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# **Taking Trade Local**

*The Business Case for State-Level Trade and Investment Cooperation*

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# Introduction

In December 2022, the Government of the United Kingdom of Great Britain and Northern Ireland (UK) and the state of South Carolina signed a Memorandum of understanding (MoU) on cooperation and trade relations. The MoU between the UK and South Carolina is the third such agreement to have been signed since May 2022, preceded by two earlier agreements between the UK and the states of Indiana and North Carolina.

The use of bilateral MoUs is not new. MoUs are used as a common policy tool by governments to foster international cooperation. While not legally binding, these agreements express a mutual desire to pursue common goals and to enhance collaboration between two or more parties in specific areas. The UK, for example, has previously signed such agreements with both state and federal agencies on specific issues like energy and climate change, as well as with individual companies.<sup>1</sup>

What makes the UK's recent state-level MoUs different is that they are part of a wider campaign—formerly known as #DITStateSide—that seeks to establish closer trading relationships with individual US states. The campaign was created after UK-US trade talks at federal level stalled in 2020.

This paper seeks to make the business case for this initiative. It argues that a consistent state-level approach will both create trade and investment opportunities for transatlantic business, while also building political support for US-UK trade and investment cooperation at federal level. The paper also makes recommendations for what needs to be done to make the initiative consistent, impactful, and lasting, to the benefit of the transatlantic corridor and all businesses who seek to make this relationship part of their growth ambitions.

## State of Play

Engaging at the state level is a common theme in transatlantic trade and investment relations. Through its eight consulates and four UK government offices, as well as trade and sector teams based across the various consulates, the UK government actively engages in trade and investment work all over the US. Chapters of the BABN network, local Chambers of Commerce, as well as state governments and legislatures are often partners to these activities.

The campaign #DITStateSide built on this existing engagement, linking it to wider UK trade policy objectives. Launched by former DIT Minister of State for Trade Policy, Penny Mordaunt MP, in December 2021, the campaign originated after US-UK Free Trade Agreement (FTA) negotiations had stalled in 2020. When the Biden Administration showed no interest in continuing the FTA negotiations, the UK government turned its attention to new initiatives to keep the momentum behind the bilateral trade agenda going, while also delivering tangible outcomes for businesses and local communities.

In several briefings with the Minister and relevant teams in government, the business community expressed support for the new approach. There was agreement that local outreach would be welcomed by local stakeholders and political representatives. For US states, it would be an opportunity to advocate for inward investment from UK companies and encourage local businesses to export. For the UK and British businesses, it would help generate new opportunities for exporting or expansion, as well as make doing business in particular states easier through increased information sharing, new procurement opportunities, and the exchange of skilled workers.

Business stakeholders also agreed that a structured approach would help the UK government and its US counterparts identify sectors and regions of strength worth spending time and resources on, such as life sciences, green technology, and fintech.

Furthermore, there was interest from the business community in using the state engagement to deepen cooperation in a meaningful and tangible way. While the federal government has jurisdiction over US trade policy, state governments retain responsibility for areas such as professional qualifications, state procurement, academic and research ties, and educational exchanges. Current and future MoUs, therefore, should not only be a written agreement, but an actionable agenda to drive trade and investment.

Finally, there was agreement that building a broad coalition of support for US-UK trade, could eventually provide a stimulus for a US-UK trade discussion at the federal level in the future. As previous experiences have demonstrated, the case for comprehensive trade initiatives must be made locally.<sup>2</sup>

However, as the first state-level agreements were signed, businesses cautioned that a successful campaign would require long-term resourcing and planning to effectively deliver the commitments laid out in each agreement. Businesses also emphasized that government must clearly communicate that MoUs are not comprehensive trade agreements and do not make any changes to areas that fall under federal responsibility, such as trade terms and customs facilitation.

Nine months on from the signing of the first MoU between the UK and the State of Indiana, and despite changes in leadership, the UK has continued the initiative and added dedicated resource, including on how to best make use of the existing MoUs. Working groups with North Carolina and Indiana have



been established under the MoU framework, and new conversations with Oklahoma, Utah, Texas, and California are underway. The MoU program has also created new opportunities for exchange between the UK and the US. For example, North Carolina recently hosted a delegation of UK offshore wind leaders for an exchange of best practices and to identify new trade and investment opportunities and a delegation led by Andy Burnham, Mayor of Greater Manchester.

Overall, the UK's approach emphasizes that signing MoUs is not an end point, but rather a starting point for further engagement, regulatory cooperation (where there is scope), and trade promotion.

# Recommendations for Policy Makers

In this context, the following recommendations set out a way forward for the UK's engagement with different states across the US. Based on BAB's ongoing consultation with business and government, we outline the current challenges and opportunities this initiative presents, and the potential benefits available to British and American businesses.

Transatlantic businesses welcome the opportunity for deeper economic collaboration between the UK and different regions across the US but encourage the involved stakeholders to develop a strategic approach and identify measurable outcomes to make it successful in the long term.

## Strategy

In order for the MoU initiative to deliver tangible benefits for business, we encourage the UK government to set out a strategic approach for its engagement with US states. This should include clearly articulating the goals, scope, and deliverables of the campaign.

There are positive signs that a strategy for implementation and utilisation is developing under the current MoU frameworks. Since the signing of the MoU between the UK and North Carolina, for example, a working group has been established to coordinate its implementation. Under the auspices of this MoU, North Carolina has now hosted a delegation of UK offshore wind leaders, a visit from Mayor of Greater Manchester, Andy Burnham with business executives, and participated in the latest US-UK Small and Medium Sized Enterprise Dialogue.

As agreements in the past have shown, it is important that the UK identify desired outcomes for each agreement, as well as a clear criterion to evaluate if those goals are achieved. Evidence from earlier MoUs, such as a 2020 agreement between the UK and State of Maine on clean energy and carbon neutrality, suggest minimal follow up occurred with key trade and investment stakeholders sometimes only marginally aware that this MoU existed.<sup>3</sup>

While we recognize continuing evaluation will take additional resourcing from UK government and state officials, the current MoU working groups offer a ready platform to examine the impact each agreement is having – in terms of new jobs, business investments, educational exchanges, or other tangible benefits that have been enabled through the MoU.

## Scope

Relatedly, it is important for government to clearly communicate with businesses and other stakeholders what these agreements include or accomplish. There needs to be an understanding that MoUs are done in parallel, not in place of, trade discussions with the US federal government. A comprehensive FTA remains the long-term ambition for transatlantic businesses, and other federal trade initiatives like the US-UK trade dialogues or SME Dialogue remain a crucial part of the US-UK trade agenda.

That being said, there are opportunities for MoUs to make a difference in a more targeted way at a state level. We welcome the focus around specific growth areas in the current MoUs with Indiana and North and South Carolina, around life sciences, higher education, automotive and clean energy. A more targeted, sector or issue-based approach is an effective way to maximise resources and deliver the greatest benefit for the state and UK businesses.

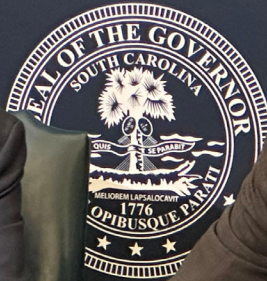


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Signing of MoU between the UK and the state of South Carolina

## Utilisation

We welcome the UK government's focus on MoU utilisation—making sure these agreements continue to provide real benefits for businesses on the ground. The newly established MoU working groups provide a forum to do this, as well as an opportunity for ongoing dialogue between UK government, state officials, and businesses.

Working groups should actively identify new deliverables or areas for increased trade and investment cooperation. This could include annual trade missions between the state and the UK, facilitating higher education partnerships, or enhanced bilateral cooperation in the research and development of green technologies. Working groups should set a clear agenda and set of deliverables, meeting regularly to evaluate the efficacy of each MoU.

There is also the opportunity for the UK government to work directly with states on information sharing to make sure businesses on both sides of the Atlantic are aware of the opportunities for trade and investment. For example, there is a common misconception that state procurement is inaccessible to foreign businesses, while in reality few barriers exist for UK businesses who want to compete for state tenders. Cooperation at a working group and government-to-government level can help eliminate some of these barriers and misconceptions.

## Building a coalition of support

To generate further momentum, and to win support from the wider transatlantic community, we recommend the UK government pursue partnerships with existing events and local organisations. There is an opportunity to capitalise on the strength of the existing transatlantic business network to build a broader coalition of support for this initiative and elevate the profile of current and future MoUs.

For example, we welcomed the role the BritishAmerican Business Network chapter in North Carolina played in this process, as well as the potential integration of the next UK-North Carolina Working Group meeting into the BritishAmerican Business Network Conference in June 2023.

## ***Matching resources with scope and ambition***

Finally, it is critical that the ambition and scope of this project is matched to the resources that are available to the UK government teams. As resources are never infinite, priority should be given to those states which offer the most. An MoU with California, a state with a GDP larger than that of the whole UK, could offer more than agreements with comparatively smaller states. A sensible assessment of the number of these agreements that can be properly managed is also critical; put simply, it would be better to have 10 well-managed agreements with large states, than 50 agreements that have inadequate support.

## **Conclusion**

Trade policy and engagement ought to be focused on the cities and regions where trade and investment take place every day. The UK has taken this sort of regional engagement to a new level by integrating it into a broader campaign across the US, underpinning its commitment to deeper transatlantic trade and investment ties through a series of MoUs.

Transatlantic businesses welcome and endorse such an approach. We see an opportunity to foster stronger economic ties between the UK and different regions around the US, enhance collaboration in innovative industries, and build a broad, lasting coalition of support for the transatlantic economic corridor.

However, in order to make the initiative a success, a clear strategic approach and a set of measurable outcomes are needed. As invested stakeholders in the US-UK economic relationship, the transatlantic business community looks forward to working alongside government on the successful implementation and expansion of the MoU initiative.

# References

<sup>1</sup> [Memorandum of Understanding between the UK and the State of Maine](#), December 2020; [Memorandum of Understanding on collaboration in energy-related fields](#), April 2012; Microsoft, [UK government signs new three-year Memorandum of Understanding with Microsoft](#), April 2021

<sup>2</sup> BritishAmerican Business, [Making a Difference](#), January 2021



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