



Federalism and US Foreign Relations: Understanding State Actions

EARL FRY

In 1787, the founders of the United States of America gathered in Philadelphia because under the original constitution, the Articles of Confederation, most authority had been granted to the states and the infant nation was beginning to fragment into its constituent units. Indeed, state governments engaged in their own international diplomacy and often perceived that their own interests should take precedence over the interests of the larger confederation. Nearly 220 years later, we find that most state governments and even some larger municipal governments are once again actively engaged in the international arena. States currently operate 180 offices abroad and most governors lead state delegations abroad every year.

Federalism and how it relates to contemporary US foreign relations has implications far beyond the borders of the United States. As the world's only superpower, the influence of the United States is felt in most corners of the globe. The huge US economy is more than twice the size of the second leading national economy in the world, that of Japan. In terms of individual US states, three – California, New York and Texas - would have ranked in 2003 among the 10 largest nation-states in terms of the annual production of goods and services (GDP); 22 among the top 25 nation-states; 38 among

the top 50; and all 50 states among the largest 72 national economies in the world. There is no denying that states can be significant economic actors on the global stage.

State government officials have traditionally viewed their purpose as enhancing and safeguarding the interests of the people whom they represent. This effort, however, has become much more complicated as a result of globalization and what is referred to as “creative destruction” – destroying the old economic structure from within in order to create a new one. In terms of globalization, approximately 18 million US jobs are now tied to exporting, inward foreign direct investment, and visits by foreign tourists. Each state wants its share of these jobs and seeks for its own business community to be globally competitive. State leaders also perceive the benefits of setting up their own offices abroad and sponsoring periodic international economic missions, rather than being satisfied with allowing US embassies and consulates to promote the states’ collective interests overseas.

States also want to be on the right side of creative destruction. Each year in the United States, over 600,000 new businesses are created, but almost as many close their doors. More than 30 million new jobs are created annually, but roughly 30 million are lost. Silicon Valley can do exceedingly well in the era of creative destruction, but communities tied to older capitalist economies, such as Detroit, Newark, and St. Louis, have struggled to keep up. States understand that both domestic and global conditions can affect how they will fare economically and they have reacted accordingly by becoming more involved internationally.

Various challenges now confront US federalism. The first challenge is differentiating between foreign affairs and foreign policy. Washington has not been overly concerned about states engaging in the international economy, establishing special relationships with other non-central governments abroad, or even solidifying international ties which go beyond the economic dimension. However, the national government wants the states to stay out of foreign policy. Incidents of foreign policy include Massachusetts’ unilateral sanctions against Burma (Myanmar) and Illinois’ current sanctions against Sudan. Washington argues that foreign policy remains constitutionally in the exclusive domain of the national government and that the nation must speak with “one voice” on key foreign policy issues.

The second challenge is the perceived erosion of state powers as a result of US international treaty obligations. Various state officials have argued that US commitments to the World Trade Organization, the North American Free Trade Agreement (NAFTA), and other organizations have

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stripped the states of some of the authority guaranteed to them by the US Constitution. This is especially the case in Chapter 11 of NAFTA which limits what state governments can do to protect the environment and the health of their citizens.

The third challenge is the dearth of intergovernmental cooperation in coping with the effects of globalization and creative destruction. State government representatives complain that they need good data on export and import activity at the local level but that Washington is actually cutting back on data-gathering operations instead of expanding them. The same officials add that there is no effective dialogue with Washington over such issues as Chapter 11, and that inadequate consultation occurs with the states before the national government commits itself to international treaties.

The fourth challenge is for all levels of government to engage in more effective public-private sector collaboration. The United States is a major underachiever in the export field and most companies simply do not ship their products abroad. State and municipal governments are best equipped to work with small and medium-sized businesses at the local level and establish world-class infrastructures, including vastly improved public education systems, which would assist these businesses to produce globally competitive goods and services and then begin to export their production overseas.

The fifth challenge is common to all federal systems. Is federalism a plus or a minus in coping with the exigencies of globalization and unprecedented technology change? Are unitary systems better equipped to react quickly and uniformly to international conditions? In the United States, some states still engage in local protectionist practices which may turn off foreign investors. These investors would also prefer to see one set of laws governing business activity instead of 50 different state laws and one national law. States may also have widely different positions on key international issues. In a country with 300 million people spread across the fourth largest territorial expanse in the world, would an enhanced role for state and municipal governments in foreign affairs ultimately benefit the individual American citizen?

The final challenge is for state governments to decide in the long run what they actually want to do internationally. It is impressive that states now operate 180 offices abroad compared with four in 1980. However, in 2002, states operated 243 offices in 30 different countries, exemplifying how subject the issue is to the whims of whichever state governor is in office. Most state programs have failed to engage in serious long-range planning, a situation which stands in stark contrast to the spending and planning undertaken by the major provinces in Canada. State governments may give lip service to the notion of "thinking globally and acting locally," but their journey into the realm of US foreign affairs has thus far been sporadic and largely devoid of long-term vision and institutional continuity.