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Who Is Riding Shotgun? The Influence of Multinational Corporations on International Negotiation Outcomes

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WHO IS RIDING SHOTGUN?
THE INFLUENCE OF MULTINATIONAL CORPORATIONS ON INTERNATIONAL
NEGOTIATION OUTCOMES

By Isabelle Fourcroy Howes

An Independent Study Thesis
Submitted to the Department of International Relations
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Introduction

In February of 2013, President Barack Obama announced the United States would pursue a Transatlantic Trade and Investment Partnership with the European Union. In his State of the Union Address Obama said “we will launch talks on the comprehensive Transatlantic Trade and Investment Partnership with the European Union, because trade that is fair and free across the Atlantic supports millions of good paying American jobs.”¹ This announcement received statements of support from governments and non-governmental actors around the globe who would be significantly impacted by the success of the partnership. This agreement would directly benefit industries such as the automotive industry and finally allow them to trade freely between the two largest marketplaces in the global economy. As one business leader said, businesses now are responsible with providing both the United States and the European Union with as much information on regulations as possible. This will make it easier for the governments to work with businesses to achieve the best possible outcome.² President Obama’s announcement and the reaction of multinational corporations in both political units illustrate the importance of multinational corporations’ relationships with governments around the world, which begs the question, who truly has a hand in making foreign policy?

The typical decision-makers of international negotiations include the head of state, close advisors and other governmental agencies; but who are the other actors that operate behind the scenes? This study focuses on the impact of multinational corporations, which have branches around the world and are often headquartered in advanced industrialized countries, on international negotiations. I seek to determine if MNCs will attempt to influence international negotiation outcomes in both their home and host countries. Specifically, I examine

international trade negotiations pertaining to the automotive industry in the United States and the European Union. This research should yield significant insight into the relationship between a MNC and its home and host country. To conduct this research, I will develop a multi-leveled theoretical model based on theoretical literature. I will then apply this theoretical model to the cases examined in this study. Multi-level and two-level models are discussed throughout the academic literature by scholars including Robert D. Putnam and Jeffrey W. Knopf.³

Scholarly literature highlights multiple methods to influence the outcome of international negotiations. I will build on Putnam's two-level game theory, which claims there are two levels active in international negotiations—Level I, or the international level, and Level II or the domestic level. Putnam claims a move at one level cannot be made without a resulting move occurring at the other level; the two levels are intrinsically linked. Putnam discusses how, at the domestic level, actors such as MNCs, interest groups and lobbies, will pressure for a preferred policy outcome. Meanwhile, at the international level, governments seek to maximize their countries gains and satisfy the domestic actors. Since the theory's introduction in 1988, two-level game theory has been analyzed, critiqued and expanded upon throughout academic literature. Jeffrey Knopf uses two-level game theory as the basis for his theoretical approach to international negotiations: the three-and-three theoretical framework. Domestic structure theory is developed by Peter Gourevitch and Peter Katzenstein.⁴ This theory analyzes the structure of a state and determines if it a strong or weak state. The domestic structure of a state offers a theoretical explanation for external influence of actors on political decision-making. These theoretical frameworks are the basis for the theoretical model I develop and present in Chapter Two. Game theoretic models of international negotiations and domestic structure theory provide an applicable theoretical framework to analyze the relationship between actors in international

negotiations. Ultimately I will use the theoretical model developed to determine if a MNC influences the outcomes of international trade negotiations.

This study employs the comparative case study method to examine MNCs' influence on U.S. and European trade negotiations. This method will determine if MNCs influence international trade negotiations, how they do so and if they are more successful in their home or host country. In order to conduct a comparative case study on this topic I will use primary and secondary sources as my data sources. Primary sources will include original information about the MNCs present at the negotiations and information pertaining to the trade negotiations and the outcomes. Secondary sources will consist of theoretical and academic literature on theoretical approaches and previous means of political influence. I will also collect information from interviews with officials at MNCs that operate in the United States and European Union. This research method will add a current voice to the research I will gather for my cases. Once the data is collected, I will analyze my findings in order to determine if there are any visible patterns.

The first case I will examine is the 2005 Summit in Washington D.C. between the United States and the European Union. Specifically, I will look at the negotiations on the potential harmonization of divergent regulations between the United States and the European Union into one set of regulations. The second case study I will examine regards the collaborative research and the negotiations between the United States and the European Union in 1997. The objective of these negotiations was the hope of producing one harmonized safety regulation that would benefit both states and their constituents. After presenting these cases, I will conduct an analysis using the theoretical model and present the common patterns found in the results. This will allow me to answer the questions and hypotheses of my study. However, before developing the cases, a firm understanding of the existing theoretical literature on this topic is required.

Chapter 1: Theory and Literature Review

There are many theoretical approaches to understanding international negotiations, and each theory appears to offer a new approach to understanding the multifaceted and complex process. In order to analyze the relationship between multinational corporations and their home and host governments in regards to foreign policy, it is important to understand the broad scope of theories applicable. Many of the theoretical models I examine in this chapter maintain roots in the realist school of thought. Therefore, I will first discuss realism and its views of international negotiations; second, I introduce literature on game theory. Last, I will introduce the various ways game theory has been built upon in order to make it more applicable to real international negotiations.

All major theoretical schools of thought can be applied to the analysis of international negotiations: realism, liberalism and constructivism; and each theoretical school of thought will emphasize a different outcome in international negotiations. Realism is the theoretical school of thought which is most prominent. Liberalism places an emphasis upon the individuals in international negotiations as well as the importance of the domestic arena in the outcomes of international negotiations. The noted scholars of liberalism, such as Immanuel Kant, John Stuart Mill and Woodrow Wilson, stress, “in democratic polities, foreign policies, like internal policies are subject to domestic debate and deliberation.”⁵ Furthermore, liberals emphasize that interdependence among states is the best way to ensure national security. Constructivism places emphasis on the governmental structures of the regimes involved in the international negotiations and how the different structures can influence the outcomes of international negotiations. The

assumptions made by liberalism and constructivism are both vastly different from the assumptions of realism.

Realism and International Negotiations

Realism is one of the oldest theoretical approaches in international relations, dating back to the works of Thucydides and Machiavelli.⁶ Realism operates under the assumptions that the world is anarchic, states are the most important actor, states are unitary rational actors, and states engage in cost benefit analysis in order to determine the best means to pursue power and reinforce their security. These assumptions are central to determining how a realist will view and interpret phenomena such as international negotiations. When realism is applied to international negotiations it is highly focused on the international stage and the ways in which states interact with one another.

However, Robert Jervis and Andrew Moravcsik critique realism and its approach to the analysis of international negotiations. In Jervis' 1988 discussion on realism and game theory, he points out the fundamental flaws in using only realism as a means to analyze international negotiations.⁷ Jervis' first criticism of the realist approach to international negotiations is how the assumption of anarchy, "looks at individual actors [states], their preferences, and their choices, and thus blinds us to the broader setting in which behavior occurs."⁸ Jervis goes on to add two more objections to what he calls the "anarchic framework": the concepts the anarchic framework applies to the actors in question and the perceptions and views of the actors in question.⁹

Moravcsik outlines one of the largest issues facing a realist interpretation of international negotiations: the lack of a theoretical model to analyze international negotiations.¹⁰ Realist

scholars were aware of the area of overlap between the domestic and international arenas: “as the classical Realists were already aware, the effects of domestic factors are not limited to the process of interest formation, but affect strategy and bargaining outcomes as well.”¹¹ However, there was still a lack of a theoretical means to approach this grey area. Therefore a new way to analyze international negotiations was welcomed by realist scholars. Moravcsik presents the three key assumptions of realism: rationality, constant mobilization capability and state stability; he claims these assumptions should be relaxed in an analysis of international negotiations.¹² By relaxing these assumptions, he contends realism could become more applicable to the analysis of international negotiations.

Kenneth Waltz offered new insights to a realist analysis of international negotiations with the introduction of the levels of analysis model in the 1950s.¹³ The three levels of analysis consist of the international level (or systemic), the domestic level (or state) and the individual level.¹⁴ Each level of analysis provides scholars with a different way to analyze international negotiations. The systems level of analysis allows scholars to look at the relations between two states and view the ‘big picture’ of what is occurring on the international playing field. The state level of analysis focuses specifically on the domestic arena of international negotiations, providing scholars with a more specific analysis of potential reasons behind international negotiations’ outcomes. Lastly, the individual level of analysis is the most focused level of analysis and provides scholars with a close analysis of any individuals involved in international negotiations. Waltz’s levels of analysis allow realist scholars to view international negotiations through three different lenses. Each lens provides a different view of international negotiations, offering a rich way to analyze them. Furthermore, levels of analysis illustrate that international negotiations can be interpreted at the international, national and individual levels, showing large

overlaps throughout these three vastly different levels. The introduction of Waltz's levels of analysis was a vital first step towards further theoretical approaches to the study of international negotiations.

Game Theory

Game theory is a realist approach to the study of international relations that arose during the Cold War. Robert Jervis and Peter Bennett both discuss game theory as a vital step in the evolution of theoretical frameworks applicable to international negotiations. They exhibit the importance of game theory through applications to international relations in their respective studies.¹⁵ Bennett claims, "game theory began as a normative theory, the aim being to show how rational players should act."¹⁶ Game theory does not mean the actors in question are going to 'play' one another as the terminology might suggest. Rather, as Bennett states, "a game in this sense is simply a situation in which there are two or more parties who can affect what happens, all of whom are pursuing their separate aims."¹⁷ Game theory applies realist assumptions in its framework; such as the state is the most important actor and it is a unitary rational actor: "recommended strategies are only rational ways of playing against an equally rational opponent."¹⁸ Game theory's heavy dependence on realist assumptions in the creation of its theoretical framework causes the two often to go hand in hand when discussing their application to international negotiations. Jervis states: "Game theory and Realism are generally compatible—both are structural, strategic, and rational."¹⁹

International relations and the study of international negotiations can be seen as a maze of decisions made incorporating a variety of factors. Just as many theoretical approaches, "game models are intended to provide an analytic guide through this maze."²⁰ Game theory is based on

strategy, where a “strategy is a complete recipe of actions.”²¹ It simply seeks to analyze the potential decisions that a state may make based on the potential decisions the other state may make. Both Jervis and Bennett discuss another way states make their decisions in regards to international negotiations: the Prisoner’s Dilemma. The Prisoner’s Dilemma is a means to analyze the potential advantages and disadvantages at play in negotiations. Jervis utilizes the theoretical framework of the Prisoner’s Dilemma to interpret the reasoning behind decisions made throughout international negotiations.

However, even though Jervis and Bennett discuss the importance and benefits game theory provides the study of international negotiations, they also criticize the flaws of this theoretical approach. The resounding criticism of game theory from these authors is it is not realistic enough to be truly applicable to the international negotiations; Bennett states, “mixed motive games are much closer to the real world of partial conflict...In these games, convincing normative solutions are more difficult to find. This has led to different ways of interpreting the theory, affecting the types of conclusions drawn.”²² Jervis also argues that game theory does not account for enough external factors in order for it to be fully applicable. Yet, even though game theory has its flaws, it marked the beginning of theoretical developments in international relations. Out of game theory, further theoretical approaches to the study of international negotiations began to evolve throughout the latter half of the 20th century.

Two Levels of Analysis

In 1988, Robert Putnam introduced the revolutionary idea of “two-level game theory” to analyze foreign policy decision-making related to international negotiations. Previous to Putnam’s theory, scholars had drawn a correlation between domestic influences and international

negotiation outcomes, however a framework for in depth analysis of international negotiations was still lacking. There are faults with realism, just as with any theory. Putnam utilized these faults in the creation of his two-level game theory.²³ Many realist theorists designated domestic politics as a secondary form of influence in international negotiations, and did not give them their due in an analysis. For example Robert Keohane, a noted realist scholar, “maintains that international explanations should serve as the “first cut” of any analysis...In this view domestic politics is an intervening variable that introduces residual variance around the predictions of systemic theory.”²⁴ Putnam introduced a revolutionary theoretical approach that accounted for both the domestic and international levels as equally important, clashing with this dominant approach where the domestic and international arenas are clearly separate.

In his article, Putnam proposed two-level game theory and claimed it provided a new theoretical framework for analyzing international negotiations.²⁵ Putnam used the assumptions of realism and two-level game theory as a means to illustrate how international negotiations are conducted on two different levels or tables simultaneously. Two-level game theory assumes, “at the national level, domestic groups pursue their interests by pressuring the government to adopt favorable policies...At the international level, national governments seek to maximize their own ability to satisfy domestic pressures, while minimizing the adverse consequences of foreign developments.”²⁶ A variety of different actors sit at the two different tables described by Putnam. The leader of the state sits at both the national and the international tables and must try to appease both the national and international games with the final negotiation outcome. Seated at the international table alongside the leader of the state are any diplomats and other international advisors.²⁷ At the national or domestic table are “party and parliamentary figures, spokespersons for domestic agencies, representatives of key interest groups, and the leader’s own

political advisors.”²⁸ Throughout Putnam’s article, he reinforces how a move made at one table cannot be made without calculations from the other table—this is the complicated task of the lead negotiator (often times the head of state). In essence, a move at one level will cause a move at the other; the two playing boards are intricately connected with one another.

The second aspect Putnam highlights in his article on two-level games are “win-sets”. Win-sets are the possible negotiation outcomes where both the national and international tables are appeased by the result. Putnam breaks down international negotiations into two different levels to help in the analysis of the negotiations, the first level being the “bargaining between the negotiators, leading to a tentative agreement; call that Level I and separate discussions within each group of constituents about whether to ratify the agreement; call that Level II.”²⁹ Therefore according to Putnam, “we may define the “win-set” for a given Level II constituency as the set of all possible Level I agreements that would “win”.”³⁰ There are a variety of factors that go into determining the win-sets in the two-level game theory, including specific individuals, coalitions, institutions and bureaucracies, the ideology of the states in question, the regime types and the preferences of all parties involved.

The magnitude of a win-set at the domestic level is often times highly influenced by a variety of non-governmental actors. These actors can include multinational corporations, labor unions, and industrial and business lobbies. Some Level I negotiators may find these actors to be allies in their attempts to get a solution ratified by Level II. Each of these actors can exert influence and pressure level II towards they solution they wish to see. Putnam presents us with an example:

“The Level I negotiator may find silent allies at his opponent’s domestic table. German labor unions might welcome foreign pressure on their own government to adopt a more expansive fiscal policy, and Italian bankers might welcome international demands for a more austere Italian monetary policy. Thus, transnational alignments may emerge, tacit or explicit, in which domestic

interests pressure their respective governments to adopt mutually supportive policies.”³¹

These non-governmental actors present at the domestic table are important actors to take into account when analyzing international negotiations. They influence the size of the win-set in international negotiations and therefore can determine the final outcome of the international negotiations.

Application of Two-Level Game Theory

Putnam’s two-level game theory was used in numerous case studies after its introduction in 1988. Each case study used Putnam’s theoretical framework in a different manner, and with each application different attributes of international negotiations were discovered. These applications of two-level game theory illustrate how the theory can be put into practice and are therefore crucial aspects in understanding the theory to its full extent. Furthermore, several case studies in which two-level game theory was used, resulted in a spinoff of two-level game theory into a similar, yet different theoretical approach.

Ellis Krauss used Putnam’s two-level game theory in his case study on trade negotiations.³² Krauss acknowledged the importance of the two-level game theory, especially in his analysis of the U.S.-Japan trade negotiations. The trade negotiations examined by Krauss pertain to the semiconductor industry, the construction industry and the economic links between Japan and the United States.³³ In the semiconductor case, the United States accused the Japanese of dumping semiconductors in their market at unfair market values. There were also charges against Japan that it was not enabling access to its domestic market by foreign competitors.³⁴ In the construction trade negotiation case, the United States wanted more access to the Japanese domestic construction market, which consisted of many private firms and government

partnerships for public works. These negotiations were triggered because of a dispute over an airport's construction.³⁵ Both of Krauss' cases highlight the importance of domestic actors situated at the domestic negotiation table.³⁶ He points out that, "domestic interest groups need not be merely "ratifiers or nonratifiers"—a static element in the win-set equation that COGs manipulate to gain a stable agreement. Manipulation extends two ways, for domestic interest groups are also capable of strategic action to mold win-sets."³⁷ Krauss concludes by determining that an extension of the two-level game theory may be needed and its application to these two cases illustrated interesting aspects about domestic actors and the international table.³⁸

In the semiconductor case, the importance of U.S. and Japanese semiconductor firms were paramount throughout the negotiations.³⁹ In the United States, trade negotiations with Japan would never have begun had it not been for the pressure of the semiconductor industry on Congress.⁴⁰ The industry lobbied Congress significantly to act on their behalf. The semiconductor industry's voice was strengthened by the numerous dumping suits filed against Japan. Second, the semiconductor industry was unified in their objective for the final policy outcome through its representation by the Semiconductor Industry Association (SIA), consisting of a variety of firms including IBM.⁴¹ The unity of the industry allowed for the U.S. side of the trade negotiations to be highly unified on its desired outcome of trade negotiations with Japan.⁴² Third, because the U.S. side of the negotiations was so unified, the acceptable win-sets for the domestic actors were a few specific options. This made the objective of the international trade negotiations clear for U.S. negotiators.⁴³ In Japan however, the semiconductor industry was oligopolistic, consisting of firms such as Toshiba and Hitachi and it was also split. Japan was also led by a powerful bureaucratic actor: the Ministry of International Trade and Industry (MITI).⁴⁴ The split of the domestic Japanese industry and the powerful actor of MITI caused

there to be conflict between the government and the industry within the domestic level of the Japanese side.⁴⁵ The division within Japan posed many problems for the country throughout the negotiations.

In the construction trade negotiations between the United States and Japan, just as in the semiconductor case, large firms were present throughout the negotiations. In the United States, the firms were split between the large multinational firms seeking to enter the Japanese market and the smaller firms being represented by the International Engineering and Construction Industry Council (IECIC).⁴⁶ Furthermore, in the construction negotiations three bureaucracies were vital on the U.S. side: the Commerce Department, the U.S. Trade Representative and the State Department.⁴⁷ The variety of actors and the split between the various firms caused the U.S. win-set to be more complex and obscured the ultimate objective. Furthermore, it was a push by the U.S. bureaucracy that launched the trade negotiations with Japan.⁴⁸ In Japan, the relationship between the construction industry and its leading firms and the government was very close, due to both public and semi-public projects.⁴⁹ The Japanese construction industry was well organized into trade associations and had substantial political influence. Due to its close ties with the government, the Japanese firms were represented through the three powerful bureaucracies present at the domestic level: the Ministry of Construction, the Ministry of Transportation and the Ministry of Foreign Affairs.⁵⁰

Both of the cases examined by Krauss illustrate the importance of domestic actors in international negotiations. The domestic actors in both the semiconductor case and the construction case triggered the international negotiations. Furthermore, in both cases the domestic actors determined the win-set and the level of complexity of the domestic negotiating table, which in turn determined the complexity of the international negotiating table. Krauss

concludes his study on trade negotiations by stating, “we must not think that only governments play at both levels. With the increasing interdependence of economies, major interest groups often have international interests, and may also make moves at an international table.”⁵¹ This is vital to remember as we proceed through other literature that use aspects of Putnam’s two-level game theory in creating new theoretical approaches to the study of international negotiations.

Similar to in Krauss’ case study, Helen Milner examines international negotiations between Great Britain and the United States in two specific cases.⁵² The two cases Milner explores with the two-level game framework pertain to oil negotiations and civil aviation negotiations. The oil negotiations between Britain and the United States failed, while the civil aviation negotiations were successful. Milner argues the difference between the two cases was the domestic negotiating table.⁵³

In the oil negotiations between the United States and Great Britain, the U.S. oil industry was divided between major firms and domestic firms. The major firms were based in the United States and had holdings in the rich oil land in the Middle East, such as Standard Oil of New Jersey (SONJ) and Socony-Vacuum.⁵⁴ These major firms could control prices, and eventually would negotiate their own agreements over land rights in the Middle East. The domestic firms, which produced oil found in the United States, were smaller, could not control prices without government help and relied on the government for other aspects of their production. Another distinguishing factor between the two groups was, “the two groups had different channels of access to the U.S. government.”⁵⁵ The large firms had better access to the executive branch, while the domestic firms worked more closely with their Congressional representatives. Milner found that who each actor has access to and who they could influence, played a significant factor in determining their level of influence on negotiation outcomes. The U.S. government saw an

advantage to helping the large industries—to exploit Middle Eastern resources and preserve the domestic oil reserves.⁵⁶ On the British side of the negotiations, the domestic table was less divided, with two oil firms represented: Royal-Dutch-Shell and the Anglo-Iranian Oil Company (AIOC). The British government did not have to choose a side to support, uniting them in their pursuit of a cooperative solution to the negotiations.⁵⁷ The oil negotiations became difficult when the U.S. side lost sight of what the oil industry wanted and the divisions within the domestic level became greater. U.S. domestic oil producers impeded oil negotiations further through their pressure on Congress because of their dissatisfaction in the potential outcome. The disintegration of the U.S. domestic negotiating table caused the oil negotiations to fail. However, an agreement was reached between the U.S. major firms and the British firms later on—illustrating the power of these actors within and outside of governmental trade negotiations.

The second case Milner discusses is on civilian aviation negotiations. This case was dominated by the presence of one U.S. civil aviation firm—Pan American Airways (PAA).⁵⁸ PAA had previously negotiated its own air rights since it had a monopoly on civil aviation almost everywhere on the globe. However, PAA ran into a road block when it sought to make air routes over the Atlantic to Europe—specifically with Britain. This road block caused the civil aviation negotiations to begin.

PAA's monopoly on civil aviation gave them very close relations with the U.S. government—especially with certain Congressional representatives and Senators.⁵⁹ However, the relationship with the government at large became strained over time, to the point where the Civil Aeronautics Board sought to put an end to PAA's monopoly; this resulted in a battle on the domestic level between allies of PAA and allies of the other civil aviation companies.⁶⁰

This internal division shaped the position of the United States in the international negotiations significantly. It determined the win-set for the U.S. domestic level. The British side was composed of one civil aviation firm: BOAC, which was still governmentally owned.⁶¹ Unlike the complex U.S. domestic level, the British domestic level was simple and unified in what it sought out of the international negotiations with the United States. Britain wanted to promote competition in civil international aviation as a part of its foreign and economic policy. An interesting issue that arose throughout the negotiations, was that the PAA and the BOAC both sought the same resolution—and attempted to complete it through a secret cartel—however what the two dominant firms wanted out of the international negotiations did not coincide with the desires of either government.⁶² The international negotiations came to a successful agreement in the end, after negotiations were readdressed out of consideration for the two countries alliance.⁶³

Through the application of two-level game theory to both of these cases of international negotiations, Milner's analysis discovers the importance of international conditions in international negotiations.⁶⁴ However, she also found the structure of domestic preferences was crucial in determining the outcome of international negotiations.⁶⁵ This was the aspect that differed between the two cases Milner analyzed. In the oil negotiations, the domestic preferences—especially in the United States—were torn between different parties. However, in the civil aviation negotiations, the domestic preferences were unified in the pursuit of one objective. Furthermore, Milner highlighted the importance of the pathway of influence the MNCs in question used. In the United States, the large oil firms sought to influence the trade negotiations through the executive branch, while domestic oil firms influenced trade negotiations through the legislative branch. This aspect of Milner's case study addresses the question: which

pathway of influence is most successful in the United States, as well as in other countries. Last, Milner points out the transnational coalitions excluding the government are possible solutions as well. In the oil negotiations, this was what ultimately occurred after the international negotiations between the United States and Britain failed. The large firms involved created their own agreement amongst themselves. This was also what PAA and BOAC attempted to do in the civil aviation negotiations.⁶⁶ Milner's analysis of these two cases using the two-level game theory illustrates multiple interesting aspects to international negotiations. And just as in Krauss' comparative case study, Milner discovers the importance and complexity of the domestic negotiating table and its impacts on the international negotiations.

Richard C. Eichenberg applies the two-level game theory as a theoretical framework in his analysis of U.S. and West German relations on intermediate nuclear force.⁶⁷ While the negotiations included all of NATO, Eichenberg focused his study on the bilateral relations between the United States and West Germany in order to better understand international negotiations. Throughout the case there was a significant amount of "flip-flopping" in which both states altered their opinions on the issue at hand. As in Krauss and Milner's studies, Eichenberg found leaders had to alter their initial preferences in order to match their domestic win-sets. However, in the end an agreement was reached in which there was a NATO deployment of INF. Following the deployment of NATO, its largest opposition was not the funding, rather the ideological questions it raised. This led to questions of ratification of the treaty at both the U.S. and West German domestic levels.

This case illustrated, yet again, the importance of the domestic negotiating table. The domestic level is what ultimately determines if an international negotiation's outcome is ratified and therefore implemented. Throughout the INF negotiations, leaders had to manipulate their

domestic tables to fit what they sought out of the negotiations. Leaders also had to alter their objectives to fit their domestic win-sets. This case illustrated the importance of domestic institutions in international negotiations.⁶⁸ These institutions include political parties, political institutions and bureaucracies. Eichenberg finds the, “variations are rooted in domestic institutions.”⁶⁹ Through Eichenberg’s analysis of these international negotiations, two-level game theory highlights further important factors in the process and yet again reiterates the importance and crucial component of the domestic level.

In summary, Putnam’s two-level game theory is critical in the development of theoretical approaches to the study of international negotiations and their outcomes because it is so vastly different from the previous theoretical approaches. Moravcsik states there are three key ways in which two-level game theory differs from the previous theoretical approach to international negotiations: it is a theory of international bargaining, it places an emphasis on the statesman as the central actors and lastly, the statesman’s strategies reflect a simultaneous “double-edged” calculation of constraints and opportunities.⁷⁰ Two-level game theory’s revolutionary approach to the analysis of international negotiations causes it to be used as a base for many scholars’ further research on international negotiations.

Three Levels of Analysis

Putnam’s two-level game theory ignited the spark that caused many scholars to extend his theory and adapt it to fit international negotiations more accurately. Lee Ann Patterson and Jeffrey Knopf use Putnam’s two-level game theory as the basis of their theories on international negotiations—“three level game analysis”⁷¹ and “three-and-three theory” respectively.⁷²

Patterson constructs her theoretical framework in order to analyze the complex interactions within the European Community. Her three-level analysis provides significant insight into the holes of Putnam's two-level game theory and highlights further aspects that should be brought to the forefront when analyzing international negotiations. Patterson argues, "the unique structure of the EC requires that Putnam's two-level game be expanded to a three-level interactive game in which negotiations at the domestic, community and international levels affect policy options at each of the other levels."⁷³ Once Putnam's two-level game theory is expanded into Patterson's three-level interactive game, the simultaneous interactions occurring at all three levels allowing for the production a favorable outcome, are much more visible. Patterson concludes the analysis of her case by claiming, "a three-level interactive strategy is important in achieving an acceptable agreement at each level of the game."⁷⁴ This questions the idea of win-sets introduced by Putnam in his two-level game theory.

Through Patterson's three-level analysis win-sets can be viewed very differently. The difference between Patterson's win-sets and Putnam's win-sets is there are now three different levels where a win-set must overlap. Therefore, the negotiation process is far more complex and the overlap where the win-set falls is far more specific. However, while this model is more complex, it can also be said it is far more realistic to international negotiations since more actors are represented in Patterson's approach.

Patterson stipulates there are three levels of negotiations: international negotiations (Level I), community negotiations—negotiations at the EC level (Level II) and domestic negotiations—negotiations within the member states of the EC (Level III). The "three-level" framework simply adds the community negotiations as a third middle level of negotiations to be analyzed when analyzing international negotiations. This allows us to deepen our understanding

of international negotiations by separating the negotiations further into specific categories. Other than adding this third level to Putnam's theoretical framework, Patterson maintains all the other attributes of two-level game theory in her three-level interactive approach. She reinforces the idea that negotiations are occurring simultaneously throughout and between all levels in question and there are specific win-set combinations that will yield the best outcome. However her win-sets differ from those of Putnam since it is the option best suited to each level. Patterson is not the only one to modify Putnam's two-level game theory. Similarly to Patterson, Jeffrey W. Knopf uses Putnam's two-level game theory as base to construct his three leveled approach.

Knopf uses Putnam's two-level game theory as a springboard for his theoretical approach. Knopf highlights three specific weaknesses in Putnam's theory and uses these weaknesses to build his own theoretical approach to international negotiations. He believes Putnam's two-level game theory does not focus on all three levels of interactions involved in international negotiations. Second, Knopf claims two-level game theory does not give enough attention to institutional links between states. Last, Knopf highlights Putnam's insufficient attention to the actions of domestic groups in the process of international negotiations.⁷⁵ Knopf proposes taking certain aspects of two-level game theory, including the weaknesses, and expanding upon them in order to reach what he calls his "three-and-three theory"⁷⁶. The three-and-three theoretical framework attains its name from the three differing domestic-international interactions Knopf distinguishes at the new third level of negotiations between national and international. Knopf's three-and-three theory "distinguishes the three forms of domestic-international interactions just mentioned [trans-governmental connections, transnational connections and cross-level connections] and then allows for a third level comprising a state's alliance partners or other third-party state actors."⁷⁷

Trans-Governmental Connections

Knopf discusses three domestic-international interactions: trans-governmental connections, transnational connections and cross-level connections. Trans-governmental connections occur when “officials on one or both sides are internally divided and one or both seek to bolster the influence of the like-minded faction in the other government.”⁷⁸ Trans-governmental connections occur when one of the states government or the alliance involved in the international negotiation is internally divided into two opposing factions. Both factions in State I seek to negotiate with the like-minded faction or representative body within State II. In this instance of domestic-international interactions the division of one state into two separate factions, may result in complicating the international negotiation. However, it can also permit both sides to be fairly represented and for the final outcome of the international negotiations to be a compromise incorporating aspects both factions desired. Trans-governmental connections received this name since the parties involved in negotiations are governmental.

Transnational Connections

Transnational connections occur when “actors outside the executive branch or its equivalent, on both sides, [each seek] to add to the like-minded coalition on the other side.”⁷⁹ Transnational connections consist of when the public of State I will seek to influence negotiation outcomes by exerting influence over the public of State II. The power of the public and of non-governmental actors has been significantly researched, particularly in its pertinence to international negotiations. The title “transnational” therefore applies to the nations or the non-governmental actors of both states and their influence on international negotiation outcomes.

Cross-Level Connections

The last form of domestic-international interactions is the cross-level connections. Cross-level connections also pertain to the power of actors outside of the government—the public, MNCs and interest groups. Cross-level connections occur when there is “communication between leaders on one side and domestic constituents on the other, regardless of which side initiates the connection.”⁸⁰ The cross-level domestic-international interaction is far more complex than the previous two domestic-international interactions. Cross-level connections include the government of State I attempting to influence negotiation outcomes by influencing the public or non-governmental domestic actors in State II; the public or non-governmental domestic actors of State I attempting to influence negotiation outcomes by influencing the government of State II. It is for this reason that cross-level connections receives its name since the opposite level of each state is seeking to influence once another. Each of the domestic-international interactions introduced by Knopf possesses their own advantages in an application to the analysis of international negotiations.

Knopf argues that by using these three domestic-international interactions as ways to categorize international negotiations and account for alliances and other third-party state actors throughout the negotiations, the final analysis of the international negotiation will be far more realistic and concrete than any findings drawn through Putnam’s two-level game theory. Throughout the three domestic-international interactions, Knopf refers to domestic actors and how they can influence and be influenced in each of these interactions. These domestic actors consist of “actors outside the executive branch or its equivalent.”⁸¹ This means of categorizing domestic actors, leaves Knopf’s theoretical framework more open and therefore applicable to a wider variety of cases.

Knopf builds upon a second theory in his analysis of societal actors' impact on U.S. decisions regarding nuclear arms control throughout the Cold War.⁸² In this analysis, Knopf uses the domestic structure approach to illustrate his three-and-three theory explained above.⁸³ By building his theory off of this theoretical approach as well, Knopf allows for the evaluation of non-state domestic actors in international negotiations. Knopf provides three understandings of domestic politics and their interactions with international negotiations as the basis of his final theory: cooperation theory, domestic preferences and the domestic structure. Knopf articulates these three understandings highlight an intervening factor between society and the government. Each of these approaches offers a different contribution to the base that serves Knopf in the creation of his three-and-three theory.

Cooperation Theory

Cooperation theory is defined as “a mutual adjustment of behavior by states in order to coordinate their policies in an area where, because of potential costs or risks of such actions, policy coordination would not automatically occur.”⁸⁴ Cooperation theory assumes many of the same assumptions as neo-realists: that states are unitary rational actors and they respond to the actions of external actors.⁸⁵ Cooperation theory can aid in an understanding of international negotiations particularly by taking into account the importance of cooperation within a state to create one objective for the international negotiation. However, cooperation theory can be very one sided in its analysis of international negotiations since it does not account for the multitude of societal actors at play at the domestic negotiating table. It views domestic actors as a constraint upon the international negotiation, since they may not have a unified objective. This causes cooperation theory to focus too heavily on the systems level of analysis.

Domestic Preferences

Preferences of the domestic arena are often times influenced by societal interests. This manner of influence is commonplace in studies of the political economy where coalitions of business firms or economic sectors influence the preferences of the domestic level.⁸⁶ Specifically, the role of epistemic communities, defined as “groups of technical specialists who share common causal understandings and policy prescriptions,” is believed to influence the preferences of the domestic level.⁸⁷ It is argued that epistemic communities present certain preferences of the society at the domestic level, thereby influencing the ultimate objective of international negotiations of the domestic level.

Domestic Structure

The domestic structure is an important institutionalist approach in determining the societal impact on international negotiations. This approach focuses on the importance of domestic institutions and is the most similar to Putnam’s two-level game theory in its theoretical framework and assumptions.⁸⁸ However, it is important to note that some elaborations of this theoretical approach have adopted a statesman-centered framework where societal factors do determine state action.⁸⁹

Knopf highlights that in spite of these very different approaches to understanding societal actors impact on the domestic level’s objective for international negotiations, there is still an issue in finding the causal relationship between societal actors, state preferences and the outcomes of international negotiations.⁹⁰ He argues, “knowledge of the “policy networks” that link state and society within a given system is still important, because this determines what institutional avenues are available for influencing policy.”⁹¹ From these three theoretical bases, Knopf is able to formulate his “bottom-up” theoretical framework. In his bottom-up theoretical framework, Knopf argues societal actors influence state preferences through three different

mechanisms of influence: mass electoral pressure, shifting elite coalitions and bureaucratic manipulation of ideas.⁹² Knopf argues each of these mechanisms provides a different pathway of influence for societal actors. Furthermore, Knopf uses his three-and-three theory as means to further explain these three mechanisms in their application to international negotiations, since in international negotiations there are more factors at play that influence the domestic table.

Mechanism I: Mass Electoral Pressure

The first mechanism Knopf discusses is mass electoral pressure. This mechanism “is based on the idea that influence is gained by exerting pressure, and focuses on the electoral arena.”⁹³ Electoral pressure is significant in regimes where the people elect the government. Knopf emphasizes that electoral pressure can work in two ways. It can serve as a means to influence the head of state and it can serve as a means to influence the legislative body to act in a representative manner of societal preferences.⁹⁴

Mechanism II: Shifting Elite Coalitions

The second mechanism, shifting elite coalitions, “comes from alternatives to the pressure model that emphasize information and ideas as useful resources, focusing on the legislative arena.”⁹⁵ This mechanism of influence focuses the legislative branch of government, Congress for example. Unlike in the electoral pathway, “organizations seeking a change...by pooling their resources and coordinating their activities with elites who share some of their policy goals, citizens’ groups can stimulate action by and enhance the capabilities of like-minded political elites.”⁹⁶ Shifting elite coalitions enables advocacy groups and epistemic communities to become part of the elite coalition formation and also potentially become an actor in the formation of state preferences on international negotiations.

Mechanism III: Bureaucratic Manipulation of Ideas

The third mechanism is similar to the second in that it draws on alternative pathways of influence which emphasize information and ideas.⁹⁷ However, in the third mechanism the influence is targeted at bureaucracies rather than the legislative branch. This mechanism is driven by issue networks, policy communities and epistemic communities which often represent the idea of a collective group of experts on the issue area. Of these advocacy groups, it is found that epistemic communities are the most respected and therefore maintain the most influence over bureaucratic relations and ultimately state preferences in international negotiations. Within these advocacy groups, a policy “entrepreneur” who seeks to promote specific state preferences is identifiable.⁹⁸ In international negotiations, the decisions are ultimately made by the executive. Therefore, the policy communities and the entrepreneurs often seek to influence foreign policy bureaucracies, such as the NSC, the Defense Department and the CIA.

These three mechanisms of influence all serve as a pathway for societal actors to influence the domestic win-set in international negotiations. After presenting his three mechanisms of influence, Knopf argues, “it is important to consider the possible impact of interactions between domestic U.S. activism and advocacy efforts by governmental and societal actors abroad.”⁹⁹ It is here that Knopf applies his three-and-three theory as a factor that can also alter the domestic table in international negotiations. Knopf claims that while these mechanisms occur within a state, they can also be manipulated by the foreign state included in the international negotiations. The domestic actors that influence the domestic win-set and ultimately the outcome of international negotiations consist of any actor outside of the executive branch or its equivalent.¹⁰⁰ This allows Knopf’s theoretical framework to be applicable in many different circumstances and accounts for the numerous domestic actors which are highlighted throughout Knopf’s work and other scholar’s work that applies Putnam’s two-level game theory.

Corporatist Theory

There are multiple theories within political literature which examine the role of interest groups in political decision-making and international negotiations. Interest groups are a way for the public to influence political decision-making and the outcome of international negotiations. They often represent a collective opinion from a body of the public, various corporations or associations. One of theoretical approaches is corporatist theory. This theory offers an explanation for the involvement of interest groups in political decision-making and international negotiations and the growing presence of interest group influence in democracies and the control they have on states and decision-making. While there are many theories of interest groups' political involvement, corporatist theory specifically focuses on interest groups representing corporations. Therefore, the theory also touches upon collective political action by large corporations.

Political scholars such as Katzenstein discuss corporatist theory and the presence of corporate interest groups in western democracies.¹⁰¹ Katzenstein found that economic openness and democratic corporatism shape the politics and policy of industrial adjustments.¹⁰² Katzenstein analyzed corporatist theory in small democratic states such as Austria and Switzerland. In these cases, he found corporatist theory offered a sufficient explanation for industrial adjustments and political decisions. Corporatist theory also addresses theories for the collective political action of large corporations.

Corporations engage in collective political action when a group of individual corporations allows an interest group to represent one opinion for the collective body. As Olson discusses, corporate collective action will dictate a collective prescription.¹⁰³ This poses difficulties in larger countries where one interest group represents a small percentage of the

public. In large states, collective action will not benefit everyone. Rather the small percentage represented by the interest group will benefit, since the expressed opinion of one interest group is not the opinion of the majority. Olson goes further and claims collective action provides the best outcome in states where the public is unified and the majority is represented by one body such as a union or one large interest group.¹⁰⁴ In such a situation, collective action will benefit the majority of the public and therefore the state as a whole.

There are various theories which seek to explain the incentives for corporations to engage in political action and furthermore the incentives of collective action. Kathleen Getz enumerates upon the various theoretical explanations for corporate political action.¹⁰⁵ Getz argues there are eight theoretical explanations for corporate political action. These theories are interest group theory, collective action theory, political choice theory, transaction cost theory, resource dependency theory, exchange theory, institutions theory and agency theory.¹⁰⁶ Each of these theoretical explanations provides a different theoretical framework to use in an analysis of corporations decisions. While Getz discusses the theoretical explanations for corporations' choice to be politically active, Burriss goes further and discusses the various theories of business-political partnerships.¹⁰⁷ Burriss discusses six business-political partnership theories; four of the theories discussed by Burriss predict the dominant firms will be the most powerful firms and they will seek long-term stability in the economy. These theories are core-periphery theory, inner-circle theory, managerialism theory, domestic-multinational theory. The final two theories, Yankee-Cowboy theory and regulatory environments theory, discuss the importance of a corporation's geographical location and the political partnerships this will dictate, such as relationships with the elected representative from that region. Corporatist theory offers a unique

explanation for corporations' political involvement; however corporatist theory only accounts for corporations' political involvement through interest groups and collective political action.

Domestic Structure Approach

Knopf skims the surface of the domestic structure approach in his overview of the three theoretical bases to his bottom-up theory of domestic and international interactions. Milner also touches upon aspects of the domestic structure approach in her case studies, in particular the case study on oil negotiations between the United States and Britain. The domestic structure approach to international negotiations highlights the importance of the institutions, domestic actors and links between a state's society and the foreign policy apparatus. The domestic structure approach is formed around the assumption that the structure of a state and the pathways that exist to link the society to the state, both impact a state's foreign policy development. Peter Gourevitch, Peter J. Katzenstein and Thomas Risse-Kappen all discuss the importance of domestic structure to understand the links between society and the state and its impact on international negotiations.

Gourevitch and Katzenstein both highlight the importance of state strength in its relation to the domestic structure and its impact on international negotiations.¹⁰⁸ When the authors refer to state strength they assume a state is either a strong state or a weak state.¹⁰⁹ The strength of a state corresponds to a state being 'state-centered' or 'society-centered' respectively. Gourevitch defines, "strong states, or state-centered policy networks, policy-formation corresponds to the model of unitary government: the state, emanating from the public or some other sovereign, formulates policy which is an articulation of collective interests...Its unitary structure allows it to impose that policy over the objections of particularistic interests."¹¹⁰ He also states, "weak states

(or society-centered policy networks) policy-formation corresponds to a model of pluralistic government: social forces are well-organized and robust. Public institutions are fragmented; power is formally distributed among a large number of interdependent but autonomous agencies.”¹¹¹ The strength of a state will determine if it is state-centered or society-centered. This, in turn, will determine if a state’s foreign policy apparatus has more or less linkages with its society. Katzenstein defines domestic structures as the balance found between a state and a society and whether one wins out over the other.¹¹²

Katzenstein’s description of the domestic structure of a state goes more in depth when he introduces the importance on the links between the state and society aided by bureaucracies.¹¹³ Both public and private bureaucracies serve important purposes in creating the domestic structure of a state. However, whether or not a state has significant bureaucracies with enough strength to impact state preferences will depend upon whether the state is state-centered or society-centered. Risse-Kappen discusses the importance of institutions in understanding the domestic structure, particularly since they often serve as a link between the society and the state and therefore can communicate the society’s preferences to the state.¹¹⁴ Katzenstein also claims the presence and strength of political parties within a state can shape its domestic structure. Partisan attributes can affect the domestic structure through a variety of means: through the structure of the government, through their impact on the society, and through their influence on specific bureaucracies.

Risse-Kappen discusses the importance of domestic structure and the coalition building processes in understanding the relationship between the society, the state and the international negotiations.¹¹⁵ In regards to his emphasis on the coalition building process, Risse-Kappen states, “one should analyze the coalition building process within societies and political systems.

These approaches focus on the “policy networks,” that is, the mechanisms and processes of interest representation by political parties and interest groups that link the societal environment to the political systems.”¹¹⁶ Here Risse-Kappen articulates the idea that a coalition is a policy network that links the society to the state and therefore represents the society’s preferences, such as a coalition in the U.S. Congress. Gourevitch shares Risse-Kappen’s belief of the importance of coalition building as a determining factor. Gourevitch states, “coalition analysis enables us to see how the process of getting a policy adopted affects its content.”¹¹⁷

State strength, bureaucratic importance and coalition building are three characteristics that dominate the literature on the domestic structure approach. Gourevitch, Katzenstein and Risse-Kappen all articulate the importance of understanding the domestic structure. They all stipulate that the domestic structure of a state provides significant insight into understanding how and why a state’s foreign policy is formulated. Their arguments indicate the domestic structure of a state will impact the outcomes of international negotiations, because of their impact on the domestic win-set. Furthermore, Gourevitch argues this influence is two-way and the international structure will impact the domestic structure just as the domestic structure will impact the international one. Still, the overall consensus remains: the domestic structure of a state cannot be overlooked in an examination of international negotiations.

Conclusion

There are many theoretical approaches for analyzing international negotiations. These theoretical approaches span from the traditional approach of realism—as well as other basic theoretical schools of thought—to Putnam’s groundbreaking two-level game theory, to modern complex theories, such as Knopf’s three-and-three theory, which have evolved over time in order

to incorporate the numerous factors present in international negotiations. Each of the theoretical approaches surveyed in this theoretical literature review contributes something different to the analysis of international negotiations. Furthermore, the theoretical literature highlights how these theoretical approaches are all interconnected and how when applied together they can allow for an in depth analysis of international negotiations. Throughout my research I will draw from the theories highlighted here in order to interpret my findings. However, an adaptation of Knopf's three-and-three theory will be the primary theoretical framework which I will use in my analysis of MNC influence on international trade negotiations between the United States and the European Union. But, as this theoretical literature review has shown, each of these theoretical frameworks will illuminate a different and important factor in international relations, and therefore none of them can be overlooked.

Chapter 2: Research Design and Methodology

Multinational corporations are actors growing in importance in the international political arena. Their role in political decisions appears to have significantly increased throughout the past decades because of economic interdependence and ties between corporations across borders. This study explores the level of influence of MNCs on international trade negotiations, building on theoretical works surveyed in Chapter One. In order to explore the impact of multinational corporations on international trade negotiations I will examine their roles in two case studies. Specifically, I will determine the levels and means of influence MNCs exert on trade negotiation outcomes. The first case will pertain to the creation of the High-Level Regulatory Council in 2005. The second case will discuss the 1997 negotiations between the European Union and the United States regarding safety regulations. Further evidence will be gathered through interviews with members of two major corporations involved in the cases surveyed: General Motors Co. and Volkswagen AG. This approach will allow for a rich analysis of the impact of MNCs on international trade negotiations.

Overview of Research Design

Throughout this project, I explore the research question: what is the impact of MNCs on international trade negotiations? This study employs an extension of the three-and-three theory by Jeffrey Knopf, which itself draws from Robert Putnam's breakthrough two-level game theory.¹¹⁸ However, Knopf's theory argues there are three levels of interactions in international negotiations: the domestic level, the domestic-international level and the international level. At the domestic-international level there are three forms of domestic-international interactions that

can occur during international negotiations: trans-governmental connections, trans-national connections and cross-level connections. Each of these domestic-international interactions offers a different pathway of influence between the domestic and international levels of the states involved.

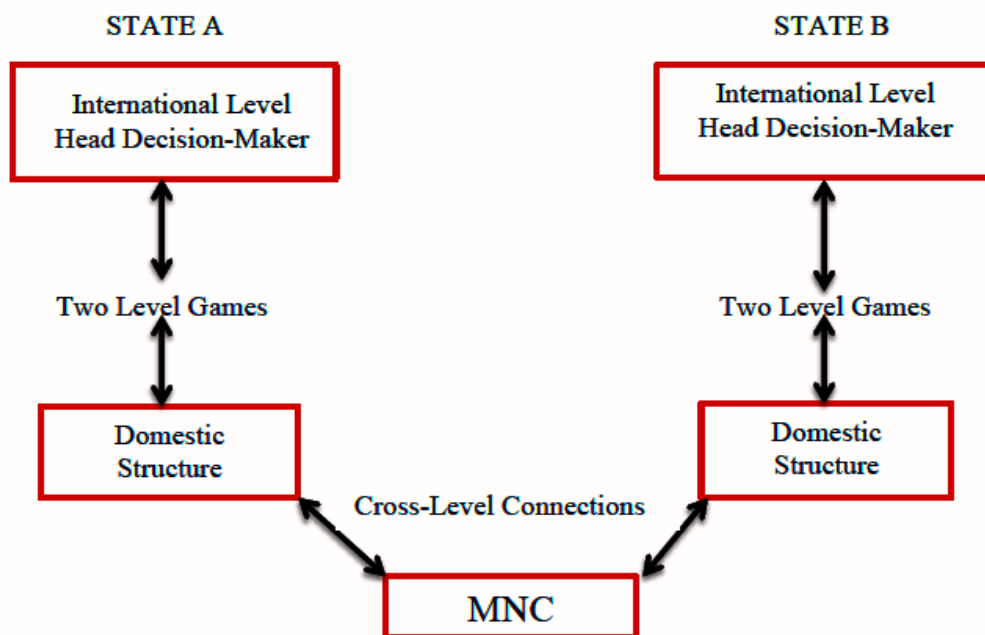
In my extension of Knopf's three-and-three theory, I focus on one of the domestic-international connections: cross-level connections. Cross-level connections best fits my analysis since it accounts for foreign actors influencing a foreign government. The structure of cross-level connections accounts for the presence of a MNC operating in a foreign country and the influence it may have over the host country's government during international negotiations; and the presence of a MNC in its home country and the influence it may have over its home government during international negotiations. This structure makes cross-level connections ideal for the study of MNC influence on home and host governments throughout international negotiations. Furthermore, the structure of cross-level connections allows me to account for the presence of the same MNC in both State A and State B in my theoretical model.

In cross-level connections there are two states involved in international negotiations, state A and state B—home and host countries respectively. Both states are divided at the domestic-international level into opposing factions—each seeking different outcomes of the international negotiation. This division allows for increased influence of external actors on the decision-making process through two main pathways of influence. The first pathway consists of external actors in the domestic arena of state A, influencing the governmental actors of state B and vice versa—meaning it is a two-way pathway of influence. The second pathway of influence consists of the governmental actors of state A influencing the external actors in the domestic arena of states B, and vice versa. My extension of Knopf's theory takes this cross-level connection

framework and adapts it to understand the role of multinational corporations as external actors in the domestic arena.

The theoretical model I develop in order to analyze the influence of MNCs on international negotiations also draws upon the domestic structure approach (see Figure 1). As discussed in Chapter One, the domestic structure approach claims the structure of the domestic arena of a state will play a determining factor in international negotiations. The structure of a domestic arena can allow, aid or inhibit the influence of external actors on international negotiations. The domestic structure mainly provides various pathways of influence for external actors to influence international negotiations, and in some instances, by influencing the domestic win-set. The research done on the domestic structure approach reinforces the fact that it cannot be overlooked when examining international negotiations.

Figure 1: Theoretical Model



Theoretical Model

The theoretical model I develop (Figure 1) extends upon a combination of Knopf's theory and the domestic structure approach. My theoretical model acknowledges MNCs as non-governmental actors in the domestic arena and the fact that the same MNC may be present in both state A and state B's domestic arenas. It also accounts for the domestic structure of each state, viewing the domestic structure of each state as an intervening variable to the pathways of influence used by the MNC. There are two pathways of influence in my theoretical model. The first consists of a domestic MNC in state A, influencing state A's domestic structure and therefore international negotiation outcomes, as seen through two-level game theory. The second pathway of influence consists of the same MNC, yet now considered a foreign MNC since it is operating in state B, influencing the domestic structure of state B and therefore international negotiations. Both of these pathways are displayed in Figure 1.

The hypotheses I will test through this research are:

H1: If a multinational corporation influences its home country's government, then it will be more successful at influencing international negotiation outcomes.

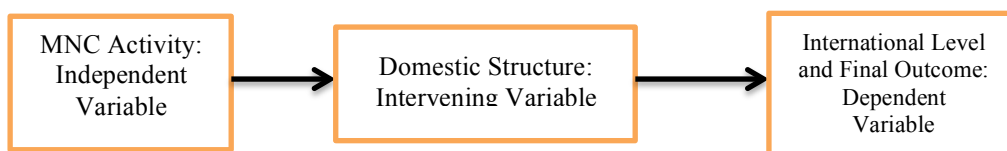
H2: If a multinational corporation influences its host country's government, then it will be less successful at influencing international negotiation outcomes.

H3: A state-centered country will permit multinational corporations to be less successful at influencing international negotiation outcomes directly through governmental actors, but more successful through non-governmental actors.

H4: A society-centered country will permit multinational corporations to be successful at influencing international negotiation outcomes directly through governmental actors.

H0 (null hypothesis): If multinational corporations influence their home country's government, then they will not influence international negotiation outcomes.

Figure 2: Variable Model



The independent variable in my theoretical model is MNC Activity. In order to operationalize this independent variable, several factors must be taken into account. MNC activity refers to whether or not a MNC is active in influencing international negotiations. Furthermore, it refers to the level of activity of a MNC in international negotiations. I will measure the level of MNC activity by analyzing the documented interactions between the MNC in question and the government. From these records, which will be included in my case studies, I will determine MNC activity by examining interactions between the MNC and the government during the international negotiation. Specifically, whether or not the interactions increased, remained the same or decreased after the negotiations began. I will measure the MNC's level of activity with both their home and host governments. Measuring the level of activity between the MNC and both governments will provide a measurement to use in a comparison in my final analysis.

In order to operationalize the intervening variable—the domestic structure of the state—first we must define the state's domestic structure. This may be done by using the state strength argument: “strong states” versus “weak states” or “state centered policy networks” versus “society centered policy networks”.¹¹⁹ This argument states that strong state will have state

centered policy networks—often times seen with a unitary government: “the state emanating from the public or some other sovereign, formulates policy which is an articulation of collective interests...Its unitary structure allows it to impose that policy over the objections of particularistic interests.”¹²⁰ On the other hand, weak states will consist of society centered policy networks where policy formation corresponds to a pluralistic governmental model: “social forces are well-organized and robust. Public institutions are fragmented; power is formally distributed among a large number of interdependent but autonomous agencies...The United States is obviously the most commonly cited exemplar.”¹²¹ The state strength argument is a method to operationalize the intervening variable, and furthermore it is frequently used in academic research to operationalize domestic structure.

Operationalizing the state’s domestic structure will enable us to determine which approach will enable a MNC to be the most successful in its attempts to influence international negotiations: an indirect or a direct approach. Therefore, the second step of operationalizing the intervening variable is to determine the pathway of influence the MNCs tended to use to attempt to influence the international negotiation. The intervening variable highlights how the independent variable, MNC activity, affects the dependent variable, international negotiation outcomes. Ultimately this would determine if the domestic structure of a state impacts the causal relationship between MNC activity and the international negotiation outcome significantly.

In order to operationalize the dependent variable I will compare the final outcome of the international negotiations to the outcomes pressured for by the MNC throughout the negotiations. Furthermore, this comparison can be strengthened by examining the satisfaction of the MNC with the final outcome of the international negotiation. In order to measure their

influence on international negotiations I will determine whether the MNCs are satisfied or dissatisfied with the final outcome.

In summary, this theoretical model will enable me to examine the role of a MNC as it operates within two different countries—its home and host countries. Furthermore, the attribute of the domestic structure as an intervening variable in my theoretical model provides insight on the pathways of influence used by MNCs during international negotiations. The structure of my theoretical model will provide an in depth analysis of my research and ultimately will allow me to draw conclusions regarding my hypotheses.

Methodology

The methodology employed for this study is the comparative case study method. This method of research is great method that combines the richness and rigor of the study of international relations. The comparative case study method is most appropriate when the research explores a specific problem, decision or event; when there are a small number of instances being examined in the research; when the author wants to explore the applicability and usefulness of the theory; and when the process is the main focus of the research. The classifications of the comparative case study method qualify my research to use this method to conduct my research.

Many scholars examining the process of international negotiations use the comparative case study method as the basis for their research. For example, Robert Putnam and Jeffrey Knopf both used case studies as a manner to explore international negotiations and then to exhibit each of their theoretical approaches.¹²² In Evans, Jacobson and Putnam's book, Double

Edged Diplomacy, the comparative case study is used in most chapters to demonstrate two-level game theory.¹²³ These scholars introduced their new theoretical frameworks and then developed them further through an application to a real example of international negotiations. The application of a theoretical framework to specific cases strengthens the arguments made in the theory by exhibiting them in real scenarios.

The cases examined in this study will pertain to international trade negotiations dealing with the automotive industry. In order to collect the necessary data for my case studies I will utilize government documents, bureaucratic documents, press releases and corporate information publically available. These data sources will allow me to build a narrative of the two case studies I will examine and then use them to conduct my research.

I will also use interviews as a method to conduct research. These interviews will be conducted with members of two MNCs I focus on in my case studies and in my analysis—General Motors Co. and Volkswagen AG. Specifically, the interviewees will consist of members of each corporation's government relations department. The use of interviews with current officials of large MNCs will allow my research to be up to date and reflect current connections between MNCs and the government. Therefore it will provide my comparative case study method and my research overall with a second rich and compelling layer of information which I can use in my analysis. The combination of the comparative case study method with interviews will enhance this study of the influence of MNCs on international negotiations outcomes.

Interview Questions

These are the interview questions that will be asked of all the interviewees. However, in order to have a deeper understanding of each company and their unique structures and

relationships with their governments, more specific questions were be asked depending on the position of the interviewee (see Appendix A)

Case Study Selection Criteria

In order to select the cases surveyed in this study, I determined the international negotiations surveyed must be trade negotiations that were completed within the last two decades. This time frame would ensure there would be conclusive evidence on the outcome of the international negotiations. I narrowed my search further to international trade negotiations between the United States and the European Union, which pertained to the automotive industry and therefore included the automotive corporations, General Motors Co. and Volkswagen AG. Each of these case study selection criteria were chosen for specific reasons.

The transatlantic marketplace is a dominant force in the global economy. The United States has been a global economic superpower for decades and is home to many influential MNCs that operate around the globe. The European Union has been a growing political and economic actor since inception after the end of World War II. The growth and power of the European Union in international politics causes external actors such as the United States, to interact with it regarding economic issues. Therefore, because of the economic power of these two political units, there are significant international trade agreements and trade negotiations occurring between the European Union and the United States. Since the European Union is not a state, but a political unit, the intervening variable of domestic structure is applied to the structure of the European Union as a political unit.

General Motors Co. (GM) and Volkswagen AG (VW) are the two MNCs I will focus on throughout this study. Both of these MNCs bring something important to my analysis; however they are still similar enough to use the same theoretical model for both. GM is a U.S.-based MNC in Detroit, Michigan, and its European headquarters are in Russelsheim, Germany. It is one of the largest U.S. and global automotive companies with eleven total brand holdings and operating on 6 continents.¹²⁴ VW has many similar qualities to GM. VW is a German based MNC in Wolfsburg and has a large branch in the United States, mainly in Fairfax Virginia. It is Germany's largest automotive company and a large competitor on the international arena operating on six continents as well. Lastly, both VW and GM are owned partially by the government: the state of Lower Saxony owns approximately 20% of VW¹²⁵, and the U.S. Federal Government owns approximately 19% of GM after the auto bailout in 2008-09.¹²⁶ Analyzing both of these MNCs in the two cases surveyed in this study will allow me to address the hypotheses I will answer in my analysis. It will also allow my results to be more generalizable since I conducted two case studies and analyzed the role of two MNCs in international negotiations.

Case Studies

The proceeding cases examine negotiations between the European Union and the United States with economic and regulatory legislative outcomes. Chapter Three and Chapter Four examine the history of the negotiations in question, the actors involved throughout the process, details of the negotiations and the final outcome. These sections of the chapters illustrate the

variables examined in the theoretical model presented above, and the causal relationships between the variables.

Case Study 1: Creation of the High-Level Regulatory Cooperation Form

The United States and the European Union have had positive political and economic relations. Both political units continue to pursue a mutually beneficial relationship, particularly in regards to economic issues. The first case study I examine in Chapter Three discusses the 2005 Summit negotiations between the United States and the European Union. I focused on the negotiations pertaining to the harmonization of regulations between the two political units. The outcome of these negotiations was the creation of the High Level Regulatory Cooperation Forum. This forum would enable a wide variety of actors from the United States and the European Union to pursue harmonization of the regulations further. The attention paid to the automotive industry in these economic regulations is because it is central to U.S. and European economic prosperity and this prosperity would increase if regulations acting as non-tariff barriers could be harmonized to one standard.

Case Study 2: Safety Regulation Harmonization in 1997

The automotive industry is an important sector of the U.S. and European economies, and it is a large topic of negotiation between the EU and the United States. The second case examined in this study pertains to the joint research of the United States and the European Union and the negotiations between the two political units on the potential harmonization of a divergent safety regulation. In 1997, the U.S. Congress directed the National Highway Traffic Safety Association (NHTSA) to evaluate European regulations in an attempt to harmonize the U.S.

regulations with the European counterparts. NHTSA was the primary actor in this case, along with its European counterpart of the European Enhanced Vehicle Safety Committee (EEVC). Both actors sought to harmonize their divergent domestic regulations into one cohesive regulation that would benefit the automotive industry, the transatlantic marketplace and most importantly the constituents.

Conclusion

The methodology and theoretical model described in this chapter will be used throughout the rest of this study. The application of the theoretical model the cases surveyed in this study will allow for an in depth analysis that will ultimately provide me with findings conclusive to my hypotheses. Furthermore, the comparative case study method I have chosen will include interviews in the two MNCs I will focus on: General Motors Co. and Volkswagen AG. These research methods and the theoretical model will provide insight on my research and enable me to conduct my final analysis and conclusions regarding my hypotheses.

Chapter 3: The Creation of Cooperation

Economic relations between the United States and the European Union have grown since the end of the Cold War. They have strengthened despite tense political relations beginning in 2001.¹²⁷ This steady increase in economic relations may be attributed to the rise in power and reach of MNCs around the globe and it illustrates the increased economic integration and interdependence of the transatlantic economy. The United States and the European Union are large marketplaces that dominate the global market with their manufacturing, exports and financial dominance. The automotive industry and automotive sales comprise a significant portion of trade between the European Union and the United States, and therefore is vital to both economies.

The European Union alone represents the largest producer of automotive vehicles in the world.¹²⁸ The United States, another one of the world's largest automotive producing states, is home to the 'Big Three' auto manufacturers: Ford Motor Company, Chrysler Group LLC and General Motors Co. The presence of MNCs such as General Motors Co. and Volkswagen AG is felt on five continents around the world. Yet, in spite of the importance of the automotive industry to the U.S. and European economies, trade in the transatlantic marketplace faces significant hurdles because of differences in regulations; these divergences create non-tariff barriers for MNCs operating in both countries. The idea of the harmonization of regulations has dominated trade negotiations between the European Union and the United States since the 1970s. This concept is important since it would significantly aid transatlantic trade, especially for large MNCs operating in both marketplaces and it would provide both countries with economic benefits. At a summit between the European Union and the United States in 2005, diplomats created the High Level Regulation Cooperation Forum (HLRC). The Forums' objective is to

build upon previous dialogues in order to create better cooperation mechanisms, to establish better regulations that minimize difference, and to respect each state's decision making.¹²⁹ The Forum is applicable to the whole transatlantic marketplace and all of its sectors.

This chapter will examine the negotiations and the creation of the High Level Regulatory Cooperation in 2005. First, the relationship between the European Union and the United States, as it pertained to the creation of the Forum, is vital information for the development of the case. Second, I will discuss the actors involved throughout the negotiations and the roles they played. Last, I will detail the 2005 summit negotiations and the negotiations' ultimate outcome.

History: Evolution of European Union-United States Relations

The European Union and the United States have recognized the importance of transatlantic trade for decades, yet regulations remain that create non-tariff barriers within the marketplace. Non-tariff barriers consist of a divergence of regulations which cause MNCs to adapt, change or reproduce their products for various marketplaces. Previous meetings between representatives of the European Union and the United States resulted in the foundational structure used in the 2005 negotiations.

Part of this foundation was first created at the summit between the European Union and the United States in London in 1998. Each political unit was represented by international level delegations. The European Union sent the EU Delegation, which had been created in 1954 after the Johnson Administration formally recognized the ECSC (the European Coal and Steel Community, the precursor to the European Union).¹³⁰ In 1998, this delegation was led by Andres van Agt, the former Dutch Prime Minister.¹³¹ The United States delegation was comprised of top officials from the Clinton Administration. In London, leaders discussed a

plethora of issues pertaining to European and U.S. cooperation. An outcome of the negotiations was a joint statement that created the Transatlantic Economic Partnership (TEP). This statement was known as the “TEP Action Plan.” It identified, “a series of elements for an initiative to intensify and extend multilateral and bilateral cooperation and common actions in the field of trade and investment.”¹³² The TEP created the first forum where both political units’ domestic interests could be represented at the international level, and later served as the primary foundation used in the creation of the Forum in 2005.

In 1999, diplomats at the Ministerial Conference in the WTO addressed trade concerns through multilateral and bilateral talks.¹³³ Issues addressed with multilateral action included trade facilitation, tariffs, and competition. Issues addressed with bilateral action included regulatory cooperation, the alignment of standards and regulatory requirements. At this conference international leaders worked together on transatlantic economic issues. U.S. and EU officials agreed, “both sides [would] take actions to address technical barriers to trade in goods, including improving the dialogue between U.S. and EU regulators.”¹³⁴ This placed the burden on the domestic level. Second, officials determined both political units would implement the guidelines from the Action Plan in order to create effective regulatory cooperation and improve the access to each political unit’s regulatory procedures, placing another burden on the domestic level actors.¹³⁵ The domestic level actors’ involvement in the international negotiations clearly illustrates the interactions and communication between the international and domestic levels. Third, officials determined, “all interested parties [would] have meaningful input in regulatory procedures and receive reasonable consideration of their views.”¹³⁶ This acknowledged the importance of MNCs in the negotiations because of the impact any outcome would have on them, and it displays there was communication between them and both international and

domestic level actors. The 1998 TEP Action Plan was used as a foundation in all further negotiations regarding the harmonization of regulations.

In 1999, at the Bonn Summit between the European Union and the United States, the actors met for another round of negotiations. The international leaders called for more communication and early warnings on domestic regulatory legislation development between the United States and the European Union.¹³⁷ Since the regulators were members of their respective domestic governments, an early warning would force both domestic legislators to take the other actor into account in regulation development. The communication between both legislatures represented the actors' commitment to pursuing the harmonization of regulations and improvements in a transatlantic marketplace.

In 2002, the European and U.S. leaders convened once again to discuss topics pertaining to their transatlantic relationship. The outcome of this round of negotiations was the Guidelines on Regulatory Cooperation and Transparency. Specifically, it “enshrined a political commitment to dialogue between EU and US regulators.”¹³⁸ Its objective was, “to improve cooperation between regulators and to promote transparency to the public in establishing and amending regulations.”¹³⁹ The areas targeted by the new guidelines were regulation development, regulation compatibility, communication between regulators throughout regulation development, informing the public of the regulations, and encouraging the engagement of non-governmental actors. Once again a burden was placed upon the domestic level actors in order to make cooperation at the international level easier, indicating further communication and interaction between the international and domestic levels. Furthermore, non-governmental actors' input could be provided through the, “timely opportunity for all interested parties, both domestic and non-domestic, to provide meaningful comments concerning regulatory proposals, including

supporting materials.”¹⁴⁰ Since the development of these guidelines, regulatory authorities on both sides of the Atlantic, “aim at achieving greater convergence of technical rules through a number of sectoral and methodological regulatory dialogues.”¹⁴¹ Overall, these guidelines established further rules and processes for the United States and the European Union to implement and follow.¹⁴²

The foundation created at these three summits allowed the European Union and the United States to begin to remove technical barriers to trade by acknowledging each other’s regulations and work together to make the most harmonized regulations in their individual marketplaces.¹⁴³ However, the outcome of each of these negotiations was reflective of the differences between the two political units. The progress made between the three meetings detailed above was slow and relatively small. These meeting’s outcomes reflected the best agreements the international leaders could achieve, while still being restrained by their domestic levels which were significantly less willing to cooperate. One automotive executive discusses how international negotiations are great theoretically, but they rarely work, “they are all talk and no play.”¹⁴⁴ Therefore, when the 2005 summit began in June, the international levels and both domestic levels were finally ready for a concrete outcome.

Case Study: Creating the Forum

Actors

At the 2005 summit, numerous actors were present, each fulfilling their own role and adding something unique to the various outcomes. The actors present at the 2005 summit in Washington D.C. can be classified into two different categories: political actors, at the

international and domestic level, and non-governmental actors, representing both states. All sets of actors were influential throughout the 2005 negotiations and the resultant creation of the High Level Regulatory Cooperation Forum. Furthermore, interactions between the actors were constant throughout the summit and they occurred between the international and domestic level actors, the domestic level and the non-governmental actors and the international and non-governmental actors.

Political Actors

In order to understand the roles of political actors and non-governmental actors in the European Union and the United States, an understanding of each political unit's domestic structure is necessary. As seen in Chapter One, state strength in relation to domestic structure provides a reasoning for which actors are most influential in political decision-making. Gourevitch and Katzenstein discuss the difference between 'state-centered' and 'society-centered' states.¹⁴⁵ Gourevitch defines, "strong states, or state-centered policy networks, policy-formation corresponds to the model of unitary government: the state, emanating from the public or some other sovereign, formulates policy which is an articulation of collective interests... Its unitary structure allows it to impose that policy over the objections of particularistic interests."¹⁴⁶ He also says, "weak states (or society-centered policy networks) policy-formation corresponds to a model of pluralistic government: social forces are well-organized and robust. Public institutions are fragmented; power is formally distributed among a large number of interdependent but autonomous agencies."¹⁴⁷

The United States is a society-centered state because of the structure and nature of its government. The separation of powers between the legislative, executive and judicial branches

of government allow for the public and non-governmental actors to have an impact upon politics. The European Union is a governmental body representing 27 sovereign member countries. Therefore, the nature of the European Union's structure is highly bureaucratic with numerous individual institutions each of which has their own jurisdiction over an aspect of the European Community. Therefore, the European Union is a society-centered political unit as well, making the public influential in EU politics.

The 2005 summit was led by international level officials from the European Commission and the U.S. Federal Government.¹⁴⁸ The U.S. was represented by members of the Bush Administration. These officials consisted of the President himself and his immediate cabinet advisers. At the international level, the European Union was represented by the President of the European Commission, José Manuel Barroso, European Council President, Jean-Claude Juncker and Secretary General of the European Council, Javier Solana.¹⁴⁹ These were the three leading actors for the European Union throughout the summit. However, they mainly interacted with their respective U.S. counterparts.

Since the summit negotiations covered such a broad array of topics, separate topic-specific negotiations were conducted. The international level actors focused on issues such as Middle East Peace and counter-terrorism, topics of high importance on each state's agenda and in the public eye. Specific domestic level bureaucracies handled the topic-specific negotiations pertaining to their department. These U.S. bureaucracies, and the domestic level actors that represented them, included the Commerce Department, the Office of the U.S. Trade Representative, the Office of Management and Budget, the Ambassador to the European Union and the Office of Information and Regulatory Affairs.¹⁵⁰ These U.S. domestic level actors represented portions of the public; however further non-governmental actors were present to

represent the public with a vested interest in the negotiations. The European Union had domestic level actors from various bureaucracies as well, such as the Directorate General of Enterprise and Industry, the External Relations and European Neighborhood Policy, the Trade Commission and the Common Foreign and Security Policy Council. These domestic level actors conducted dialogues with their respective U.S. domestic level actors and agencies, and were the actors dealing with topic-specific negotiations—including the transatlantic marketplace and the harmonization of regulations.

Non-Governmental Actors

Non-governmental actors played a vital role at the 2005 summit. Previous summits created the precedence that stakeholders' views would be included in the negotiations, and this was continued at the 2005 summit. Stakeholders consisted of MNCs, interest groups and associations. Cultural differences between the United States and European Union cause MNCs from each political unit to approach the government in different manners. In the United States, MNCs build much more personal relationships with politicians. These one-on-one relationships are often built behind closed doors where politicians can truly listen.¹⁵¹ Meanwhile, in Europe MNCs operate collectively and through associations. These cultural tendencies stick with MNCs despite the country they are operating in and determine how the MNC will approach a government. However, some MNCs do alter their approach to governmental officials for the different countries in which they operate. One auto executive spoke of how in the United States, General Motors focuses on individual relationships with politicians and regulators, rather than relationships with intermediary actors and therefore approaching politicians through an association as they must do in Europe.¹⁵²

One powerful and highly present association at the summit was the Trans-Atlantic Business Dialogue (TABD).¹⁵³ The TABD was the most prominent non-governmental actor at the 2005 summit. The TABD was, “the principle business interlocutor with the U.S. Government and the European Union on the transatlantic economic relationship...serves as the official dialogue between American and European business leaders and the U.S. cabinet secretaries and EU commissioners.”¹⁵⁴ Volkswagen AG, is a member of the TABD. Therefore, their opinions and preferred outcomes were communicated to both EU commissioners and U.S. cabinet secretaries by this association throughout the 2005 summit. However, GM is not a member of the TABD despite fulfilling the qualifications. GM’s lack of membership in the TABD could be attributed to its cultural inclination to government relations. GM builds personal relationships with both domestic level and international level actors. Furthermore, GM did not need to be a member of the TABD, since the summit occurred in its home country. This is most likely the main reason why GM does not see it as beneficial to belong to this specific association.

The U.S. Chamber of Commerce was another association present in 2005. They represented the economic and business interests of U.S. businesses, including General Motors Co. In relation to transatlantic trade and an EU-US partnership, the U.S. Chamber of Commerce, “supports the ongoing efforts to remove non-tariff barriers to trade within the Transatlantic Economic Council—and believes the transatlantic partners can go further.”¹⁵⁵ This non-governmental actor became a force in the Forum after its creation as a representative of U.S. business interests in a variety of negotiations.

On the European side, a dominant non-governmental actor involved was the Union of Industrial and Employers’ Confederation of Europe (UNICE).¹⁵⁶ This association was renamed and is currently known as Business Europe. Business Europe represents numerous countries,

companies and associations from all members of the European Union. Germany houses multiple automotive producers from around the world; and some of the world's largest automotive names call Germany home: Daimler, BMW, Mercedes and Volkswagen. Therefore it comes as no surprise that one of Business Europe's powerful associations, the Bundesverband der Deutschen Industrie, (the Federation of German Industries, or BDI), serves as a united voice for all of German industry. According to the BDI's own description, "BDI is the leading organization of German industry and industry-related services. It speaks on behalf of 38 sector associations and represents over 100,000 large, medium-sized and small enterprises with a good eight million employees. Industry speaks with once voice to political institutions at the national, European and international level."¹⁵⁷ This influential association is one of the primary examples of how the European approach is much more collective, with the mind-set of "safety in numbers".

One of BDI's members is the Verband der Automobilindustrie, (the Association of the Automobile Industry, or VDA). The VDA represents automotive manufacturers operating in Germany, including Volkswagen AG and General Motors Co. in national and international settings and advocates for the German automotive industry.¹⁵⁸ Each of these non-governmental actors involved represents a variety of actors including the MNCs in examined throughout this study. These non-governmental actors were present throughout the preceding summits, represented a variety of non-governmental actors at the 2005 Summit in Washington D.C. and became important actors within the Forum itself.

Cultural differences between European and U.S. corporations explain why more European associations were documented as present at the 2005 summit. Associations and unions such as the TABD, BDI, Business Europe and VDA were highly influential. These associations represented European corporations' interests more so than U.S. interests. U.S. corporations

operate on a personal level. Relationships are built between the corporation and the government, thereby bridging the intervening actors of associations who have to take all of their members' desires into account.¹⁵⁹ U.S. corporations were at an advantage at the 2005 summit since it was hosted in their home country, illustrating the importance of the summits location. This allowed them to play by their rules that they are most accustomed to and not need to adapt to fit European cultural approaches as they must do in other circumstances. Furthermore, MNCs may have been present and influential at the negotiations, but simply not documented as such. Members of government relations departments acknowledge this. They claim very little government relations and communication between MNCs and any government will occur in the public sphere. It all must happen in private, behind closed doors, where politicians can let their guard down and truly listen and negotiate.¹⁶⁰ This may also contribute to the divergence in U.S. and European approaches. Politicians in the United States are much more willing to speak with MNCs from their own country rather than foreign ones.¹⁶¹ Therefore, foreign MNCs must attempt to influence politics through associations and intermediary actors, while U.S. MNCs can use their relationships with the government.

The Negotiations and Outcome

European and U.S. officials addressed a wide range of issues at the 2005 summit. These issues ranged from the situation in the Middle East to energy security to transatlantic trade. Negotiations pertaining to transatlantic trade and the harmonization of regulations produced the High Level Regulatory Cooperation Forum described in the public document: Initiative to Enhance Transatlantic Economic Integration and Growth.¹⁶² Domestic level actors from the

European Union and the United States conducted these negotiations. At the 2005 summit, negotiators used the foundations from the three preceding summits as a platform for the new legislation. The new Forum created a place for domestic actors, non-governmental actors and stakeholders such as MNCs to discuss the harmonization of regulations in all sectors of the transatlantic economy, an important step to ensure the future of harmonization attempts.

The key leaders—President Bush and President Barroso—opened negotiations in June of 2005 in Washington D.C.. As previously mentioned, the summit consisted of discussions between the international level actors, and separate topic-specific dialogues between respective domestic level actors. International level actors addressed topics most prominent to the mass public, such as Middle East peace. Less publicized issues, such as the transatlantic marketplace and the harmonization of regulations, were handled by domestic level actors.

Domestic level actors from the European Union and the United States met and negotiated issues pertaining to the harmonization of regulations and the transatlantic marketplace. These domestic-domestic negotiations eventually produced the Forum. The Office of Budget and Management and the Directorate General of Enterprise and Industry were the two leading bureaucracies at the negotiations. They had traditionally handled transatlantic regulation divergences, and therefore the negotiation's outcome acknowledged their previous dialogues and ensured their inclusion in any further negotiations within the Forum. As with the previous negotiations between the European Union and the United States on the harmonization of regulations, each state had their own agenda. This made coming to a consensus difficult, since neither state was willing to compromise on all attributes of their regulations.

The outcome of the negotiations, the High-Level Regulatory Cooperation Forum, was another step towards the ultimate goal of regulation harmonization. Several priorities were

outlined in the Initiative: to promote further EU-U.S. regulatory cooperation, further legislative cooperation between the two political units and to continue consultations with stakeholders in the transatlantic economy.¹⁶³ Therefore, the Forum would maintain international level cooperation, domestic level cooperation and the consultation and incorporation of MNC's knowledge and opinions. Furthermore, it would enhance progress towards the harmonization of regulations, encourage further international level dialogue regarding the transatlantic market, and hopefully lead to better regulatory legislation on both sides of the Atlantic.¹⁶⁴

Specifically, the Forum identifies opportunities for transatlantic cooperation on sectoral issues, bridging gaps when there is a divergence in the two administrations responsibilities, and pushing for preemptive dialogues on emerging regulatory issues.¹⁶⁵ Potential Forum dialogues would pertain to topics like, "good regulatory practices, transparency provisions and public consultation, impact assessment methodologies, and risk assessment methodologies."¹⁶⁶ It was the hope these types of dialogues would allow the United States and the European Union to better understand each other's regulations and therefore hopefully achieve harmonization. Furthermore, the Forum would include and continue stakeholder consultation on the various sectors of the transatlantic economy. These consultations would be provided by, "other regulators as well as representatives from academia, think-tanks, businesses, NGOs and other organizations will be invited to participate."¹⁶⁷ The inclusion of non-governmental actors in the Forum negotiations would ensure the Forum would have a thorough understanding of the sectoral issues affecting large economic players and therefore citizens of both political units through potential economic gains or hardships.

The Forum handles regulations from various sectors in the transatlantic economy. These sectors include pharmaceuticals, communications technology standard, product safety, food

safety, chemicals and automobile safety. The objective for automobile safety is the, “cooperation between the U.S. National Highway Traffic Safety Administration (NHTSA) and DG Enterprise and Industry/Automobile Unit in areas of automobile safety regulations.”¹⁶⁸

While the Office of Budget and Management and the Directorate of Enterprise and Industry led the 2005 negotiations, these two bureaucracies had been the leading domestic actors on automobile safety regulations prior 2005.

The 2005 Initiative also detailed specifically how the Forum would pursue the harmonization of regulations for the automotive sector:

“develop agreed workplans for these regulatory cooperation projects and proceed with implementation. Consider addition topics that may be suitable for cooperation, such as future collision mitigation technologies, electronic stability systems and harmonization at the global level of dummies used in side-impact crash tests. Discuss ways to promote a science-based approach to global technical regulations under the United Nations 1998 Agreement.”¹⁶⁹

The Forum consequently provided a setting where further negotiations pertaining to automobile safety regulations could be held. If the final barrier of the divergence in European and U.S. regulations were eliminated through international cooperation within the Forum, trade in the automotive sector would significantly increase, benefiting both political units and all MNCs.

In summary, the High Level Regulatory Cooperation Forum provides a setting for regulators from the European Union and the U.S. Government to meet and discuss regulations in a variety of economic sectors in the transatlantic marketplace. These sectors include the automotive sector and regulations pertaining to automobile safety. The pursuit of the harmonization of regulations between Europe and the United States has been an objective of the industry for years as their international presence has grown. For the automotive sector, the Forum is a setting where industry officials and specialists can meet with government representatives and provide detailed information in order to aid the process of the harmonization

of regulations. The variety of actors included in the Forum illustrates that the European Union and the United States do intend to reach an understanding in safety regulations for one of the largest industries in both states. However, many industry representatives are hesitant to put their faith in another governmental body in the pursuit of the harmonization of regulations in the transatlantic marketplace.

Chapter 4: The Side Impact of the Harmonization of Regulations

Governmental regulations are an integral part of the automotive industry. According to one high level executive, the automotive industry is, “if not the most, one of the most regulated industries.”¹⁷⁰ This indicates the importance governmental regulations have within the automotive industry and how automotive corporations must therefore account for this. However, while regulations are imposed for safety purposes, they often create headaches for multinational automotive manufacturers like General Motors Co. and Volkswagen AG. In addition to having to meet constantly changing regulations for their home country, large multinational corporations must meet different regulations for each state in which they produce and sell. The sheer amount of regulations forces automotive manufacturers to run productions differently and to alter their products to comply with the regulations for the different marketplaces. Many government relations executives in the automotive industry hope this will be enough to make everyone happy.¹⁷¹ However, in a world where technologies change on a daily basis, regulations must evolve just as quickly.

The harmonization of regulations has been a goal of the United States and the European Union since 1979.¹⁷² The previous chapter discussed the progress made towards this goal at the 2005 European Union and United States summit in Washington D.C.. The outcome of the 2005 negotiations was the High-Level Regulatory Cooperation Forum. The Forum represented another step towards the harmonization of regulations in the transatlantic economy. It created a way for all actors to participate in automotive regulation negotiations. This chapter discusses the 1997 U.S. and European attempt to harmonize side-impact and frontal crash test regulations.

The United States and the European Union have acknowledged the benefits harmonization of automotive safety regulations could bring their economies. Both political units had their own side-impact and front crash test regulations; however the U.S. regulation was significantly older. This divergence in regulations had created non-tariff barriers within the transatlantic marketplace. Non-tariff barriers impede transatlantic trade, since alternative requirements cause corporations to produce different products for each marketplace. In September 1996, the U.S. Congress directed the National Highway Traffic and Safety Association (NHTSA) to conduct research on the U.S. and European side-impact regulations. Ultimately, Congress wanted NHTSA to determine if the differences in the two regulations could be harmonized, and therefore eliminate one obstacle for MNCs operating in the United States and Europe. Members of the Directorate General of Enterprise and Industry, NHTSA's European counterpart, were happy to work with NHTSA in the hopes of finding a harmonized regulation for the transatlantic economy. However, each political unit's unwillingness to compromise throughout the negotiations made any potential outcome appear bleak.

In this chapter, I first provide a brief explanation of the immediate history preceding the collaboration of the United States and the European Union on this specific regulation. Second, I present the actors involved in the negotiations and research. Third, I discuss how representatives of the European Union and the United States cooperated throughout the discussions. Last, I present the outcome of this cooperation and the discussions.

History

The United States, the European Union and their bureaucracies worked towards the harmonization of regulations in other areas of the automotive industry prior to 1997. The pursuit

of the harmonization of side-impact and frontal crash test regulations began in 1979 at the Seventh International Technical Conference on Experimental Safety Vehicles in Paris, France. In 1980, governmental officials, industry representatives and experts, held a public meeting to discuss these regulations again. Political actors, non-governmental actors and MNCs were included at both meetings. Their presence represented the importance given to all actors throughout the regulation making process. This also represented the potential for influence on the final outcome. These meetings illustrated the intent of the United States and the European Union to move towards the harmonization of regulations in the automotive industry.

The U.S. regulation on side-impact and frontal crash testing had been in place for thirty years prior to the Congressional directive in 1996. The U.S. regulation, legally known as FMVSS No. 208, was first approved by NHTSA in 1972.¹⁷³ In an ever changing world, though regulations must be in keeping with the most recent technologies and dangers, the U.S. side impact and frontal crash test regulation was outdated and therefore potentially useless. The outdated regulation was the primary cause for the Congressional directive in the fall of 1996. However, Congress also wanted to push for further progress in the harmonization of regulations. The European Union adopted their side-impact and front crash test regulation in 1996 and it was to go into effect in 1997. The new European regulation provided Congress with an incentive to push NHTSA to update the U.S. regulation, to learn from its European counterparts, and hopefully to create a harmonized regulation. The goal of the harmonization of regulations provided NHTSA with three possible outcomes: to rewrite the existing regulation in harmony with the new European regulation, to add an amendment to the existing U.S. regulation that was in harmony with the European regulation, or to do nothing and deny both options all together.

In September 1996, Congress directed NHTSA to conduct research on the differences between the U.S. and European side-impact and front crash test regulations. The Congressional directive was the U.S. Federal Government forcing a domestic level actor—NHTSA—to work towards the harmonization of regulations with the European Union in regards to the automotive industry.¹⁷⁴ The objective of this directive was for NHTSA to determine if the safety of U.S. citizens would benefit from a harmonized regulation. NHTSA's leadership in these discussions causes this case to be significantly different and important from the preceding one. NHTSA worked closely with their European counterpart which is further reason why this case is so unique. The Congressional directive stipulated NHTSA would present a report to Congress by 1999 with their research findings and their ultimate decision—whether or not the U.S. and European regulations would be harmonized.

The European Union and the United States acknowledged the growing importance of the automotive industry in their highly manufacturing-based economies. The recognition of the industry and MNCs as important actors in the transatlantic economy is reflected in several documents jointly published by the United States and the European Union prior to 1997 and throughout the discussions. These public statements demonstrate the push towards the harmonization of regulations in 1997 was not only to learn from each other, but also to improve the large auto manufacturers' bottom lines through the elimination of various non-tariff barriers created by regulatory divergences.¹⁷⁵ The acknowledgment of the industry as a source of information in the development of safety regulations continued throughout the discussions. This continued despite cultural differences between the European Union and the United States which affect how corporations are viewed in each state. While the historical context is pertinent to this

case, the actors involved in the discussion provide important information for the case development.

Case Study: The Harmonization Discussions

Actors

In the 1997 discussion between the European Union and the United States, domestic level actors were the most present and important throughout the case. This characteristic of this case study conflicts with most international negotiations, particularly those between the European Union and the United States. Typically, international level actors are the most important actors involved in negotiations. However, in 1997 domestic level actors, representing each political unit, led the discussions. The lack of international level actors throughout this process suggests this case reflects more domestic-domestic interactions than traditionally seen. There were several non-governmental actors present throughout this process as well. NHTSA recognized MNCs and industry representatives as a source of expertise regarding new regulations, since these actors would be most impacted.¹⁷⁶ Robert Putnam helps us understand which actors are international level actors and which are domestic level actors in his research.¹⁷⁷ International level actors consist of the head of government, diplomats and any international advisers. Domestic level actors consist of legislative figures, bureaucratic agencies, interest group representatives and domestic advisers to the head of government.¹⁷⁸ These international and domestic level political actors play important roles, but non-governmental actors are also crucial players. At both the international and the domestic level, actors can be divided into two different categories: political actors and non-governmental actors. Throughout these negotiations both political and non-governmental actors played vital roles in determining the ultimate outcome.

Political actors are all actors affiliated with a state's government: executive branch members, legislative branch members, representatives of governmental bureaucracies and other elected officials. Non-governmental actors are the actors not affiliated with the government. They often represent various opinions of the public, but are not elected to their positions.

Domestic Level Actors in the United States

The most prominent domestic level actor for the United States is Congress. Congress represents the constituents of the United States and acts on their behalf. However, it rarely interacts with foreign international level actors, which further strengthens its classification as a domestic level actor. Along with Congress, other domestic level political actors were present throughout the 1997 discussions. The National Highway Traffic and Safety Association (NHTSA) was the leading domestic level actor in this case. NHTSA is classified as a domestic level political actor since it is a governmental bureaucracy. Furthermore, documentation of the negotiations and current interviews show NHTSA is one of the leading bureaucracies in the United States for automotive safety regulations.¹⁷⁹ While other governmental bureaucracies are sometimes consulted, in this case NHTSA was the primary leader of the 1997 discussions.

There is significant documentation on the roles and actions of domestic level political actors in the United States throughout these negotiations, the documentation of the presence of non-governmental actors, specifically MNCs, is far rarer. Interactions between government officials and MNCs rarely occur in the public sphere, rather in private, making them more difficult to document. One automotive executive explained that government relations must happen in private, behind closed doors, where government officials can let their guard down and truly listen to industry and corporate opinions and then negotiate.¹⁸⁰ However, GM was

documented as present in the 1997 discussions and provided data to the research.¹⁸¹ The presence of MNCs throughout the regulation development process is significant. Furthermore, MNC representatives interact with both international and domestic level actors. Which actors they interact with often depends on the regulation in question. The MNC must then choose their avenue of communication.

Further non-governmental associations from the United States were present during these negotiations. The Insurance Institute of Highway Safety, the American Automobile Manufacturers, Motor Vehicle Safety Research Advisory Committee and the International Harmonization of Research Activities. These non-governmental actors represented the various domains affected by automotive safety regulations and specifically a harmonized automotive safety regulation. Therefore, they were invited to participate throughout the discussions and research. The political and non-governmental actors present at the 1997 discussions represented various segments of the United States. Their presence ensured that all interested and impacted parties were heard in the development of regulations. Furthermore, while political actors were documented as being present, throughout the discussions, non-governmental actors—specifically industry and MNC representatives—were present despite their presence being less known and publicized. Their presence was simply kept private in comparison with other actors.

Another important aspect to MNC presence in the 1997 discussions is the cultural differences between the European Union and the United States. The opinions of non-governmental actors and industry representatives are held to a high esteem in the United States in comparison with the European Union. In the United States MNCs are given a presumption of authority.¹⁸² They are respected for understanding how the industry works and for knowing what they are talking about with regards to safety regulations and for wanting the best safety

regulations.¹⁸³ Therefore, MNC input is respected and revered as enlightened information throughout the regulation development process and a MNC has a larger chance of influencing regulations and various policies. As another automotive executive points out, the industry is often a few steps ahead of the safety regulation. After all, this is their job.¹⁸⁴ Cultural differences for corporations effects how MNCs interact with governments during negotiations. Their approach is further determined by the location of the negotiations and the culture of the hosting government.

Automotive and industry executives are frequently consulted in the United States rather than in the European Union. The culture of the United States and their acknowledgement of the industry as a source of expertise, make it possible for MNCs and other industry representatives to have their opinions heard and potentially influence the final outcome. The society-centered domestic structure of the United States permits MNCs to communicate easily with the government. MNCs use a variety of avenues of communication in order to ensure their opinions are heard at all levels of government and that their desires are likely represented in the final outcome.¹⁸⁵

Domestic Actors in the European Union

The EU's structure is highly bureaucratic, since it is an institution representing 27 sovereign member countries on a variety of issues. Therefore, the European Union is comprised of many bureaucracies; each designated its own area of expertise. However, it is the European Parliament that approves the regulations and ratifies them into law. In the 1997 discussions, the Directorate General of Enterprise and Industry was the leading bureaucratic actor for the European Union. The DG Enterprise and Industry handles numerous regulations for European

industries, including the automotive industry. However, in this circumstance a special committee was formed to focus solely on automotive safety regulations. The European Enhanced Vehicle Safety Committee (EEVC) was founded in 1974 as a specialized committee dedicated to enhancing vehicle safety.¹⁸⁶ The EEVC was created through bilateral agreements between the United States, France, Germany, Italy, the United Kingdom, Japan and Sweden.¹⁸⁷ The committee's creation was a response to the United States' foundation of the Experimental Safety Vehicles International Program. The purpose of the program was, "to ensure the continuing exchange of information between the participating governments, and their collaboration to achieve the best use of their available resources in response to the United States' innovation to participate in the development of experimental safety vehicles."¹⁸⁸

The EEVC constantly interacted with non-governmental actors. At the EEVC's creation, it was even commanded to receive input from various knowledgeable actors in the industry. These actors include automotive manufacturing associations and MNCs. They would provide data and expertise on research and a viewpoint of how regulations impact the manufacturers and therefore consumers.¹⁸⁹ However, as discussed previously, in European culture MNCs as individual actors are not highly regarded as a source of information. Rather, the collective opinion of associations account for much more throughout the European regulation development process. Therefore, U.S. MNCs are often forced to work within these associations in order to influence regulation development in the European Union. Furthermore, the structure of the European Union enables European Parliament to assume the development of regulations. So, in spite of a MNCs actions and relationship with the EU's bureaucracies, when Parliament overtakes the decision-making process, MNCs and their knowledge and input are disregarded.¹⁹⁰ The culture of the European Union is a reason for the emphasis on a group oriented approach for

government relations. This cultural norm gives rise to the powerful non-governmental actors such as Business Europe, the Bundesverband der Deutschen Industrie, (the Federation of German Industries, or BDI), the Verband der Automobilindustrie, (the Association of the Automobile Industry, or VDA) and the European Automobile Manufacturers' Association (ACEA).¹⁹¹

MNCs communicate through these associations with European regulators, such as the EEVC, because of the culture of the European Union. However, one U.S. auto executive speaks of the “charm” Americans have to Europeans. American’s directness makes them interesting and makes them someone they want to deal with.¹⁹² Therefore, some U.S. MNCs operating in Europe still approach the EU’s bureaucracies and European governments through a one-on-one approach, along with the European approach of collective action. According to executives at one automotive manufacturer, informing bureaucracies like the EEVC is the primary purpose of the government relations department. They must help regulators understand data and inform the debate on regulations.¹⁹³ Therefore, government relations are “a complicated balancing act.”¹⁹⁴ While the EEVC was the leading actor for automotive safety negotiations and regulations, in 1997 the EEVC created Working Group 12 (WG-12). WG-12 was placed in charge of side-impact regulations and therefore worked most closely with the U.S. domestic actor, NHTSA, throughout the discussions and research.¹⁹⁵

The Process

In 1996, Congress issued NHTSA the directive to research the benefits of harmonizing the U.S. and European regulations of side-impact and front crash tests. Research and consultations between the United States and the European Union began in 1997, chiefly led by NHTSA and the EEVC’s WG-12. The U.S. regulation from 1972 focused on the protection of

the upper body in side-impact and frontal crashes. Meanwhile the newly instated European regulation focused on different aspects of the passenger's safety, like the protection from lower body injuries, which had been overlooked by NHTSA. Congress believed NHTSA could learn from the new European regulation and harmonize the U.S. regulation to the European one as they updated it.

Upon hearing of the Congressional directive, the European Union, the DG of Enterprise and Industry and the EEVC were pleased to work with their U.S. counterparts in this step towards the harmonization of an automotive safety regulation. It would benefit both political units involved, it would benefit corporations operating in these political units and it would benefit the transatlantic marketplace. Leaders of NHTSA traveled to Europe to work with the EEVC and WG-12 and research the costs and benefits of the European regulation in comparison with the U.S. regulation. The EEVC was in charge of conducting tests and creating the legislation for automotive safety as part of a sub-department of the DG Enterprise and Industry. In an effort to collaborate with not only their U.S. counterparts, but also their Japanese, Australian and Canadian counterparts, the EEVC invited representatives from NHTSA, the Japanese Ministry of Transport, Transport Canada, and the Federal Office of Road Safety in Australia.¹⁹⁶ Furthermore, the EEVC was committed to producing a regulation that would best benefit automotive MNCs; therefore the EEVC invited industry representatives, and corporate representatives to participate in the discussions and research of the regulation.¹⁹⁷

In the assessment of the regulation and the discussions regarding the harmonization of the regulation, data was used to support every argument. NHTSA provided the EEVC with data on their side-impact and front crash test requirements. This data helped the EEVC assess the level of the European regulation in comparison with the U.S. regulation.¹⁹⁸ Throughout the assessment

process, NHTSA worked closely with the EEVC and constantly updated their opinions and proposals in their attempt to reach an outcome. NHTSA wanted the EEVC to alter aspects of its regulation in order to incorporate aspects from the U.S. regulation. In essence, both political units wanted each other to compromise. Ultimately NHTSA representatives “hoped that the Europeans would improve existing component regulations when applicable, rather than develop a new regulation with different specification and procedures.”¹⁹⁹ NHTSA wanted specific requirements in the European regulation, but the Europeans were unwilling to yield on certain components of their regulation which gave a daunting prospect to the potential harmonization of the regulation between the United States and the European Union.

During the negotiations and the assessment, a petition was presented to NHTSA by a group of automotive associations in an attempt to steer NHTSA towards their desired outcome.²⁰⁰ These associations were willing to meet with NHTSA and work side-by-side with them in order to provide concrete data and analysis in an attempt to expedite the outcome of the negotiations and to make the outcome more favorable to themselves. The petition explicitly asked for NHTSA to consult with multiple governments throughout the process, as well as automotive associations, manufacturers and consumer representatives.²⁰¹ Despite the associations’ best efforts and the submission of the petition, NHTSA ignored the details of the petition and continued their research. While this petition is a small action in the course of the negotiations, it represents the expressed desires of non-governmental actors and their intentions to influence the final outcome of the process.

The Outcome

The United States and the European Union collaborated in 1997 in an attempt to harmonize their side-impact and front crash test regulations. Throughout the assessment and discussions, domestic level actors worked closely together. NHTSA and the EEVC WG-12 were the two leading domestic level actors throughout this process; however multiple non-governmental actors were invited to participate in the process and sought to influence the process, including MNCs, industry representatives and manufacturers from both political units. As stated earlier, NHTSA and the EEVC had three options: they could harmonize their individual regulations to match one another; the United States could add an amendment to their existing regulation as they updated it that would be in harmony with the European regulation or they could part ways and not harmonize their regulations at all. Each of these options had benefits and consequences, and it was for NHTSA to decide which outcome would provide U.S. constituents with the safest vehicles.

One of the largest obstacles to the 1997 discussions was that neither state was willing to compromise enough in regards to their regulation, in order to achieve harmonization. This failure to compromise was what ultimately killed all hopes of a positive outcome from the research and discussion conducted in 1997. While NHTSA made the decision that the United States would neither add an amendment harmonized with the European regulation nor harmonize their regulation to match it, NHTSA and the EEVC continued to work together towards the goal of harmonization of regulations in all areas of automotive safety.²⁰²

The ultimate outcome of the assessment and discussions in 1997 was negative. In their concluding report in 1999, NHTSA informed Congress that the U.S. regulation could not be harmonized with the European regulation. NHTSA believed the EU regulation did not fulfill

their crash test qualifications, since results showed injuries acquired with the European regulation were avoided with the U.S. regulation. However, NHTSA did state that aspects of the European regulation would be incorporated into a new updated U.S. regulation on side-impact and frontal crash tests. This aspect of the 1999 report indicated that something was gained from the years of cooperation and work between the two political units. This case illustrates how even a negative outcome to an attempt at the harmonization of a regulation provided the transatlantic community with something positive—the two political units learned from one another, which could ultimately lead to future successful harmonization outcomes.

Chapter 5: Analysis and Conclusions

Multinational corporations appear to have grown in power and influence over the past two decades. Now these non-governmental institutions have branches around the world, and interact with international governments on a regular basis. The presence of MNCs in politics suggests an unprecedented level of influence in policy decision-making. The aims of this study were to determine if MNCs do influence the outcomes of international trade negotiations. Specifically, in this study I sought to determine the level and means of influence MNCs have on the outcomes of international trade negotiations.

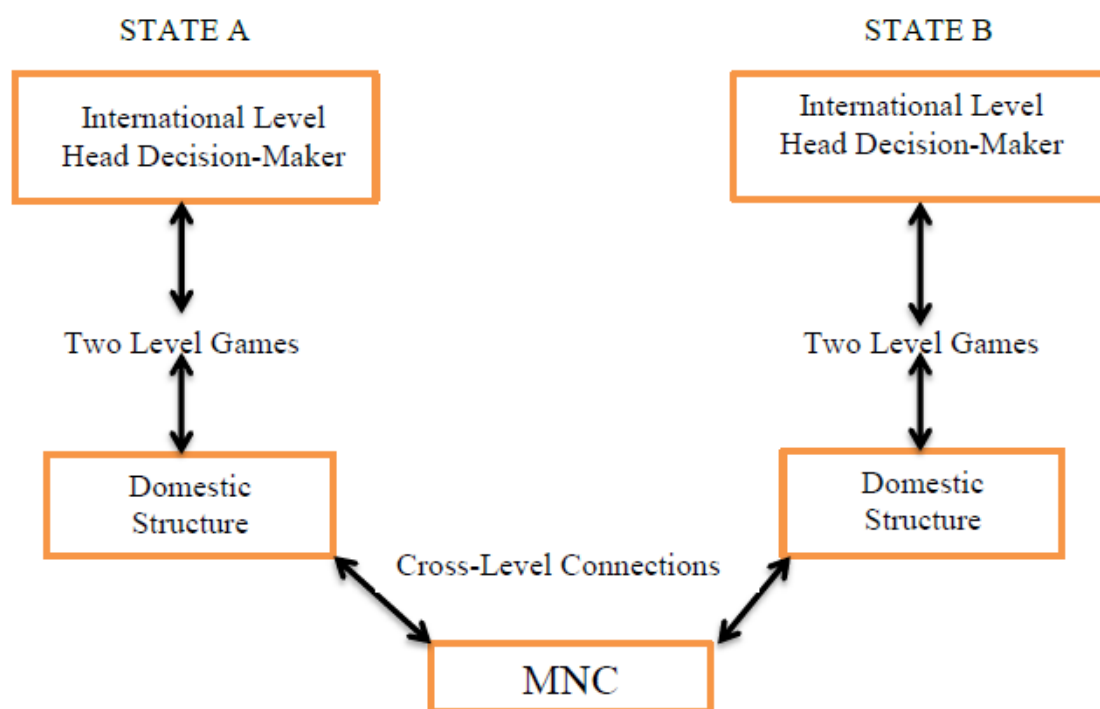
Cases examined for this study explored international negotiations between the United States and the European Union pertaining to transatlantic economic issues and automotive safety regulatory issues. The European Union is the world's largest producer of automotive vehicles, with and the United States a near second.²⁰³ Therefore the automotive industry is highly vital to both economies and there have been multiple attempts to harmonize regulations, which serve as non-tariff barriers, between the two states. For this reason, automotive corporations seek to inform and influence policy makers in the various countries in which they operate, with the goal of shaping outcomes of international negotiations.

Analysis

In both cases examined in this study, actors pushed for the harmonization of regulations. The regulatory divergences between the United States and the European Union had created non-tariff barriers to trade for large corporations operating in both marketplaces, limiting both commerce and profits. The case study in Chapter Three consists of the 2005 international

negotiations in Washington D.C., where European and U.S. international and domestic level actors convened to discuss a variety of issues. The outcome of the 2005 negotiations was the High Level Regulatory Cooperation Forum, which was a further step in the pursuit of the harmonization of regulations since it created a way for all actors to address regulatory divergences. The second case study in Chapter Four pertains to the 1997 European Union-United States negotiations on the potential harmonization of an automotive safety regulation. The outcome of these negotiations was the negative decision of the domestic level actors to harmonize the two states' regulations.

Figure 1: Theoretical Model



After applying the theoretical model (Figure 1) developed in Chapter Two to the cases examined in this study four significant patterns emerged in the results. Each of these patterns explains a different attribute of the relationship between MNCs and the government throughout

international negotiations. The first common pattern between the cases regards MNC presence in international negotiations. The level of MNC activity before the negotiations started and afterwards remained the same in both cases. As one automotive executive explains, large MNCs are constantly interacting with government officials. In other words, “there is never a dull day.”²⁰⁴ Second, in both cases, direct MNC presence in the negotiations is undocumented. However, both cases indicate this may be because many corporate-government interactions occur behind closed doors. This is where politicians can let their guard down and begin to negotiate.²⁰⁵ Specifically, GM interacted with the governments directly in one-on-one relationships they have formed over time. However, these relationships appear to have flourished in private where they are often difficult to document.

Third, it is evident there is indirect MNC presence throughout the international negotiations examined. The MNCs examined in this study were often represented by a variety of associations. These associations often represent a large group of automotive corporations or like-minded corporations, interact with domestic level actors on behalf of their members, and communicate the majority’s desired outcome to the domestic level actors. In the 2005 negotiations there were two dominant U.S. associations: the Transatlantic Business Dialogue (TABD) and the U.S. Chamber of Commerce were both present and highly active throughout these negotiations.²⁰⁶ VW is a member of the TABD and therefore, the opinions of VW were incorporated in the position the TABD advocated for at the negotiations. GM was a member of the U.S. Chamber of Commerce which advocated for the interests of all of its members with domestic level actors. Therefore, while the presence of the MNCs themselves is not apparent, domestic level actors conducting the negotiations clearly heard their desires through these associations. At the 1997 negotiations MNC presence in 1997 was clear when MNCs and

representative associations were invited to participate in the research and negotiations, and when a group of associations submitted a petition to the National Highway Traffic and Safety Association in order to convey their desires. The inclusion of associations in the negotiations, allowed MNCs' influence to be felt. Furthermore, some MNCs such as GM, contributed data to the research in the hopes of achieving a harmonized safety regulation.²⁰⁷ The petition submitted by a group of associations represented the industry's desired outcome of the negotiations. It called for NHTSA to work further with a wide range of governments and with various industry representatives in the hopes of agreeing to a harmonized regulation.²⁰⁸ In both cases it is evident MNCs are present and active at international negotiations through the documentation of various associations' presence at the negotiations, which represent the opinions of their MNC members. However, interviews conducted for this study provide indirect evidence that direct MNC-government interactions do occur.

The pattern of MNC presence in international negotiations also indicates the pattern of cross-level interactions in the cases. Throughout the cases it is clear that MNCs from one state interacted and attempted to influence the government of another state. In 2005, the TABD represented VW, a foreign MNC in the United States. The TABD interacted with governmental representatives from both the European Union and the United States while expressing the desires of VW. In 1997, GM was actively present at the negotiations, working with both the European Union and the United States representatives. These interactions indicate not only the presence and influence of MNCs in international negotiations, but also cross-level interactions which are examined in the causal model. Therefore, this first pattern in the analysis of the cases indicates direct and indirect MNC presence in international negotiations and cross-level interactions between MNCs and governmental representatives.

Second, domestic structure proved to be a very significant factor in both cases. From the results, I conclude the United States and the European Union are society-centered political units. Therefore in both political units, “policy-formation corresponds to a model of pluralistic government: social forces are well-organized and robust.”²⁰⁹ This indicates the society-centered structure of the two political units is vital in determining if a MNC can influence international negotiation outcomes. The domestic structure variable is important because it theoretically explains why a MNC is able to interact with a government and therefore potentially influence international negotiation outcomes. This result confirms the first attribute of hypothesis four stated in Chapter Two: a society centered country will permit multinational corporations to be successful at influencing international negotiations. However, the second attribute of hypothesis four: multinational corporations will be successful at influencing international negotiations directly through governmental actors, is disproven. The first patterned result discussed above indicates multinational corporations in society-centered countries influence international negotiations both directly and indirectly. The domestic structure of the United States and the European Union partially explains why MNCs interact with governments during international negotiations.

The analysis of the domestic structure highlighted the third prominent pattern in the results. While the domestic structure is important in determining why a MNC can interact with a government, the results of this analysis indicates the culture of the political unit will play just as important, if not more of, a role. Both political units examined in these cases were society-centered. Therefore, this explained why MNCs were able to interact with the both governments. However this did not explain the requirement for a different approach to the government in each state. In the United States, MNCs interact through direct one-on-one relationships which are

developed over time and are often in private where politicians can listen and negotiate with MNC representatives unobserved.²¹⁰ In Europe MNCs operate collectively and interact indirectly with the government through associations. However, VW does have the ear of the German government, a strong force in the European Union, and uses this relationship. Furthermore, the European collective action approach appears to remain with European MNCs when they operate in the United States. This may partially be because, as one automotive executive claims the U.S. government plays favorites between U.S. MNCs and foreign ones, further illustrating the advantage of negotiations being conducted in an MNCs home country.²¹¹

These cultural differences between the United States and the European Union could be an explanation for VW's presence in the TABD and GMs direct approach at the 2005 summit.²¹² Each MNC did what was acceptable in their home country. The 2005 summit's location in Washington D.C. permitted U.S. corporations such as GM, to continue to conduct one-on-one interactions with government representatives, providing GM with an advantage. One automotive executive even claimed that, "GM has a much greater presence."²¹³ These results are consistent with an aspect hypothesis one: if a MNC influences its home government, it is will be more successful at influencing international negotiation outcomes; and an aspect of hypothesis two: if a MNC influences its host government, then it will be less successful at influencing international negotiation outcomes. This pattern indicates a MNC is more successful at communicating with its home country's government than its host country's government. However, because of the presence of both domestic and foreign MNCs in both international negotiations examined in this study, it is difficult to determine which MNC was more influential throughout the international negotiations.

The cultural differences between the two states was less prevalent in 1997 in comparison with the 2005 summit, since many U.S. corporations were forced to comply to the European collective approach. However, while associations were present because of the European culture of collective action, GM was present as an individual MNC as well. Their presence as an individual MNC could be because their corporation often combines strategies of governmental interactions when working in Europe. In Europe GM may interact with governmental representatives one-on-one and through associations, both of which were used during the 1997 negotiations. Overall this pattern illustrates the importance of a state's culture, alongside the importance of the domestic structure

The fourth pattern in the results was the omission of international level actors in both international negotiations. This indicates the specificity of the negotiations and therefore that actors with an expertise on the topic were required to lead the negotiations. These actors were domestic level actors, and in both instances governmental bureaucracies. The 2005 harmonization negotiations were led by domestic level actors, specifically the representatives of the governmental bureaucracies the Office of Budget and Management and the Directorate General of Enterprise and Industry. It is clear that international level actors played a very minimal role in these negotiations and the interactions between the two levels were infinitesimal. However, while domestic level actors led the negotiations, international level actors officially issued the Initiative to Enhance Transatlantic Economic Integration and Growth, which created the Forum.²¹⁴ In contrast to the 2005 summit, there were no international level actors present at the 1997 negotiations. The negotiations were undertaken because a U.S. domestic level actor—Congress—issued a directive. Furthermore, domestic level actors who specialize in the area of automotive safety regulations—NHTSA and the European Enhanced Vehicle Safety

Committee—were the actors leading these negotiations. The lack of international level actors in both cases examined in this study indicates that topic-specific negotiations are often led by domestic level actors with an expertise on the issue at hand rather than international level actors.

From the analysis of the cases examined throughout this study, there were four patterns which emerged. First, it is evident MNCs are often present at negotiations that will affect their sector of the economy and their bottom lines. However, associations were much more present at negotiations than individual MNCs. Second, the domestic structure is highly important. It determines why a MNC can interact with the government at home and abroad throughout international negotiations. Third, U.S. and European culture is an important aspect in determining how MNCs interact with governments at home and abroad and must be acknowledged alongside a state's domestic structure. Fourth, the lack of international level actors illustrates that topic-specific negotiations are handled at the domestic level where the actors are better versed in the details.

Therefore, I conclude MNCs were present in the international negotiations examined and they did attempt to influence the outcomes. In 2005 the outcome was the High Level Regulatory Cooperation Forum. The Forum reflected the desires of the MNCs for further harmonization of regulations. Furthermore, it was designed to include representatives from the impacted economic sectors in any future negotiations. In 1997, the outcome of the negotiations was a negative response to the question of harmonization. This outcome was not in line with the MNCs desired outcomes expressed by the associations at the negotiations or the petitions submitted. These outcomes show that while MNCs are present throughout international negotiations and do attempt to influence the outcome of these negotiations; their attempts to do so may not always be successful.

Lessons for Theory

After conducting an analysis of the cases surveyed in this study and seeing the patterns in the results, there were several aspects that could not be explained by the theoretical literature surveyed in Chapter One. Therefore, it is evident there is a dearth of literature on major corporations' impact on the outcome of international trade negotiations. Numerous theories examine the role of MNCs in international negotiations and each offers its own explanation of MNC presence. In Chapter One, I examined the most pertinent theories to international negotiations: Robert Putnam's two-level game theory, Jeffrey Knopf's three-and-three theory and Gourevitch and Katzenstein's domestic structure theory.²¹⁵ While these theories provide theoretical explanations for the prominent patterns in the results, there are areas they fail to explain. Therefore, I propose to modify the dominant theory, Putnam's two-level game theory, to make it more applicable to topic-specific negotiations international negotiations occurring in the modern era. Furthermore, I will discuss the questions the results of this study raise about Knopf's three-and-three theory and Gourevitch and Katzenstein's domestic structure theory.

Robert Putnam's two-level game theory provides a well-constructed theoretical approach to understanding international negotiations. It was the first theory of its kind to account for both international and domestic level actors in international negotiations and therefore it explains aspects of the cases surveyed. However, because of the results of the cases surveyed, I propose three modifications to Putnam's theory. These modifications will extend upon Putnam's good work, but will account for topic-specific international negotiations and the growing power of non-governmental actors such as MNCs. I first propose a modification to the leadership of the international level actors in international negotiations. One of the patterns in the analysis of the cases surveyed in this study showed the omission of international level actors in topic-specific

international negotiations. Therefore, it is evident international negotiations will not always be led by international level actors and the head of government as proposed in Putnam's work. Rather, topic-specific negotiations such as the ones surveyed in both cases will be led by domestic level actors with an expertise on the topic. This requires that two-level game theory be modified to account for topic-specific negotiations where the domestic level actors will lead the negotiations, rather than international level actors. This modification would then provide a theoretical explanation for the pattern of the omission of international level actors in both the 2005 and the 1997 negotiations.

The second modification I propose is to the definition of domestic level actors and the acknowledgement of the level of influence non-governmental domestic level actors possess. Putnam includes non-governmental actors within his definition of the domestic level; however he fails to specify which non-governmental actors would be present. Specifically, Putnam accounted for MNCs presence through associations and interest groups, not through direct interactions at international negotiations. The analysis of the cases indicates that MNCs do interact with the government through associations; however they also interact with the government through direct one-on-one relationships. Therefore, in order to theoretically understand the presence of MNCs in international negotiations, I propose to modify Putnam's definition of domestic level actors and account for MNCs as their own category of non-governmental actors at the domestic level. This modification will update two-level game theory and account for present international negotiations where MNCs play a direct and influential role.

The third modification I suggest is to idea of win-sets that accompanies Putnam's two-level game theory. Putnam's idea of win-sets is accurate when applied to traditional international negotiations where the international level actors are dominant and lead the international

negotiations, but must still interact with domestic level actors. However, the results of the cases surveyed in this study indicate that at topic-specific international negotiations, domestic level actors are dominant and lead the negotiations, while international level actors have a minimal role. Furthermore, in modern topic-specific international negotiations there is a wider array of non-governmental domestic level actors. These non-governmental actors constrain the options available to the domestic level actors leading the negotiations and contribute to determining a win-set within the domestic level. Therefore, I propose to modify Putnam's idea of win-sets to include a separate win-set within the domestic level. This win-set would be the possible outcomes the governmental and non-governmental domestic level actors would agree upon and therefore the outcomes that could potentially be ratified by the governmental domestic level actors. The modification to include this win-set would acknowledge the powerful influence non-governmental actors possess over governmental actors within the domestic level, especially over elected governmental actors. Putnam's two level game theory provides well thought out and accurate theoretical explanations for international negotiations. However, with these three modifications, Putnam's theory would be better equipped to theoretically explain topic-specific international negotiations occurring today.

Jeffrey Knopf's three-and-three theory offers a theoretical explanation for the presence of non-governmental domestic level actors including MNCs, in international negotiations. In the development of his theory, Knopf acknowledged the failure of Putnam's theory to account for the influence of non-governmental domestic level actors in international negotiations. Within Knopf's three-and-three theory, his cross-level interaction component accurately accounts for the presence and influence of non-governmental domestic level actors from one state on the other state's governmental actors. This aspect of Knopf's theory explains the cross-level interaction

pattern indicated throughout the cases. However, Knopf's theory also predicts that one state's governmental actors will attempt to influence the other state's non-governmental actors. The results of this study challenge this idea and Knopf's combination of both forms of cross-level interactions into one. This posits the question of whether or not cross-level interactions should be broken into two different categories. Should this occur, the first would consist of State I's non-governmental influencing State II's governmental actors and the second would consist of State I's governmental actors influencing State II's non-governmental actors. By separating the two different cross-level interactions, three-and-three theory would be applicable to a wider array of international negotiations.

Second, the results of this study also question Knopf's trans-governmental interaction component. Knopf's trans-governmental connections could accurately explain why governmental bureaucracies from two states work together in international negotiations to achieve a specific outcome. However, this component claims these interactions only occur when a state is internally divided, and therefore like-minded factions of the government will work together to achieve a specific outcome from the negotiations. However, this is not what is indicated in the results of this study. Rather, the results indicate governmental bureaucracies work together not because the states are internally divided and are seeking to pursue one outcome contrary to the rest of the state, but they work together because they are experts on the topic of the negotiations and are often leading the negotiations. This suggests that like-minded factions work together as the leaders of topic-specific international negotiations and questions whether or not Knopf's theory can account for international negotiations similar to those surveyed in this study as well as international negotiations where the state is internally divided.

Gourevitch and Katzenstein's domestic structure theory provides a theoretical explanation for why MNCs interact differently with the different governments in the various states in which they operate; however it does not go far enough. The domestic structure of a political unit is a vital factor. However, the results of this study indicate that despite the political units possessing the same domestic structure, MNCs still interacted differently with governmental officials in each political unit. This difference is because of the culture of each political unit, a factor which is not accounted for in the domestic structure theory.

The pattern of MNC and government interactions in the results of this study raises questions about the domestic structure theory. The pattern questions if the domestic structure theory goes far enough to fully explain the various MNC-government interactions found in international negotiations. The results of this study indicate there are two approaches for MNCs to use in order to interact with the government and they are informed by the culture of the political unit: they are direct and indirect approaches. The direct approach consists of one-on-one interactions between non-governmental and governmental actors. The results of this study indicate the United States is a society-centered direct approach political unit. Therefore, non-governmental actors such as MNCs, will interact with the U.S. government directly more so than they do indirectly. The indirect approach consists of MNCs or other non-governmental actors interacting with the government through intermediary actors such as associations. The results indicate the European Union is a society-centered indirect approach political unit. Therefore, non-governmental actors will interact with the European Union collectively through associations. Furthermore, these results offer an explanation for why a non-governmental actor from an indirect approach culture, will continue to interact with a government this way, in spite of it being a direct approach government. The culture of their home state will still inform the way

they interact. This illustrates the importance of a state's culture and the importance of a MNC's home state's culture. Furthermore, the role of culture questions if the domestic structure theory provides a thorough enough theoretical explanation of MNC-government interactions or if it must go further to explain the influence of non-governmental actors in international negotiations.

The theoretical literature discussed in Chapter One is a solid theoretical basis to use in the analysis of international negotiations. However, there is a discontinuity between the theoretical literature and aspects of the results of this study. Therefore, I propose a modification to Putnam's two-level game theory. This modification will explain aspects of international negotiations that are currently overlooked and will make it applicable to topic-specific international negotiations occurring today with the new powerful actors that have emerged throughout the past decades. The results of this study also raise questions about Knopf's three-and-three theory and domestic structure theory. These questions suggest that these two theories could benefit from further development.

Suggestions for Further Research

The primary focus of my research was the influence of MNCs on international negotiation outcomes in two instances of negotiations between the European Union and the United States. In order to gather my research I examined documents from and about the negotiations in question. These documents provided me with the basis of my cases documenting the activities at the negotiations and indirect MNC interaction with the governments through associations' presence at the negotiations. Meanwhile, while most direct interactions between MNCs and governmental officials are private, I uncovered these interactions by conducting interviews with automotive executives at the two corporations I specifically focused on

throughout my research. These interviews provided me with valuable information that helped develop my case studies and fill in the gaps where interactions had not been documented. In order to further my research, I would have liked to conduct more interviews with a wider range of participants from the corporations I focused on in this study. Furthermore, I would have liked to include interviews with governmental officials who were present at the international negotiations discussed in the cases surveyed in this study.

Along with the two case studies I developed throughout this study, I believe my study would have benefited from the inclusion of more case studies. Specifically, I would like to have included cases that examine society-centered versus state-centered states in international negotiations, since neither of the states examined in my cases are state centered. The inclusion of cases such as this would have allowed me to answer further questions on MNC influence on international negotiations in a wider array of circumstances and it would have allowed me to provide more conclusive results on the role of domestic structure in international trade negotiations. In addition to this study that was complete in a specified amount of time, if I had more time I would have liked to expand my study to incorporate international negotiations that pertain to a wider array of issues and industries. Along with my current research, these further cases would provide my study with further data and therefore make the patterns already apparent in my results more vivid. These expansions of case material would make my results even more generalizable to more circumstances in international politics.

Many scholars have researched the presence and influence of external actors on international negotiations. In this study I sought to determine if MNCs influence the outcomes of international trade negotiations through their presence at the negotiations and their interactions with governmental officials. In order to examine if my hypotheses were true, I conducted two

case studies on international trade negotiations between the United States and the European Union. The results show that MNCs are present at international trade negotiations and they do influence the outcomes of international trade negotiations. Furthermore, the results indicate there are gaps in the existing theoretical literature, and therefore I propose a modification to Putnam's dominant two-level game theory. Overall, this research shows the growing presence of non-governmental actors in our political system, and it could be applied to current international trade negotiations.

International trade negotiations occur every day and involve non-governmental actors, domestic level actors and international level actors. The integration of the global economy and international politics makes international trade negotiations fascinating to research and all the more important to understand in today's world. An example of the constant evolution of international trade negotiations is President Obama's announcement in his 2013 State of the Union Address. In February Obama announced, "we will launch talks on a comprehensive Transatlantic Trade and Investment Partnership with the European Union, because trade that is fair and free across the Atlantic supports millions of good-paying American jobs."²¹⁶ The Transatlantic Trade and Investment Partnership would go beyond simple international trade negotiations. Through these negotiations the Europe Union and the United States could, "expect to align their regulations regarding manufacturing and services."²¹⁷ Furthermore, this agreement would have major positive implications for automotive production in both political units, where corporations have been compensating for various non-tariff barriers for decades.²¹⁸ According to one expert, the true gains from this agreement would include regulatory cooperation where transatlantic businesses would flourish, for example in the automotive industry.²¹⁹ The support of both political units and non-governmental actors for the agreement illustrates the importance

of free trade in the transatlantic economy and the harmonization of regulations within the transatlantic marketplace occurring today.

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Appendix A: Potential Interview Questions

- When does your company become most interactive with the government or would you say you are always at the same level?
- When there are specific negotiations occurring that pertain to the auto industry, does the company take notice and communicate with representatives active in the government?
Can you think of any specific instances where this has happened?
- Does your government relations department ever purposefully try to sway politicians to a different outcome? Are there more and less effective ways to do so?
- How would you say the government affects your company and how it operates? Does this differ between at home and abroad?
- Does your company structure things differently in order to maintain better relations with the abroad government? And if so how?
- In your opinion, is it easier to communicate with your home government and what is the relationship like with your home government when it is compared with the one with your host government?
- What channels do you think provide your company with the best and most dynamic communication with the home and host government? Does this depend on the government with which you are interacting?
- The United States and the EU discuss a lot regarding the auto industry. Since the United States and EU differ so much in their safety standards, what is your company's opinion on this and what would you want to see happen?
- The United States and the EU have moved closer towards a more regulated system of trade with numerous institutions in place to ease the process. Are you pleased with this

process and would your company be pleased if this path of cooperation ultimately led to a free trade agreement?

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