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"European Union Regulation  
of Competition for Investment: Lessons for  
North America"

Kenneth P. Thomas

# EUROPEAN UNION REGULATION OF COMPETITION FOR INVESTMENT: LESSONS FOR NORTH AMERICA

Kenneth P. Thomas  
Assistant Professor, Department of Political Science  
Fellow, Center for International Studies  
University of Missouri-St. Louis  
St. Louis, Missouri 63121-4499

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European Union Regulation of Competition for Investment:  
Lessons for North America

Kenneth P. Thomas

Abstract: With the approval of NAFTA, the Canadian, Mexican and U.S. economies will become more tightly integrated than ever before. The removal of tariff barriers means that governments will lose an important policy instrument. At the same time, this change will magnify the importance of financial and fiscal incentives to attract investment, as one of the few instruments of international commercial policy that will still be available to the three governments. The recent decision by the state of Alabama to provide over \$250 million in incentives for Mercedes to locate a new factory in Tuscaloosa illustrates the dilemmas policymakers face because of the lack of regulation over investment attraction within North America. In the European Union, by contrast, control over state aid to industry derives from the Treaty of Rome and is enforced by the European Commission.

This paper evaluates the success of EU efforts in restricting investment incentives. It argues that these efforts represent significant cooperation among member states which have been successful, albeit imperfectly, in reducing total state aids and in controlling the potential for subsidy wars. Finally, it suggests that the EU's experience provides valuable lessons for North American policymakers as they enter a new chapter of continental integration.

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EU Regulation of State Aid to Industry:  
Lessons for North America

With the approval of NAFTA, the Canadian, Mexican and U.S. economies will become more tightly integrated than ever before. The removal of tariff barriers means that governments will lose an important policy instrument. At the same time, this change will magnify the importance of financial and fiscal incentives to attract investment, as one of the few instruments of international commercial policy that will still be available to the three governments. Investment incentives have been a recurring sore point in Canadian-U.S. relations (particularly in the automobile industry), and NAFTA's expansion of the market for trade and investment will spread the potential for conflict in this policy area.

The recent decision by the state of Alabama to provide over \$250 million in incentives for Mercedes to locate a new factory in Tuscaloosa illustrates the dilemmas policymakers face because of the lack of regulation over investment attraction within the United States or between the U.S., Canada, and Mexico. In the European Union, by contrast, control over all forms of state aid to industry is enshrined in the Treaty of Rome and enforced by the European Commission.

This paper evaluates the success of EU efforts in restricting investment incentives. Specifically, it examines the efforts of the Commission of the European Union to regulate the provision of state subsidies to industry and compares it with the virtual lack of such regulation within North America, especially in the United States. It argues that these efforts represent significant cooperation among member states which have been successful, albeit imperfectly, in reducing total state aids and in controlling the potential for subsidy wars. Finally, it suggests that the EU's experience provides valuable lessons for North American policymakers as they enter a new chapter of continental integration.

This paper begins with the rationale for investment competition, and shows that the use of subsidies by individual governments is by no means irrational, as is sometimes claimed. Instead, it is driven by the strategic situation (a Prisoners' Dilemma) in which governments act. The theoretical solution is for governments to cooperate to make all better off; interestingly, the European Union has been more successful than

the United States despite the necessity for such cooperation to take place "under anarchy" in Europe, whereas third-party enforcement of cooperation is available for U.S. states. I then describe the EU institutional procedures which make this possible, as well as the early history of EU regulation of state aid. Next, I report on my preliminary findings as to the effectiveness of these regulation efforts, and conclude with their implications for policymakers in North America.

### Competition for Investment: Structural Dependence Across Borders

Governments rely on business for economic activity to tax, and for job creation. Without these, they have neither the funds to carry out their jobs, nor an economic performance that is likely to get them re-elected at the polls. Maintaining an adequate level of investment is thus a prerequisite for a government meeting any other goals it might have. As a result, government officials pay close attention to the interests and policy views of the owners of capital. Lindblom calls this the "privileged position" of business.<sup>1</sup> This view is also known as the "structural dependence" of the state on capital, perhaps best formalized by Przeworski and Wallerstein.<sup>2</sup>

Because investors can act across jurisdictional boundaries, governments at all levels-local, state/provincial, national, even supra-national in the case of the European Union-must compete with each other for their investment. This competition can be either firm-specific or general, and can take many forms, including tariff protection, cash grants, tax breaks, free land and infrastructure, training funds, low-cost financing, repression of labor organizations, and deregulation, among others.<sup>3</sup> And as firms are able to extend themselves geographically to an increasing extent, it increases the potential number of hosts for any particular investment, which means the competition for investment becomes fiercer as firm mobility increases.

Examples of such competition are everywhere. When I began this research, St. Louis and Kansas City, along with New York

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<sup>1</sup>Charles E. Lindblom, Politics and Markets: The World's Political-Economic Systems (New York: Basic Books, 1977), Chapter 13.

<sup>2</sup>Adam Przeworski and Michael Wallerstein, "Structural Dependence of the State on Capital." American Political Science Review 82 (March 1988): 11-29.

<sup>3</sup>Paulette Kurzer argues, for example, that such deregulation of capital markets has undermined the postwar class compromises of Western Europe, even the most corporatist of them. See Business and Banking: Political Change and Economic Integration in Western Europe (Ithaca: Cornell University Press, 1993).

City, were competing to be the new headquarters of Trans World Airlines, despite the fact that TWA was in bankruptcy and a risk to cease operations without the eventual "winner" (St. Louis, as it turned out) seeing much benefit from its investment. The auto industry has seen a number of such auctions, including Toyota, Saturn, Isuzu/Subaru, Diamond Star, BMW, and Mercedes, among others.

In one sense, this frantic scramble for investment is irrational. From the point of view of Missouri unemployment, the same number of jobs would have come to the state whether St. Louis or Kansas City became the new TWA headquarters. Yet the two cities offered local incentives to go with the state's incentive package. From the standpoint of the United States as a whole, it is even more irrational. Not only would the same number of jobs have been generated in New York City, Kansas City or St. Louis, there are offsetting job losses at the company's former headquarters at Mt. Kisco, New York. Thus, sub-national governments prepared three sets of investment incentives to reward TWA for creating no new jobs in the U.S.

From the standpoint of individual governments, however, there is nothing irrational about their behavior. As Richard Cooper<sup>4</sup> and Stephen Guisinger<sup>5</sup> have argued, government competition for investment is well modeled as a Prisoners' Dilemma. All governments would be better off if they did not offer investment incentives, but an individual government would lose a significant amount of investment if it unilaterally ceased to give location subsidies. This is obscured, however, by much of the research on incentives, which claims that incentives are "ineffective." As Guisinger shows, such conclusions are largely based on rhetorical sleights-of-hand.<sup>6</sup> Guisinger's earlier

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<sup>4</sup>Richard N. Cooper, "Economic Interdependence and Foreign Policy in the Seventies." World Politics 24, no. 2 (January 1972), pp. 159-81, especially pp. 168-69. Cooper does not actually use the term Prisoners' Dilemma, but his description of the strategic situation facing governments is exactly the same.

<sup>5</sup>Stephen E. Guisinger and Associates, Investment Incentives and Performance Requirements. New York: Praeger, 1985.



study, however, brought out the Prisoners' Dilemma nature of the situation quite nicely: survey respondents were asked if they would have made their investment in the same place without incentives, given that other nations retained theirs. Two-thirds of the projects surveyed would have been located elsewhere.<sup>7</sup>

#### Cooperation-With and Without Anarchy

Cooper strongly hinted in his 1972 article that the best solution to the Prisoners' Dilemmas created by interdependence (one of which is competition for investment) involves government coordination of policies.<sup>8</sup> Theoretical work on cooperation suggests that for many Prisoners' Dilemmas, the only reliable way to achieve cooperation is for an outside party to enforce agreements.<sup>9</sup> In domestic politics, this normally means the national government. In international politics, there is no such ultimate power to appeal to, hence the frequent description of international politics as an anarchic realm.<sup>10</sup> To obtain cooperation under anarchy, states must fall back on more fragile methods of obtaining cooperation such as using long-term strategies to reward cooperators and punish non-cooperators.

The U.S. and the EU both have a low level of internal trade barriers; combined with their other economic similarities, this

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<sup>6</sup>"Rhetoric and Reality in International Business: A Note on the Effectiveness of Incentives," Transnational Corporations, Volume 1, no. 2 (August 1992), pp. 111-123.

<sup>7</sup>Guisinger, "Summary and Conclusions," in Investment Incentives and Performance Requirements, pp. 317-318.

<sup>8</sup>Cooper, p. 179.

<sup>9</sup>See, for example, Dennis Mueller, Public Choice (Cambridge: Cambridge University Press, 1979), chapter 2.

<sup>10</sup>One important analysis of this distinction between domestic and international politics is Kenneth N. Waltz, Theory of International Politics (Reading, Massachusetts: Addison-Wesley, 1979), pp. 102-16. Charles Lipson also notes the importance of this distinction in "International Cooperation in Economic and Security Affairs," World Politics, Volume XXXVII, no. 1 (October 1984), p. 4.

makes them likely to see substantial competition for investment.<sup>11</sup> The main political difference is that EU member states are sovereign, whereas U.S. states are not. Cooperation among U.S. states could be enforced by the federal government; EU member states have had to cooperate without external enforcement of their agreements. Given our theoretical understandings about when cooperation is most likely, it is striking that the 12 independent members of the European Union have been able to cooperate to reduce investment incentives while U.S. states have not.

### The Situation in Europe

Policy makers in the member states of the European Union have long understood that a subsidy in one country can export unemployment to others. For this reason, provisions to control subsidies to industry were written into both the Treaty of Paris and the Treaty of Rome. Indeed, regulation of state aid in Europe goes beyond attempts to control location incentives to footloose industries, but to any type of financial assistance to firms. While I am in particular interested in bidding for mobile industry, the case law that has developed regarding state aid of all kinds is relevant for location subsidies.

The institutional arrangements for controlling state aid are formalized primarily in the Treaty of Rome, Articles 92-94.<sup>12</sup> They give the European Commission wide-ranging powers to oversee and veto proposed state aids.<sup>13</sup> In general, aid is considered to be incompatible with the common market unless it qualifies for a

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<sup>11</sup>See Guisinger "A Comparative Study of Country Policies," in Investment Incentives and Performance Requirements, pp. 14-19.

<sup>12</sup>One of the best summaries of this is Despina Schina, State Aids Under the EEC Treaty, Articles 92 to 94 (Oxford: ESC Publishing Limited, 1987). Except where noted, the following paragraph draws on her discussion, pp. 42-61.

<sup>13</sup>This has been facilitated by the fact that there has been little judicial intervention on state aid issues, except for review of Commission actions. See Andrew Evans and Stephen Martin, "Socially Acceptable Distortion of Competition: Community Policy on State Aid," European Law Review 16, no. 2 (1991), p. 80.

specific exemption, according to Article 92(1). Article 92(2) specifies three types of aids which are considered automatically compatible: aid "of a social character" provided to individuals, natural disaster aid, and aid for areas of Germany affected by its division (Berlin and areas bordering on East Germany). Article 92(3) specifies the sorts of subsidies which the Commission can, at its discretion, approve as compatible with the common market. These are by far the most important of the derogations. 92(3)(a) provides for aid to the poorest areas of the Community; 92(3)(b) for subsidies in the common European interest or to meet a serious disturbance in a Member's economy. Finally, sectoral subsidies or regional subsidies (for areas lagging by national but not EU-wide standards) can be approved under Article 92(3)(c). Article 93 provides the general requirement that states must notify the Commission before introducing state aids and that they cannot implement them until they receive Commission approval. Article 94 empowers the Council to make appropriate regulations.

Despite the Commission's formal power in the area of state aid, there was very little done with these powers until the late 1960s and early 1970s. For instance, it was not until 1968 that the Commission introduced its first framework for regional aid; moreover, the Council of Ministers did not approve it until October 1971, with an effective date of January 1, 1972.<sup>14</sup> This resolution first put into place the idea of having regionally differentiated maximum aid awards within the Community. Similarly, although the Commission had established the power to order repayment of illegal subsidies in a 1973 Court of Justice ruling, it was not until ten years later that the Commission announced that it would begin using this sanction.<sup>15</sup> Slowly but surely, however, a large body of Commission procedures and EU case law has been built up on the treatment of state aid.

The evolving history of EU regulation of state subsidies has unfolded to a large extent through Commission initiatives and through the European Court of Justice. In large part, this is

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<sup>14</sup>Schina, pp. 66-67. She argues (p. 172) that it was the 1970s recession which finally forced the Commission to take action on state aid.

<sup>15</sup>Schina, p. 164.

due to the incentive to defect. Since the Commission's role is to police cooperation, disputes arise when it objects to a proposed aid and cannot negotiate an agreeable solution with the Member State. Such cases often end up before the Court of Justice. Moreover, the easiest way to cheat is simply to not notify the Commission of one's intent to grant a subsidy. This is often done in the expectation that derogation for the aid would not be granted.<sup>16</sup> Such cases are even more likely to end up before the Court, possibly more than once if the country in question still does not comply with the Commission's order to cease an aid. Thus, as in any Prisoners' Dilemma, the ability to monitor is a central issue in promoting cooperation.<sup>17</sup>

States have also tried to escape the rules by shifting to types of aid that are less regulated. According to Gatsios and Seabright,<sup>18</sup> one favored tack has been to give more aid as R&D aid once the Commission came to look upon it more favorably:

In particular the Commission became more sympathetic in the 1980s towards aids designed to stimulate research and development, not least because of its concern to match the technological advantages of the US and Japan. Not surprisingly, state aid then began increasingly to take the form of R and D assistance, so that the Commission had to intervene in 1985 and set a limit of 50 per cent of a research programme for basic research, with a lower percentage for more applied research.

The second issue to promote cooperation is credible sanctions. As Gatsios and Seabright argue, for a sanction to be credible and effective, it "must be large relative to the payoffs of [the regulated] but small relative to the payoffs of the

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<sup>16</sup>James Flynn, "State Aid and Self-Help," European Law Review, Vol. 8 (1983), pp. 307-308.

<sup>17</sup>See Lipson, "International Cooperation in Economic and Security Affairs," p. 7.

<sup>18</sup>Konstantine Gatsios and Paul Seabright, "Regulation in the European Community," Oxford Review of Economic Policy, Vol. 5, no. 2 (1989), pp. 55-56.

regulators (since sanctions are typically costly for regulators too)."<sup>19</sup> They suggest that the Commission has been hampered by not having such sanctions available against states which refuse to obey the rules.<sup>20</sup> As an example, throwing Germany out of the EU for not reducing its regional aid program is certainly large enough to be effective, but it is also too large to be credible.

If states persist in ignoring Court orders to cease aid or to recapture aid from firms that received it wrongfully, there has been little the Commission could do. The Maastricht Treaty may make it possible to remedy this problem, as it will become possible to fine states which do not obey Court orders.

Substantively, the Commission has arrived at a set of standard views on different types of state aid. Regional aid is subject to varying maxima, depending on the levels of GDP per capita and unemployment in the area, with special consideration also given to areas with political problems such as Northern Ireland. Aid for declining sectors, such as textiles, steel, and shipbuilding, is now normally only approved when it is combined with cutbacks in the industry's capacity. As in the recent steel program, this often requires reaching a Community-wide agreement on the extent of the cutbacks for each country.<sup>21</sup> The Commission generally takes a favorable view of aids to small and medium-sized enterprises (SMEs) and for research and development.

The Commission exercises its regulatory powers through the required notification procedure for aids, as well as monitoring the press for unnotified subsidies. Once notified, the Commission has two months to either approve the aid or open an investigation. (It can also take no action, but this is

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<sup>19</sup>Gatsios and Seabright, pp. 45-46.

<sup>20</sup>Gatsios and Seabright, p. 56.

<sup>21</sup>In December 1993, the Council of Ministers agreed to 6.79 billion ECUs in subsidies for six state-owned steel firms in Italy, Germany, Spain and Portugal, in exchange for 5.5 million tons of capacity reductions and steps toward privatization of the firms. Martin DuBois, "EC Approves \$7.66 Billion Aid Package in Bid to Revive Sluggish Steel Industry," Wall Street Journal, 20 December 1993, p. A9A.

relatively rare.)<sup>22</sup> If the Commission opens an investigation, it will most likely require modifications of a subsidy program or veto it entirely.<sup>23</sup> It is this oversight mechanism, an institutional way to police cooperation among EU members, which lends whatever control over state aid exists.

Of course, the proof is in the pudding. The U.S. makes no effort to control states and other sub-national governments from bidding for business, while the EU has quite elaborate procedures in place. Have these procedures succeeded, particularly in regards to controlling aid to mobile investment? Data problems make this a difficult question to address. The Commission does not categorize aid in a way that identifies mobile projects, so it is necessary to extract data from the State Aid reports. According to Reinhard Walther, a statistical expert in the Directorate for State Aids, the types of aid most likely to go for mobile investments are regional aid, aid for research and development, and general aid.<sup>24</sup> Examining spending in those categories confirms that overall spending potentially available for mobile projects has decreased from the period of 1981-86 (First Survey) to 1988-90 (Third Survey), as the Table 1 shows:

TABLE 1  
SPENDING ON R&D, GENERAL AND REGIONAL AID (ANNUAL AVG)  
EEC-10 FOR 1981-86, EEC-12 FOR 1986-90  
MILLION ECUs

Type of Aid	1981-86	1986-88	1986-88	1988-90
	1987 prices		1989 prices	
R&D	3,035	3,330	3,730	3,627
General	1,913	1,508	1,689	1,084
Regional	13,078	12,030	13,474	13,401

<sup>22</sup>Schina, p. 145.

<sup>23</sup>Fiona Cownie, "State Aids in the Eighties," European Law Review 11, no. 4 (1986), pp. 247-67. "Very few grants of aid are approved by the Commission, once it had decided to initiate the procedure provided in Article 93." p. 262

<sup>24</sup>Interview in Brussels, 23 September 1993.

Total                    18,026    16,868    18,893    18,112

Sources: 1981-86 and 1986-88 at 1987 prices, Commission of the European Communities, Second Survey on State Aids (Brussels-Luxembourg, 1990), Table X, p. 31; 1986-88 at 1989 prices, calculated by multiplying previous column by ratio of total state aid expressed in billion ECUs at 1989 prices (Third Survey, Table 13, p. 38) and at 1987 prices (Second Survey, Table XI, p. 39), which is 92.3/82.3 or 1.12; 1988-90, calculated from Commission of the European Communities, Third Survey on State Aids (Brussels-Luxembourg, 1992), Annex Tables A4/1-A4/12.

As Table 1 shows, spending on these three categories of aid fell in real terms by 6.4% from 1981-86 to 1986-88, and a further 4.1% from 1986-88 to 1988-90. At a very gross level, then, this supports the hypothesis that the Commission's intervention has helped reduce competition for investment, though more work is certainly needed.

Another type of evidence comes from industry studies. In a previous work, I examined all major Ford investments in the United Kingdom from 1960 to 1986. Subsidies rose from 10.7% of the investment in 1960 for Ford UK Expansion Plan #3 to 82.2% for the Brigend Engine Plant in 1977, but fell sharply to 4.6% for Brigend Engine #2 in 1988.<sup>25</sup> While the high figure for the first Brigend plant is an outlier made possible by the large number of bidders for this plant (seven), Nissan obtained a 20.5% grant for an assembly plant in the mid-1980s (almost twice as high as that for Ford UK Expansion Plan #3, suggesting, in my view, that production mobility had undermined the UK's bargaining position), while later entrants to the EU market (Toyota and Honda) avoided grants because of their distaste for Commission oversight.<sup>26</sup>

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<sup>25</sup>Kenneth P. Thomas, Capital Beyond Borders: How Capital Mobility Affects Bargaining Between Firms and States, unpublished Ph.D. dissertation, University of Chicago, March 1992, chapter 5.

<sup>26</sup>Telephone interview with Prof. D.G. Rhys, University of Cardiff, 4 October 1991. He attributed the decline in British aid offers after the mid-1980s partly to Commission pressure and partly to the Thatcher government's own desire to reduce regional aid.

While this is only one industry, this result also suggests that the Commission has had some success in reducing competition for investment per se.<sup>27</sup>

#### Explaining European Success

The U.S. has seen virtually no cooperation in controlling location subsidies, and the major attempt that was made failed. Several Midwest U.S. states tried to implement a "no raiding" policy with respect to firms located in the cooperating states, but the recession of the early 1980s brought a rapid end to this effort.<sup>28</sup> Why has Europe been more successful?

Most importantly, the European Union has a mechanism to monitor and enforce the implicit cooperative agreement of the Treaty of Rome. While Brussels does not have as much power over Member States as the U.S. federal government does over its states, in the U.S., nothing has been done to turn that potential into reality. Moreover, while the federal government has been very critical of investment incentives in trade negotiations, other countries readily point out that U.S. states give quite handsome subsidies themselves.<sup>29</sup> Indeed, there is often a federal element to the packages given to companies by designating their plants a foreign trade sub-zone.<sup>30</sup>

Second, the number of states involved may have played a role. Since Olson's The Logic of Collective Action, we expect that cooperation will be more difficult to achieve as the number

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<sup>27</sup>By contrast, investment incentives for automobile projects in Canada and in several U.S. states (Illinois, Missouri, and New York) showed continuous increase from the 1960s through the 1980s. See Thomas, Capital Beyond Borders, chapter 5.

<sup>28</sup>Michael Gauf, "In the Midwest, It's Every State for Itself," St. Louis Post-Dispatch, 2 December 1992.

<sup>29</sup>See, for example, John M. Kline, State Government Influence in U.S. International Economic Policy (Lexington, Massachusetts: D.C. Heath and Company, 1983), pp. 78-82.

<sup>30</sup>James Rubenstein, The Changing U.S. Auto Industry: A Geographical Analysis (London and New York: Routledge, 1992), pp. 217-18.



of actors rises.<sup>31</sup> The Treaty of Rome was signed by only six countries, and there were still only six members when the Commission began implementing its rules on state aid. The U.S., of course, has 50 states. This could account for the difficulty in achieving agreement. However, since the relationship of the federal government to the states is hierarchical, there is no need to gain state approval to have a uniform policy. As with raising the drinking age from 18 to 21, the federal government could use financial tools to force states to adopt restrictions on location incentives.

Finally, while EU Member States have an incentive to defect, they at least agree on the need for avoiding bidding wars. By contrast, there is no agreement on this principle in the United States, either at the state or federal level. This is so despite the embarrassment state policies of investment attraction cause the U.S. in trade negotiations. Why this has been the case is still, to my mind, an open question.

#### Conclusion

With the approval of NAFTA, it may well be time for advocates of restrictions on incentives to focus on a North American, rather than a U.S., agreement to do this.<sup>32</sup> By operating at the level of the three national governments, the Prisoners' Dilemma of investment attraction can be made much more tractable. It will be necessary to reach agreement not only on what is and is not an acceptable subsidy, but also to establish a monitoring and enforcement mechanism.

The difficulties of achieving this should not be underestimated. For example, if incentives are allowed in less-developed regions, as is the case in Europe, all of Mexico will be eligible for the highest levels of awards. This will be seen by critics of the agreement as a further means by which jobs will

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<sup>31</sup>Mancur Olson, The Logic of Collective Action: Public Goods and the Theory of Groups (Cambridge: Harvard University Press, 1971), p. 35.

<sup>32</sup>Two such advocates are Robert Reich, "Who Is Them?" Harvard Business Review, March-April 1991, pp. 77-88, and Barbara Jenkins, The Paradox of Continental Production (Ithaca: Cornell University Press, 1992).

be exported from Canada and the United States to Mexico. Again, this points to the difficulty of integrating economies as far apart in development levels as those in North America, in comparison with those in Europe, especially the original members of the EEC.

Nevertheless, it is possible for this type of regulation to succeed in the context of North American competition for investment. Indeed, with levels of state ownership low in the U.S. and falling in Canada and Mexico, it is conceivable that it could be more successful here than in Europe. The reason is that the most difficult monitoring and enforcement problems come with state-owned firms, and their relative paucity in North America reduces the potential for such difficulties.<sup>33</sup> However, the relatively larger state sectors in Canada and Mexico could cause conflict, mirroring EU debates over differing approaches to state intervention in the economy, which have largely pitted Southern vs. Northern Member States against each other.<sup>34</sup> If that occurs, it would slow progress in controlling location incentives. Still, the European example shows that such problems are not intractable.

NAFTA will cause new challenges to governments' economic policy not least because of the removal of tariffs as an instrument of policy. One important consequence will be the increased importance of subsidies to industry, especially when used as location incentives. As shown above, the European Union has made substantial progress in controlling state aid, and its

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<sup>33</sup>According to former Competition Commissioner Sir Leon Brittan, the worst offenders in terms of non-notification are state-owned firms, which had 15 billion ECUs of unnotified aid from 1986-90. More recent Commission estimates suggest that the ECU value of non-notified aid is ten times greater for state-owned firms than private companies. See David Gardner, "EC loses state aid case: Court rules against closer public sector scrutiny," Financial Times, 17 June 1993, p. 2. On enforcement problems, see Gatsios and Seabright, pp. 56-57.

<sup>34</sup>Schina, p. 177, remarks on the frequent difficulty of getting cooperation on state aid issues between monetarist and social-democratic governments.

methods for doing so should be strongly considered in the North American context.

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