

Date of Hearing: June 23, 2015

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT, AND THE ECONOMY

Eduardo Garcia, Chair

SCR 6 (Monning) – As Introduced January 12, 2015

SENATE VOTE: 33-0

SUBJECT: Santa Fe, Argentina: sister state relationship

SUMMARY: Memorializes the intent and commitment of the California Legislature to formalize a sister state relationship with the Province of Santa Fe, Argentina, for the purpose of encouraging and facilitating social, economic, scientific, educational, and cultural exchanges that further promote the prosperity of both regions and to improve the international understanding and goodwill between both regions. Upon adoption, the Secretary of the Senate is to transmit copies of the resolution to the author for distribution.

FISCAL EFFECT: None

POLICY ISSUE FRAME

This resolution proposes the commitment of the Legislature to establish a sister state relationship between California and the Province of Santa Fe, Argentina.

A sister state relationship is a formal declaration between two regions, states, or nations. Such an agreement is a symbol of mutual goodwill. Additionally, it is an effort to encourage and facilitate mutually beneficial social, economic, educational, and cultural exchanges. Both the Legislative and the Administrative branches of government have the authority to establish sister state relationships.

The California Senate has had an ongoing exchange over a decade with both the government of the Province of Santa Fe and a Santa Fe-based foundation whose mission is to promote civic awareness and democracy, the Fundación Nueva Generación Argentina (FNGA).

The California Senate has sent official delegations to Argentina in 2004, 2007, and 2010. The FNGA has sponsored delegations to California in 2005, 2007, and 2012. Among other non-government meetings, the FNGA meets with California business and trade related organizations including the California Chamber of Commerce. Another round of meetings is planned for 2015/2016. According to the author, SCR 6 would build on these relationships in formalizing a sister state relationship with the Province of Santa Fe.

COMMENTS:

- 1) **Author's Purpose:** According to the author's statement, "The State of California and the Province of Santa Fe have developed a strong bilateral relationship over the last decade, bolstered through a number of educational visits by official legislative delegations. These reciprocal visits, including an upcoming delegation visit to Argentina in fall of 2015, have provided leaders of both states an opportunity to share knowledge and ideas, as well as establish meaningful relationships that promote goodwill and partnership between both regions.

California and Santa Fe have strong economic ties rooted in their agricultural sectors, and share important connections between their public higher education institutions. SCR 6 will legislatively recognize the important relationship that exists between these states and will promote and create more

opportunities for collaboration between the regions, foster growth in trade, and encourage greater cultural exchanges.

The California Legislature has already established a precedent of recognizing special bonds between states through the passage of 26 official Sister State relationship resolutions. The Santa Fe Province plans to enact a similar measure establishing a sister state relationship, and SCR 6 will reciprocate the gesture and solidify the political, economic, and cultural bond between our two regions."

- 2) **Background on Argentina and the Santa Fe Province:** Argentina is located in South America, bordering the South Atlantic Ocean, between Chile and Uruguay. The area became independent from Spain in 1816 with the dissolution of the United Provinces of the Rio Plata. It is the eighth largest country in the world, second largest in South America after Brazil, and is just under one-third the size of the U.S.



As of 2014, Argentina had a population of 43 million people, with a median age of 31.2 years. Youth between the ages of 15-24 have reached a record high proportion of the population (15.7%), contributing to a growing labor force in the short run.

Buenos Aires is the capital and the largest urban center in Argentina, with 13.5 million inhabitants. Other large urban areas include Cordoba (1.5 million population), Rosario (1.2 million population), Mendoza (917,000 population), and San Miguel de Tucuman (831,000 population) (2011).

According to the CIA Fact Book, Argentina suffers from a range of environmental problems typical of an industrializing economy such as deforestation, soil degradation, desertification, air pollution, and water pollution. The country, however, is a world leader in setting voluntary greenhouse gas targets.

Argentina's economy is one of the largest in Latin America; currently ranked 26th in the world, with a 2014 GDP (purchasing power parity) of \$927.4 billion, and a real growth rate of -1.7% from 2013-2014.

Argentina benefits from an abundance of natural resources, a highly literate population, an export-oriented agricultural sector, and diversified industry. In 2014, Argentina exported \$76.47 billion in goods and imported \$1 Billion in goods. The country's top trade partners include: Brazil, China, U.S., Germany, and Chile. Today, more than 500 U.S. companies are among the top investors in Argentina, with nearly \$15 billion worth of investments.

Of the 23 provinces in Argentina, the Province of Santa Fe has one of the most significant economies, accounting for nearly 10% of the nation's output. More than 20% of the cultivated lands of Argentina are in Santa Fe, whose main crops include soybeans, sunflowers, maize, wheat, and rice. In addition, the Province of Santa Fe is home to 20% of the nation's livestock in meat and dairy.

The U.S. is Argentina's third-largest trading partner. In 2014, exports from California ranked 8th in the nation. Merchandise exported from California to Argentina in 2014 totaled \$333 million, down 11.9% from \$378 million exported in 2013. Argentina is California's 45th largest export destination, after Denmark and South Africa.

In 2014, the top 5 major California exports to Argentina included: Computer and Electronic Products (\$130 million), Chemicals (\$88.2 million), Machinery, except electrical (\$35.4 million), Misc. Manufactured Commodities (\$21.2 million), and Agricultural Products (\$16.5 million).

California and the Province of Santa Fe, Argentina have an ongoing reciprocal exchange program, which began in 2004 between the California Senate International Relations Foundation and the FNGA. The goal of their activities is to increase the governments' political and economic ties, and increase the discussion of specific public policy issues including sustainable energy, port security, goods movement, and public safety.

- 3) **Origins of Sister Programs:** U.S. sister affiliations began shortly after WWII and developed into a national initiative when President Dwight D. Eisenhower proposed the people-to-people program at a White House Conference in 1956. According to research on Maryland's Sister State webpage, President Eisenhower's intention was to involve people and organized groups at all levels of society in personal, citizen diplomacy with the hope that people-to-people relationships, fostered through sister city affiliations, would lessen the chance of future world conflicts. Many sister city relationships are coordinated through the nonprofit network, Sister Cities International.
- 4) **Sister State Programs:** States differ in their approach to selecting and implementing sister state relationships. Some states, such as Hawaii, require a detailed application from the foreign state wishing to enter into partnership. The application form includes information on prospective partner's economic structure, cultural resources, primary industries and foreign trade and investment. Applications are reviewed by the Hawaiian Governor, who refers applications he or she supports for further review by the Legislature. The Legislature expresses their approval through the adoption of a concurrent resolution authorizing the Governor to proceed in negotiating a sister state agreement with the applicant state.

One recurrent model for managing the sister state relationship is the establishment or designation of a sister organization. Iowa, for example, has Iowa Sister State, a non-profit, volunteer organization whose mission is to "develop and implement international programs that promote the interests of the State of Iowa and its citizens." Activities for each of Iowa's nine sister state relationships is coordinated through a special committee, which organizes events and exchanges.

Several states have information on their webpages regarding longstanding sister state relationships. Michigan, as an example, has had a sister state relationship with Shiga Prefecture, Japan, since 1968, and stills hosts several exchanges per year. For the 40th Anniversary of the sister state relationship between Hyōgo Prefecture, Japan, and Washington state, the two governor's attended several special events including "Kobe Day" at a Seattle Mariner's Game, with 260 delegates from Hyōgo and Governor Toshizo Ido throwing the first pitch.

Another core component of sister state relationships is education. Michigan and other states often emphasize educational exchanges, as well as cultural exchanges. South Carolina even offers fee waivers to foreign students from their sister state who wish to attend public universities.

Many sister state relationships also include economic and business development priorities, as well as cultural and educational exchanges. The Alberta, Canada, and Jalisco, Mexico, sister state relationship focuses on enhancing the economic cooperation between the two regions. The Albert-Jalisco sister state relationship is guided by the initial and 13 supplemental agreements including agreements that

support joint research funding on micro and nanotechnology, e-health, radio-frequency identification and multimedia; and value added food processing.

California has no formal structure for establishing, negotiating, or maintaining sister state relationships. This resolution contains no provisions to track the development of a sister state agreement or be informed on future sister state activities between California and the Province of Santa Fe.

- 5) **Offices of International Relations:** Both the Assembly and the Senate maintain respective offices that serve as the key point of contact for foreign relations and protocol for each House. The California Senate Office of International Relations (SOIR) was established in 1987 and the Assembly Office of International Relations and Protocol (AOIRP) was established in 2000. Through these offices Legislators find assistance in furthering strong economic and diplomatic ties between California and the rest of the world. Both SOIR and AOIRP host international delegations at the State Capitol, as well as facilitate and occasionally host Member-delegations to foreign countries. Over the years, SOIR has also established special and longer term relationships between California and foreign countries including the California Brazil Partnership and the California and Japan Scholars Program.

SOIR additionally maintains a website, which is the only known source for identifying sister state resolutions the California Legislature has approved. According to the website, the Legislature passed 26 resolutions expressing an interest in establishing an sister state/friendship state relationship including resolutions related to State of Baja California Sur, Mexico; Archipelago of the Azores, Portugal; and Catalonia, Spain. Neither SOIR nor AOIRP have any specific mandated duties in regards to sister state relationships.

- 6) **California Trade-Related Activities:** California's economy benefits significantly from trade and foreign investment. If California were a country, it would be the 31st largest exporter and the 15th largest importer in the world. Merchandise exports from California (\$174 billion) accounted for over 10.7% of total U.S. exports in goods, shipping to over 220 foreign destinations in 2014. California's land, sea, and air ports of entry served as key international commercial gateways for the \$577 billion in products entering and exiting the U.S. in 2014. Statewide, 4.4 million California jobs are dependent on foreign trade. Over 562,700 California workers benefit from jobs with foreign-owned firms, which accounts for 5.1% of all private sector jobs in the state.

California's importance within the global marketplace results from a variety of factors, including: its strategic southwest and coastal location offering direct access to growing foreign markets in Mexico, Latin America, and Asia; its nine diverse regional economies; its large, ethnically diverse population, representing both a ready workforce and significant consumer base; its access to a wide variety of venture and other private capital; its broad base of small- and medium-sized businesses; and its culture of innovation and entrepreneurship, particularly in the area of high technology.

Mexico has been California's top trading partner since 1999 and, in 2014, California exported \$25.4 billion (14.5%) in goods. The **chart** shows export data on the state's top five trade partners. Other top-ranking export destinations not shown on the chart include the Netherlands and the United Kingdom.

California Exports 2011 to 2014 (billions of dollars)					
	Partner	2011	2012	2013	2014
	World	159.4	161.7	168.0	174.1
1	Mexico	25.8	26.3	23.9	25.4
2	Canada	17.2	17.4	18.8	18.2

3	China	14.2	13.9	16.2	16.0
4	Japan	13.1	13.0	12.7	12.2
5	South Korea	8.4	8.2	8.3	8.5
6	Hong Kong	7.6	7.8	7.7	8.5
7	Taiwan	6.2	6.3	7.5	7.4
8	Germany	5.3	4.9	5.5	5.4
International Trade Administration, accessed 4/11/2015					

California's largest industry sector by employment is Trade, Transportation, and Utilities, which encompasses everything from major retail outlets, to import-export businesses, to transportation and warehousing. California leads the nation in export-related jobs. The U.S. Department of Commerce estimates that for every one million dollars of increased trade activity, 11 new jobs are supported. Workers in trade-related jobs earn on average 13% to 28% higher wages than the national average.

In today's globally linked economy, manufacturing utilizes products from across the U.S., as well as from other nations. In 2012, 61% (\$1.3 trillion) of the products imported into the U.S. were inputs and components intended for use by American producers. In addition, U.S. imports often include components or benefit from services provided by U.S. firms, including many California companies. The Wilson Center estimates that Mexican imports and Canadian imports contain 40% and 20% of U.S. components, respectively.

Trade and foreign investment support new job creation, bring new technologies and skills to California workers, generate local and state revenues, and generally strengthen the state's economic base. In the future, California's economy will become increasingly reliant on accessing foreign markets where a majority of global economic growth is expected to occur.

7) **Related Legislation:** Below is a list of bills from the current and prior sessions.

- a) **ACR 100 (Alejo) Relations with El Salvador:** This bill memorializes the Legislature's commitment to work cooperatively with the Governor's Office of Business and Economic Development on trade promotion and foreign investment activities that enhance the state's economic relations with El Salvador, as specified. Status: Adopted by the Legislature, Resolution 172, Statutes of 2014.
- b) **SCR 82 (Hueso) Jalisco, Mexico: Sister State Relationship:** This bill memorializes the Legislature's desire to recommit to the formalizing of a sister state relationship between California and the State of Jalisco, Mexico, for the purpose of promoting economic growth and well-being of small, medium, and large corporations and by increasing their potential trade and investment within the State of Jalisco. Status: Adopted by the Legislature, Resolution 70, Statutes of 2014.

REGISTERED SUPPORT / OPPOSITION:

Support - American Federation of State, County, and Municipal Employees

Opposition - None received