). U.S. states’ indirect relationship with the EU will perhaps intensify. Since 2002, domestic politics have become more influential. The U.S. claims the EU only challenges issues to gain leverage in other disputes. Since most EU companies (except Airbus) would not benefit from changes in the U.S. foreign sales corporation tax law, perhaps French and American domestic politics are involved (Ahearn 2003, 9).

The U.S. federal government, European Commission, and EU Member States should acknowledge subnational governments. Since U.S. states are more engaged in trade and investment promotion, the U.S. and EU will move at different speeds with this issue. Presently, the role of U.S. states calls for greater study. A constructivist MLG framework includes governmental and nongovernmental actors on supranational, national, and subnational levels and allows for incorporation of intergovernmental, transgovernmental, and transnational actors in U.S.-EU relations. U.S. states’ international activities show both MLG and social constructivism have fallen short and intergovernmental definitions must include subnational actors. This paper attempts to draw a more accurate picture of the complex web of actors in transatlantic relations through the illustration of parallel regionalism. Perhaps this study has opened the door for others to join this intriguing discussion.
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