



International State of the State Remarks
Tuesday, September 22, 2009
11:30 am – 1:30 pm
Arizona Biltmore
Frank Lloyd Wright Ballroom

Thank you very much.

I am grateful to the Phoenix Committee on Foreign Relations for the invitation to be a part of this 6th annual International State of the State address.

Let me begin by telling you something you already know.

In stating the obvious, I want to make sure there is no misunderstanding about where Arizona finds itself.

We are – along with the rest of the country, and, indeed, the world – in the midst of very tough financial times.

Now, while Federal Reserve Chairman Ben Bernanke tells us that the worst recession since the 1930s is over -- 15 million Americans remain unemployed.

This presents significant challenges for us because growing jobs – stable jobs -- in Arizona is one of our highest priorities.

So, what do we do?

We respond thoughtfully -- and wisely.

We are deploying a number of different initiatives, including our offer to Arizona businesses to help them bring in new dollars – and employment – through exports.

Last year, exports increased for a second year – this time by nearly 3 percent -- to \$19.7 billion.

Exports create jobs, and I encourage and applaud businesses that are ready to enter the global marketplace.

Just this past Labor Day weekend, China's Chairman Wu and nine ministers of the Standing Committee of the National People's Congress of China visited Arizona for an economic and trade cooperation forum.

Forty-one contracts were signed with a value of \$12.4 billion.

Chairman Wu told me agreements so far in 2009 make America the largest supplier of technology to China.

He chose Arizona as his FIRST stop because we are China's fastest growing trade partner.

Consider this:

In 2004 – China bought \$600 million worth of goods from Arizona businesses.

By 2008 – that amount had doubled to \$1.2 billion.

China is now Arizona's third largest trade country. Canada is second with \$2.3 billion.

Mexico is first with \$5.9 billion. So, let me talk about Mexico for a moment.

The bi-national relationship between the U.S. and Mexico continues to be very important in many components in our society.

Since becoming Governor, I've had an opportunity to meet with several Mexican counterparts. These meetings reinforce and strengthen our international ties with Mexico.

In Arizona and Sonora, we just celebrated 50 years of the Arizona-Mexico Commission. This bi-national commission has been working to improve the well-being and quality of life for the residents of our border region for half a century, and it is still going strong.

A few weeks ago, at the Border Governors Conference in Monterrey, a Strategic Plan was unveiled, providing information to decision- and policy-makers about economic trends in our region, considering that collectively we make up the third largest economy in the world.

In 2010, Arizona will host the next Border Governors Conference – something we are all very excited about – and as we prepare to host it, we will implement and build upon the Strategic Guidelines that were unveiled during this year's conference.

The “Vision 2015: Arizona’s New Border Plan” addresses in a unified vision the needs of Arizona’s border and ports of entry projects.

This plan has given Arizona a unified voice to lobby the federal government for Arizona’s ports of entry improvements.

I am very excited to share that this year we received confirmation that \$200 million in federal stimulus funding will pay for the total reconfiguration of the Mariposa port of entry.

This project will double -- if not triple -- the inspection capacity at our major gateway for trade in the entire region.

The port of entry will include state of the art technology to better secure our region, but, most importantly, it will also facilitate the trade flow coming into our state.

The groundbreaking for Mariposa is scheduled for October 22nd.

In addition to Mariposa, the ports of entry of San Luis II and Lukeville are receiving improvements that are currently in progress and due to open the beginning of next year.

Improving our ports of entry help with the flow of people, goods and services as well as increase security on both sides of the border, which is what is needed to be successful.

Through these improvements, Arizona will be positioned as one of the most important international crossings in the nation, which will ultimately raise the state’s revenue through commerce and tourism investment.

During the Arizona-Mexico Commission’s plenary session this past June, TechBa, which is housed under ASU’s SkySong, became a principal participant of the event focusing on the economic development of the region by attracting Mexican businesses to Arizona.

They are designed to bring Mexico’s most innovative technology companies to Arizona.

The bottom line is that these companies create an array of job opportunities for Arizonans and allows retail companies to sell goods and services – benefiting the state financially.

Recently, I attended the inauguration for the newly-elected governor of Sonora, Guillermo Padrés Elías.

This helped highlight the importance of the bilateral relationship in which our economy and culture are intertwined.

During this event, there were high-ranking state and federal officials present allowing us to showcase our successful relationship with our neighbors to the south.

The governor and I discussed the array of opportunities our region holds, which will bring greater prosperity. We look forward to continuing our discussion at the upcoming Arizona-Mexico Commission Plenary session this December and I encourage all of you to join us for this meeting as well.

International business relationships result in jobs for Arizonans -- jobs critical to recovery -- jobs critical to a healthy economy.

Arizona continues to strengthen international ties with other nations, including Germany, Spain, Great Britain, and Japan.

Next month, my Arizona Department of Commerce will meet with ten companies from Japan with interest in solar and renewable energy. Major opportunity exists in promoting alternative energy such as solar.

In June, I signed the new Renewable Energy Tax Incentive Program into law.

Beginning in January 2010, it is designed to stimulate new investments in manufacturing and headquarter operations of renewable energy companies using wind – solar – and geothermal resources.

And, right now, we're aggressively addressing the guideline process. Our goal is to start accepting applications before December.

The program offers two benefits: Companies may qualify for up to a 10-percent tax credit on new investment.

And, if the investment is over \$25 million, the company may be eligible for an estimated 77-percent reduction of state property tax on both real and personal property -- for up to 15 years!

Both programs are designed to create quality, well paying jobs for Arizonans.

This tool allows us to compete globally – with other states, and with other nations.

It is already putting Arizona on the map.

We have 200 active projects and nearly 50 could bring international foreign direct investment.

Thirty-three of these are renewable energy projects, with most of the interest coming from Canada, Germany, and Spain.

Arizona's competitive position must continue to advance in the global economy, and grow high-impact, quality jobs.

Our economy is very different now than it was just a few years ago, and changes are coming rapidly, and, sometimes, without warning.

To be successful in the global marketplace, we have to be more aggressive, agile. And, we have to be smarter.

The time to act – aggressively – is right now.

So, I have assembled a team to examine opportunities that fit Arizona and its unique businesses and communities.

This team will call on the expertise of the Arizona Economic Resource Organization – working with our state's top CEOs and our universities.

Within the next 60 days, you will learn more about this team and immediate steps to advance economic development -- ensure Arizona is credible – and aggressively enhance our competitiveness in the global market.

Clearly, the economy – as well as the negative perception of business meetings in resort settings – have had an adverse effect on the Arizona tourism industry.

In 2008, the state's tourism industry saw a slight decline in visitation and economic impact. Arizona hosted a total of 37.4 million domestic and international visitors -- a 3.3 percent decrease over 2007.

However, on the up side, international visitation increased by 2.6 percent. This includes a 4.2 percent increase from Canada over 2006 and a 9.8 percent increase in overseas visitation over 2007.

An estimated \$2.69 billion was spent by Mexican visitors -- a 214 percent increase from 2001 (in current dollars).

This is due in part to -- an increase in overnight visitation -- an increase in the number of visitor parties -- and the value of the Mexican peso.

All of these visitors, domestic and international, generated \$18.5 billion in direct travel spending in 2008, a decline of 3.1 percent over 2007.

Additionally, for 2008, the Arizona tourism industry directly generated nearly 170,000 travel industry- related jobs. Overall visitor spending generated \$2.6 billion dollars in

local, state and federal tax revenues -- which equates to \$1,080 for every Arizona household.

To ensure that the industry continues this upward trend of growth, the Arizona Office of Tourism will be initiating a new national campaign and program ideas for FY10 . The campaign is entitled, "Free To Be."

Arizona is a destination where every traveler is "free to be" his or her best self.

Travelers are "Free To Be Awed" by our state's natural beauty and open-air lifestyle.

Additionally, for the Arizona tourism industry, the Arizona Office of Tourism will continue to offer its long-standing grant programs to enable smaller/rural communities to market their tourist destination with programs that align with the agency's messaging.

Since tourism is a revenue-driver for all 15 counties in Arizona, it's vital that the agency continues to support rural and urban communities with their tourism initiatives.

In addition, our Tourism office is embracing the growing opportunities of medical tourism and is currently researching this dynamic trend in the industry.

To ensure the highest return on investment, the agency is developing plans and programming to capture this growing market share.

We are currently marketing through representation in six key international markets: Canada, Mexico, United Kingdom, Germany, France and Japan. And we are tracking emerging markets such as Brazil, Russia, India and China as the economies in these countries are growing quickly, opening up more opportunities to develop the travel and tourism industry.

I hope you can see from all of this activity that we are facing our economic challenges boldly, wisely, and with a renewed sense of purpose.

Arizona is a wonderful treasure that we all love. Our mission is to nourish it, strengthen it, and ensure that it thrives in the global challenges that are ahead of us.

Thank you for working together on what is best for the economy of our state – and, thank you, again, for the opportunity to speak with you today.