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**The Role of Subnational
Governments in the
Governance of North
America**

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**Mapping the New
North American Reality**

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The Role of Subnational Governments in the Governance of North America

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This article examines how major subnational governments in North America influence the process of regional integration. Among the roughly 200 nation-states in the world today, only 25 are federal systems which divide authority between national and regional governments. North America departs from the main trends in that all three NAFTA member states have federal systems. Canada has the most decentralized system with the ten provincial governments exercising more policy-making latitude than either the 50 U.S. state governments or the 32 Mexican state governments (including the Federal District). Up until the present decade, federalism was strictly a facade in Mexico with governmental authority being heavily concentrated among the Institutional Revolutionary Party's (PRI) leadership in Mexico City. Since the election of the National Action Party's (PAN) candidate, Vicente Fox, as Mexico's president in July 2000, some of the state governments have actually begun to exercise real authority with their leaders making contacts and strengthening ties domestically and internationally, especially in the arenas of economic development, health care, education, agriculture, and certain natural resources (Letarte).

Because of this fortuitous convergence of government structure, the three federalist systems in North America present a new paradigm for regional economic integration-by-parts which is not captured in current fixations on the Ottawa-Washington-Mexico City diplomatic axis. I will argue that subnational governments, through their increased cross-border activities and their power for both cooperative and unilateral action, have a significant potential to shape North American integration that far outweighs the attention currently paid to them by scholars and the media.

The Power Base of North America's Major Subnational Governments

In part as a reaction to globalization, many subnational governments in the NAFTA nations have greatly

expanded their continental and international involvement over the past two decades. This is particularly significant in the United States, where individual states such as California, New York and Texas have GDPs which rival industrialized nation-states. Taken together, in 2001, states spent about US\$190 million on their international programs, up from US\$20 million in 1982 (Edisis). Moreover, at the end of 2002, 37 of the US states and the Commonwealth of Puerto Rico operated about 240 offices abroad, primarily for economic-development purposes (Council of State Governments survey; Edisis). In most states, governors or lieutenant governors lead at least one international mission every year (Edisis; National Governors' Association). When compared with other subnational governments around the world, Canadian provinces are arguably the most active internationally. Canada's provincial governments actually spend as much on international programs and have more personnel involved than the 50 US state governments combined, even though they collectively represent one-ninth as many people and have one-fourteenth the GDP base. Quebec alone, with its 7.5 million people and an annual production base just larger than Louisiana's, operates 24 *délégations* abroad, including eight in the United States and Mexico, and has almost as many personnel involved in international programs as the 50 states to its south while spending over C\$100 million per year on international pursuits (Fry 2002a, Letarte). Although lagging far behind their other North American counterparts, some of the Mexican state governments have also begun to solidify linkages continentally and internationally, especially those which share common borders with US states.

Cross-Border Activities of Sub-National Governments Within North America

What is most striking in the data on subnational governments' international activities is its concentration within the NAFTA region – that is, its continentalization. A dozen US states now maintain their own offices in Canada and 18 states have offices in Mexico (Council of State Governments survey 2002). Several governors have also directed trade missions to Canada or Mexico over the past few years. For example, Governor Jeb Bush of Florida traveled to Ontario in July 2003 to visit with Ernie Eves, discuss the merits of Florida-made products, encourage Ontarians to invest in Florida, and persuade Central Canadian residents to visit Florida in the winter instead of Cuba or Mexico. A year earlier, Bush had spoken out strongly in protest when the US Immigration and Naturalization Service (INS) threatened to limit residents of Canada to a month-long stay in the

United States instead of six months before having to apply for a visa. The INS altered its position, in part because Florida could have suffered a dramatic drop in visits by Canadian snowbirds (*Toronto Star* July 2003).

To a certain extent, Canada's provincial governments have developed their own foreign relations with the United States, or at least regions of the United States. This policy stance is predicated primarily on economic necessity because of their companies' very high dependency on unrestricted access to the US marketplace. Canadian exports to the US are now almost twice as large as inter-provincial trade (Wolfe). Regionally, business communities in at least 9 of the 10 Canadian provinces now export more to the United States than they do to the rest of Canada (Statistics Canada). The Canada-US Free Trade Agreement (CUSFTA) and NAFTA have profoundly affected the economic orientation of most of these provinces. For example, Quebec exported the equivalent of 22% of its GDP to other countries in 1988, the year before CUSFTA began to be implemented. In 2002, exports had increased to 38% of the provincial GDP, with 80% of these exports destined for US markets (Turgeon). Alberta's exports have increased in value by 280% since 1988, and Western Canadian exports in general almost tripled between 1988 and 2002, with 79% of these exports destined for the United States in 2002 versus 52% in 1988 (Government of Alberta 2003). Ontario has long been the most dependent province on access to the US market, and in 2002 a staggering 93.5% of its exports of goods went to the United States (Ontario Exports Inc. 2003).

Provincial government representatives have hundreds of meetings annually with US federal and state officials, and some premiers have recently suggested that provincial delegations be formed specifically to lobby directly in Washington, DC on issues such as bilateral trade (*Globe and Mail* July 2003). Premier Ralph Klein of Alberta had a personal meeting with Vice President Richard Cheney in Washington in June 2001 and again in June 2003, and Premier Richard Hamm of Nova Scotia had a teleconference meeting with Cheney in December 2001, in part because their provinces have significant reserves of oil or natural gas which the Bush administration would like to see supplied to US customers. Both Ontario and Quebec have been granted an associate membership in the US Council of State Governments and Quebec City even hosted the annual

meeting of this US organization in 1999. Meanwhile, regional affinities and interdependencies have tightened links between provincial governments and state governments, most notably in recently-formed groups such as the Pacific NorthWest Economic Region (PNWER) (Alberta, British Columbia, the Yukon, Washington, Oregon, Idaho, Montana, and Alaska) as well as more long-standing annual conclaves between New England governors and Eastern Canadian premiers, and a similar tradition in the Great Lakes region. Fundamental issues in Canada-US relations, such as the mad cow crisis, security at major border crossing points, and the electrical grid are being discussed and worked through to a greater extent and far more frequently on the subnational rather than national level. Literally hundreds of compacts and accords have been negotiated between state and provincial governments and the degree of interaction among these non-central government entities is almost unparalleled around the world.

Because of the legacy of centralization of authority in Mexico, governmental contacts between the US and neighboring Mexican states along the shared border have been more modest, but they have picked up steam since Fox came to office. The Border Governors Conference has convened annually since 1980 and brings together the leaders of California, Arizona, New Mexico, Texas, Baja California, Chihuahua, Coahuila, Nuevo León, Sonora and Tamaulipas. Legislators from these same states are also involved in the new Border Legislative Conference which was formed in part by the Council of State Governments West and the Southern Legislative Conference. It has held meetings over the past two years to discuss such issues as commerce, security, water quality, air pollution and migration. In addition, the legislatures in Arizona, California, New Mexico and Texas all have committees which deal with cross-border issues. On a bilateral basis, the Sonora-Arizona Commission has existed for over 40 years in an effort to enhance cooperation between these neighboring cross-border states. Similar commissions have been created by New Mexico and Chihuahua and by California and Baja California. Governor Gray Davis visited Mexico within a month of his first inauguration and then hosted Mexican President Ernesto Zedillo for three days in May 1999. President Fox was the first world leader to visit President George W. Bush at his ranch in Crawford, Texas after Bush's inauguration, but both were well acquainted with one another because they had met previously in Bush's capacity as governor of Texas and Fox's as governor of Guanajuato. At an even lower level of government,

24 counties have joined together to form the United States/Mexico Border Counties Coalition. Municipal officials in the three countries also get together on an infrequent basis, with many of the contacts made by city leaders who are close to the respective borders. For example, San Diego and Tijuana representatives meet fairly often, with San Diego officials appreciating the almost three billion dollars per year which is pumped into the county's retail sector by visitors from Tijuana and northern Baja California (*San Diego Dialogue*). Table 1 lists some of the major cross-border commissions and groups involving US subnational government representatives and their counterparts from either Mexico or Canada.

TABLE I

BORDER COMMISSIONS AND GROUPS

Border Governors' Conference

(Arizona, California, New Mexico, Texas; Baja California, Chihuahua, Coahuila, Nuevo León, Sonora, Tamaulipas)

Border Legislative Conference

(Arizona, California, New Mexico, Texas; Baja California, Chihuahua, Coahuila, Nuevo León, Sonora, Tamaulipas)

Chihuahua - New Mexico Border Commission

Commission of the Californias

(California, Baja California Norte, Baja California Sur)

Council of Great Lakes Governors

(Illinois, Indiana, Michigan, Minnesota, New York, Ohio, Pennsylvania, Wisconsin; Ontario and Quebec [associate members])

Idaho-Alberta Task Force

Montana-Alberta Bilateral Advisory Council

New England Governors and Eastern Canadian Premiers

(Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont; New Brunswick, Newfoundland and Labrador, Nova Scotia, Prince Edward Island, Quebec)

Pacific Northwest Economic Region (PNWER)

(Alaska, Idaho, Montana, Oregon, Washington; Alberta, British Columbia, Yukon Territory)

Sonora-Arizona Commission

**Western Canadian Premiers and
Western Governors' Association**

(4 provinces and 21 states)

Not surprisingly, the scale and intensity of cross-border contacts has been driven in part by the expansion of immigration over the past decade. Approximately 28% of all immigrants in the United States comes from Mexico, with over 23 million US residents either born in Mexico or being of Mexican descent, double the figure of 1990 (US Bureau of the Census; *Los Angeles Times* June 2003). The number of Mexican-born residents in the United States was officially estimated at 9.2 million in July 2002 versus 800,000 in 1970 (US Census Bureau). With so many Mexican-Americans and Mexicans living and working in the United States, cross-border contacts are proliferating dramatically. The governor of Oaxaca spoke in 2001 to the Oaxacan Foundation of Los Angeles and pledged to match three dollars from the local, state and federal governments in Mexico for every one dollar sent by the Los Angeles group for infrastructure improvements in Oaxaca (*Los Angeles Times* 2001). Mexican states can also send representatives to the Mexico Trade Center in Santa Ana, California where cross-border projects can be discussed and developed (*US Mayor*).

While there is great potential for cooperation to flourish at the non-central level, subnational governments have also engaged in unilateral actions that undermine treaties and agreements signed by national governments, thus shaping integration in unforeseen ways. South Dakota has certainly done this from time to time with its inspection practices aimed at slowing the inflow of Canadian cattle, hogs and wheat. Several states continue to discriminate against Canadian and other foreign beers in state government-operated liquor stores in spite of warnings from GATT (the predecessor of the WTO) to cease from doing so. The Minnesota-Ontario flap over the conservation of sauger and walleye fish stocks in shared boundary waterways, and New York's decision to prohibit temporarily Ontario and Quebec companies from bidding on state and local government contracts because of alleged procurement discrimination in those two provinces are other examples of state or provincial parochialism or protectionism (de Boer). Some private companies in North America have also been dissatisfied with a variety of subnational government practices as manifested by a number of NAFTA Chapter 11 cases.

Concluding Observations

One should anticipate that many Canadian provincial and US state governments will continue to expand their continental and international linkages in order to cope more effectively with the effects of protracted globalization and regionalism. The same will probably occur among Mexican state governments, but some uncertainty exists because of the poor showing of Fox's PAN party in the July 2003 legislative and gubernatorial elections, his lame-duck status up until the next presidential election in 2006, and the potential revival of the electoral fortunes of the once dominant PRI. Even in this case, however, it is difficult to perceive that PRI leaders, in the face of NAFTA responsibilities and what has transpired domestically between 2001 and 2006, would ever attempt to revert to the heavily centralized system of government which characterized Mexico from 1929 until the end of the twentieth century. The six states bordering on the US will continue to take advantage of their geographical position to strengthen ties with their neighboring states, and other Mexican states will also endeavor to expand their cross-border linkages in the spirit of NAFTA and further regional economic integration.

Ottawa, Washington, DC and Mexico City need to do a much better job in consulting with these non-central governments before they ponder further economic integration on a continental basis. The Canadian government has the best track record in meeting with provincial representatives and taking into account their concerns and aspirations prior to approving the Canada-U.S. Free Trade Agreement, NAFTA, and the WTO. Especially in the case of the first accord, the major provincial governments put together talented trade teams who wrote sophisticated position papers and bargained diligently for the interests of their respective governments. The degree of federal-provincial consultations waned somewhat with NAFTA and the WTO, and provincial governments would like much greater input if NAFTA is ever expanded or deepened, especially if serious consideration is given to the creation of a customs union, common currency or the free movement of labor.

Consultations between Washington and US state governments have ranged from very sporadic to non-existent. Some state governments have demanded for a long time that meaningful intergovernmental

discussions occur before the federal government enters into bilateral (most recently Singapore and Chile), regional (NAFTA, FTAA and Central America), or international (WTO) economic agreements. This has never happened, mostly because Washington officialdom perceives it has exclusive constitutional authority to enter into treaties and trade agreements and that state and city officials should express their views through their elected representatives in the House and the Senate.

If little in the way of direct discussions occurs in the United States, this is still better than the absence of any such discussions in the Mexican federal system. As a result of his own stint as a governor and his views favoring enhanced federalism, Vicente Fox has at least discussed trade issues with state representatives and has pledged greater cooperation in the international economic arena, such as the opening of the Santa Ana trade office which can be used by Mexican state officials. Nevertheless, this is still a small step toward meaningful federal-state dialogue, and it is difficult to predict whether even these modest inroads will be carried on by Fox's successors.

In conclusion, as North American economic integration solidifies, subnational governments can play a positive role if Ottawa, Washington DC and Mexico City eventually decide to enlarge or deepen NAFTA after it is fully in place four years from now (Fry 2003). Ideally, national governments will hold meaningful discussions with their subnational counterparts to ascertain how further integration might impact the political authority of the states and provinces and alter the overall system of federalism in each North American nation. A failure to consult and negotiate in good faith could exacerbate tensions both at the intergovernmental level within each country, and among some of the state and provincial governments on a cross-border basis.

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