Governor Chris Christie's Remarks At The American Chamber Of Commerce Of Mexico

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Remarks Of Governor Chris Christie as Prepared for Delivery
"North America's Energy Opportunity"
American Chamber of Commerce of Mexico Keynote Address

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Thank you very much for that warm welcome.

And thank you to the members of the American Chamber of Commerce, the U.S. Chamber, and the Mexican Chamber for coming here to visit with me today.

It is a pleasure and an honor to have been invited to Mexico by President Peña Nieto. I am very much looking forward to my meeting with the President this evening.

I met the President and his wonderful family at a conference in the state of Idaho in the United States. Frankly we hit it off. What we talked about then was the President's commitment to growing Mexico's economy, and to forging the necessary partnerships around the world to do so.

I was very impressed with the President's vision, and with his commitment to growth. And so when he invited me to visit him here in the Mexican capital, I was delighted to accept his kind invitation.

Of course, much has happened in the time since we last met. The President has proposed and fought for historic and dramatic reforms – in energy, in telecommunications, in the financial sector, in labor markets and education – all with the goal of modernizing and growing Mexico's economy.

Many of us around the world have watched and admired the President's efforts. And it has been an historic summer, with the passage the energy package in Congress and signing into law this August. I know that these reforms have been the subject of great debate here in Mexico. The President has had to balance historical sensitivities with modern realities and the competitive needs of the future.

And so I admire President Peña Nieto and his very talented team for their courage in launching these historic reforms, and I congratulate them for their skill in winning congressional passage.

The fact that these reforms have not been without debate makes them all the more impressive. Believe me, as someone who reformed pension liabilities and secured the first reform in teacher tenure in 100 years in my own state, I know how difficult winning support for dramatic change can be. And I also know how important it is.

The fact is that the President's reforms will enable Mexico to participate in this North American energy

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renaissance. The fact is that the President's reforms should improve growth and reduce unemployment in Mexico. The fact is that the President's reforms are an admirable and impressive effort to modernize and improve the competitiveness of the Mexican economy.
So, again, I am very excited to meet with the President tonight and visit with him on Mexico's very important achievements.

And I look forward to meeting with key ministers in his government tomorrow, including Secretary of Finance Videgaray, Secretary of Energy Coldwell, Secretary of Interior Osorio, and Secretary of Foreign Affairs Meade. I admire their courage and foresight, and their policy leadership, and I look forward to discussing the prospects for economic growth in North America with them over the next few days.

I want to pay a special thanks to our U.S. Ambassador, Tony Wayne, and to the Mexican consul general in New York, Ambassador Sandra Fuentes, and the Foreign Ministry of the Government of Mexico, for their tremendous help in planning this visit and helping to make sure it is a productive one.

Mexico and the United States have a special relationship. If world events over this summer of turmoil have taught us anything, it is the tremendous benefits of having as a neighbor a key and friendly partner with whom we share an extensive trade relationship and a deeply shared cultural heritage. Today, here and now, we should add to the long list of blessings jointly shared by the U.S. and Mexico by taking full advantage of the tremendous economic opportunity ahead of us.

It is striking in looking at events around the world, with turmoil throughout much of the Middle East, with Europe struggling to generate economic growth coming out of the recession, to consider, perhaps as a model, what we are trying to build here in North America.

We are, as I said, fortunate to be in a peaceful neighborhood – blessed by strong, deep, and cooperative relations with the governments and more importantly the peoples of both Mexico and Canada.

But beyond that, we have together created a model that features deep economic and cultural integration, while still respecting national sovereignty.
The fact that our countries are so deeply intertwined – in everything from the manufacturing supply chain, to education, to energy, to human relations – means that we can and will address problems at their roots and not just at the diplomatic table.

I believe these dual features of the relationship – economic integration, with respect for national sovereignty -- position the North American continent to compete effectively in the world economy and to enjoy a durable and sustained peace for many decades to come.

Too often, our neighbors in Mexico and Canada have felt that they were an *afterthought* in U.S. foreign policy – my view is that they should be our *first thought*.

I am a strong believer in the benefits of trade. And I believe free trade is at the heart of North America's economic future. That is one key reason for my presence here today.

The numbers underscore the depth of the U.S.- Mexican relationship. We have one of the world's largest trading relationships, worth over one-half trillion dollars a year – more than six times the size of the trade relationship just twenty years ago, when the North American Free Trade Agreement was launched.
The United States is, of course, Mexico's leading export market. But perhaps not everyone in my country is aware of the fact that Mexico is the United States' second largest export market – after Canada. Together, Canada and Mexico account for fully one-third of U.S. Exports.

The North American market is vital, of course, to my state of New Jersey. But we are not alone. Mexico or Canada is the number one export market for forty one of the fifty U.S. states.

In total, over six million American jobs depend on trade with Mexico. And the U.S. attracts $35 billion a year of job-creating foreign direct investment from Mexico, from over 5,000 companies.

New Jersey has been a major beneficiary of that extensive U.S.-- Mexican relationship. New Jersey is very much a trade-dependent state. Overall, over 1 million New Jersey jobs are trade-related. The share of jobs in our state related to trade has doubled in the last 20 years, from roughly 10 to over 22%, precisely because trade-related employment has grown at a far faster rate than overall employment.

About 175,000 New Jersey jobs are tied to trade with Mexico. Today, the annual value of two-way New Jersey-Mexico trade is over $5.6 billion. Mexico is New Jersey's second largest export market. Our state exports some $2.18 billion a year of goods and services to Mexico, a number that has grown by 361% in these past twenty years.

So a key mission of this trip is to build and deepen that already important relationship. Earlier this afternoon, I met with dozens of Mexican companies to urge them -- as they consider where in the globe to invest, expand, and create jobs -- to "choose New Jersey".

My message to them was simple: We have a highly educated work force, a growing economy, top-tier universities and colleges, world class transportation infrastructure with close access to America's largest markets, and most importantly, an eagerness to welcome them. My goal is, and has been for these last five years, to create a business environment that attracts investors and creates jobs for New Jerseyans.

And we've made some progress – New Jersey's unemployment rate has dropped from 9.7% in January 2010 to 6.5% in July. In that period, our state has added nearly 150,000 private sector jobs, including 8,500 last month.

I am pleased on this trip to also be accompanied by senior executives of several companies with extensive operations and opportunities in Mexico – including those from Motorola Solutions, Public Service Enterprise Group, New Jersey Natural Gas, and Celgene. These executives represent some of the most important sectors of the New Jersey economy – telecommunications and technology; energy; and pharmaceuticals.

I am also delighted to be accompanied by the chairman of New Jersey's largest public university, Rutgers University. Another key goal of this trip is to deepen the ties between Mexico and the State of New Jersey in the field of higher education. We know this much: one key to our ability to seize the North American growth opportunity is the quality and preparation of the North American work force. At a time when, in both of our countries, the ability to get ahead is more closely tied to educational attainment than ever before, we must do everything we can to strengthen – and globalize – our systems of higher education. So I am happy to be working together on this.

In addition to promoting New Jersey-Mexico trade and ties in higher education, I am also here to listen and to learn.

I have been struck so far in President Peña Nieto's term how often the President, himself a former governor, has met with the governors of U.S. states. He knows, instinctively, from his own experience, that in both of our countries the leaders of the states have a major role to play in addressing issues, forging ties, and solving problems.

So while I am here, I will be honored to be accepting the invitation of the governor of the State of Puebla, Governor Rafael Moreno Valle, to visit his state. Puebla is the state of origin of more New Jersey Mexican-Americans than any other Mexican state. And I will also be meeting with Governor Lozano of the State of Aguascalientes, Governor Avila of the State of Mexico, and Mayor Mancera of Mexico City. This underscores my point that state to state relations, and state and local relations, are also an essential feature of North American cooperation.

The numbers I have just given you about the importance of trade between the United States and Mexico, and between New Jersey and Mexico, reflect the state of the relationship *today*. But the real purpose of this trip is to explore the opportunities of *tomorrow*.

North America has used trade and economic integration to improve its competitive position in the world in the last twenty years. American exports to Mexico have increased fourfold in this period. Today some 50,000 U.S. Firms sell their goods and services in Mexico – and the U.S. exports more goods to Mexico than to Brazil, Russia, India and China combined.

In the same time period, U.S. investment in Mexico has grown from $15 billion to over $100 billion per year, and Mexican exports to the United States have increased seven-fold.

In the past two decades, Mexico has become a major player in global trade. Mexico today is Latin America's number one exporter. Mexican exports have grown from $60 billion twenty years ago to almost $400 billion last year. Mexico has signed free trade agreements with 45 countries and 90% of the country's trade is with those countries. And all of this has helped the manufacturing sector, which accounts for three-quarters of Mexico's exports.

There is no question that as our bilateral trade has grown in these past two decades, we have been able to integrate our supply chains and make both countries more productive and efficient, and thereby improve our joint competitive position. Today, according to the National Bureau of Economic Research, an average of 40% of the content in a Mexican good exported to the United States is U.S.-made. So our economies are intertwined.
So today, we have together created what the U.S. government calls "one of the most effective cross-border production platforms in the world".

That does not mean that we cannot do better. This summer, the CEO dialogue launched by the U.S.. Chamber and its Mexican counterpart, the CCE, has continued to meet -- a complement to the high-level economic dialogue launched by Presidents Peña Nieto and Obama last September. The work and the conclusions that will come out of this CEO dialogue will be very important – so I compliment these business leaders, led by John Rice of G.E. on the U.S. side and Armando Garza of Alfa group on the Mexican side – for their work. And we look forward to hearing the results of the group's next meeting in Monterrey in December.
I know that one key area on which the CEOs are putting special focus is the importance of modernizing border infrastructure and reducing the barriers to smoother and more efficient – and therefore less costly – cross-border flows.

That will require everything from modernizing our ports of entry by deploying more hardware and software and security technology, to harmonizing our regulations, to improving our transportation and communications infrastructure, to re-inventing what Cisco systems calls the "smart border".

With specific respect to trade, I know that the CEOs are discussing the key point that we do not want to end up with divergent rules of origin or preferential tariff rates. Both Mexico and Canada, while parties to the transpacific partnership negotiations with our Asian neighbors, are not party to the trans*atlantic* trade and investment partnership (or TTIP) negotiations. So I believe that serious consideration should be given to inviting both countries to join the trans-Atlantic dialogue.

The bottom line is that today we are poised to take our economic position to the next level. Our goal should be nothing less than to make North America the number one destination for global investment. Our goal should be to make our combined North American economy the most competitive in the world.

That will create the best outcome, the most growth, and the most jobs for our people.

Of all the opportunities in front of us, perhaps the most exciting are those in the field of energy.

So today, I would like to speak to you about the North American energy renaissance, and what I believe must be done to allow it to reach its full potential.
In the United States, new technology – especially advances in directional drilling and hydraulic fracturing – have radically changed our energy picture.

According to the energy information administration, production of crude oil from tight oil and shale formations in the United States, which has already quadrupled since 2008, could almost double again to 4.8 million barrels a day by 2018. And that is projected to drive an overall increase in U.S. oil production of almost 50%, from just over 6 million barrels a day in 2012 to almost 9.6 million barrels a day by 2019.

The effect on America's energy posture has been dramatic and unprecedented. Imports as a percentage of U.S. liquid fuels consumption have dropped from 60% in 2005, to 40% in 2012, to an estimated 33% last year – and headed lower, according to the EIA.

And the story in natural gas is much the same. The shale revolution has of course ignited a significant increase in natural gas production. Today, shale gas accounts for 40% of U.S. Natural gas production, and natural gas prices in America have fallen to one-third of those in Europe and one-fifth of those in Asia. This has already improved industrial production, and will continue to help the manufacturing sector with lower costs.

In addition, due to the abundance of economical natural gas, we have reduced our greenhouse gas emissions. According to EIA, we've cut our CO_2 emissions by 10% from 2005 to 2012, a year in which emissions were at their lowest level since 1994.

There is a certain irony in the fact that the United States took so much criticism for not signing on to the Kyoto accords *on paper*, but that we are today one of the world leaders in reductions of our greenhouse gas emissions *in actual practice*.
What energy expert Daniel Yergin calls the "shale gale" has also had a major effect on employment. By some analyses, the biggest source of new jobs in America's most recent economic recovery have come from the energy sector. Yergin estimates that the shale revolution today supports over two million U.S. jobs.

In less than a decade, we have gone from a country planning to import large volumes of liquid natural gas, to one making plans for export.

In Canada, the story is much the same. Increased production of tight oil and shale gas, and growth in output from Canada's oil sands, have dramatically increased production and contributed to Canada's economy. Natural resources Canada reports that the oil and gas sector contributes over a half a million direct and indirect jobs across Canada.
In total, North America today has the fastest growing oil production outside of OPEC.

Here in Mexico, the energy picture is also poised for dramatic change, because of the historic reforms launched by President Peña Nieto . While oil production has fallen over the last decade, these dramatic reforms have the potential to unleash a wave of capital investment in Mexico's energy sector.

The President's concept of allowing Pemex to enter into commercial contracts, while preserving and respecting Mexico's historical ownership of subsurface assets; to open up the mid- and downstream segments to investment; and to reform the electricity sector and CFE, have the potential to attract both tens of billions of dollars and new technology.

I believe that the result will be to modernize Mexico's infrastructure and production technologies, to better tap the potential that exists in deepwater, in mature oil fields, in heavy oil, and perhaps in the future in shale -- and at the end of the day to increase production and create jobs in Mexico. At the same time, increased investment in midstream infrastructure can bring more U.S. gas to Mexico, reduce electric power costs, and contribute to the growth of manufacturing jobs.

In fact, J.P. Morgan estimates that all of the reforms President Peña Nieto has pursued -- not only in energy but in finance, telecom, government and education as well – have the potential when implemented to increase Mexico's GDP growth by 1 to 1.8 percentage points per year.

For make no mistake: the dramatic change in the energy landscape in North America has made all of us better off and will continue to do so.

For the United States, it means that our country now produces domestically 84% of the energy it uses, up from 69% just nine years ago.
It has changed the strategic equation, making our continent less vulnerable to imports from the Middle East or unstable sources elsewhere.

For both the U.S. and Mexican economies, the production boom in gas and associated lower costs have contributed to “re-shoring”, a return of manufacturing jobs that had been migrating to Asia before.

For all of North America, the energy revolution has improved our strategic and competitive position.

But the revolution remains in its infancy. And whether North America realizes the full potential of its energy opportunity will be the result of more than just luck and natural bounty, it will also be driven by the policy choices and investments we must make.

So let me turn to those things we must do to make the renaissance a reality.

First, to fully realize the potential of the North American energy renaissance, all three countries will need to significantly ramp up investment in infrastructure.

Here in Mexico, I know the government has pledged to do this in its five year plan – encompassing not only energy but roads, railways, and telecommunications as well. Under the plan, the energy sector alone is targeted for a quarter-trillion dollars of new infrastructure investment.

But the need to invest in infrastructure, in particular pipeline infrastructure – and to clear regulatory and political impediments to its construction – is not confined to Mexico.

In the United States, we have over 2.2 million miles of pipelines. The safety of these pipelines is demonstrated; and their necessity to get product to market is not debatable. Canada, too, has tens of thousands of miles of pipelines with a 99.99% safety record.

My view is that we are missing an enormous opportunity when we delay development of the Keystone XL Pipeline. Not only is Keystone a major job creator, delays in its approval sends an unfortunate signal on multiple fronts.

First, it reduces the willingness of investors to make other large investments in large scale, capital-intensive projects that are needed to help our energy reach its customers. So it has a chilling effect on economic growth and job creation even beyond this one very important project.

With respect to Canada, it has limited the ability of increased production from the Canadian oil sands to get to market, not only hurting production and growth, but creating a major strain in relations with another key American ally – the government of Canada.

Approving Keystone would actually drive down the price of oil and help consumers in all North American countries. It should be done today.

More broadly, the lack of pipeline infrastructure in America means that much of our country’s increased production is being shipped by rail. Now, that can be a good thing, as rail affords more flexibility in response to market needs. But the lack of pipeline infrastructure can also have the effect of increasing costs, thereby potentially limiting the benefits of the energy revolution.

With respect to Mexico, a forward-looking American infrastructure strategy would also prioritize the approval of natural gas pipelines bringing product to Mexico. There is a strong likelihood in the wake of Mexico’s reforms of increased Mexican demand for U.S. gas. Fast tracking this infrastructure can grow the U.S. gas trade with Mexico, to the benefit of both countries. A recent report by the Atlantic Council makes this point clearly.

These steps have to be part of a policy of reducing regulatory uncertainty and increasing transparency in the American project approval process. Major investments, not only in pipelines, but in value-added facilities like chemical plants are being delayed, despite favorable economics, because they require a significant long-term investment that is simply being delayed by permitting, sitting, and other forms of regulatory uncertainty. This lack of regulatory predictability is hurting the manufacturing sector and job creation in the United States.

A second key step to help realize our energy potential would be to open the global market for United States crude and take steps to develop and promote the capacity for LNG exports from the United States.

The 1970s-era ban on crude exports creates a price anomaly which holds U.S. crude oil at a discounted price, which ultimately hurts upstream production and limits the energy boom.

In the case of natural gas, there too the price in Europe and Asia is materially higher than the U.S. price. Multiple companies are now applying for licenses and raising money to building export facilities.

The long-term benefits of open markets for U.S. Energy exports are also worth considering in light of the response, particularly in Europe, to Russian aggression in the Ukraine. In the short and even medium term, Europe will remain heavily dependent on imported Russian gas and energy. But in the long term, the strategic value of reducing this dependence is now clearer than ever.

A third component of a strategy to harness the benefits of the North American energy renaissance is not to radically limit those benefits through foolish regulation.

The United States is currently embarked on an extreme regulatory path – one that would depart from working toward orderly transition to a less carbon-intensive future, and instead pursue a radical change in our energy mix that will reduce the reliability of electric power in the United States.

This is ironic as the technology revolution and the continued advance of cloud computing increases the need for electric power from data centers across the country. A mix shift away from coal and toward natural gas is already underway due not only to regulation of new plant construction but more importantly to prices as the shale revolution makes gas-fired plants a cheaper alternative.

As I mentioned, this is also contributing mightily to a reduction in U.S. greenhouse gas emissions.

What we need to understand is that continued investment and advancements in technology can play a key role. Just as new technologies have made the dramatic advances in shale oil and gas production possible and helped launch a new era of energy strength and security for North America, investing in technology can also help us do everything from driving down the cost of renewable energy sources to advancing new techniques for burning coal more cleanly and storing and sequestering carbon.

The gas industry must also do its part – on the one hand, ensuring the proper handling of the chemicals used in fracturing, minimizing surface disturbance, ensuring well integrity, and disposing and recycling water in an intelligent and safe way. And on the other, continuing to measure and ultimately capture methane emissions from oil and gas production in a cost-effective way.

What we need are regulatory policies that will harness the benefits and manage the risks of all fuels that are in abundant supply in our country. This is the way to create a true “all of the above” energy strategy, not one which selectively doles out punishment for certain fuels based on political considerations.

The need for regulatory reasonableness and certainty also applies to Mexico’s implementation of the historic energy reforms we have talked about this afternoon, as I am sure our colleagues in the government of Mexico well know. One key determinant of the success of Mexico’s reforms in attracting foreign investment will be the speed, transparency and clarity with which the new regulations in energy are adopted and implemented. And another key determinant will be the competitiveness embodied in contract terms and in tax and royalty rates – which have to be tailored to attract the needed investment.

Finally, we must recognize that, especially with the newly adopted reforms in Mexico, our energy market in North America is highly integrated and likely to be even more so over time.

So we must recommit to the integration process and work to adopt new policies that will harmonize regulations, improve the efficiency of supply chains, and work toward a more smoothly functioning and ultimately cost-effective energy supply network across borders on this continent.

This is the path to increased competitiveness, enhanced economic growth, and greater job creation in all three countries – Canada, Mexico, and the U.S.

As I said earlier, one of the reasons I am so excited to be here in Mexico this afternoon is that I stand in admiration of the market-oriented reforms put forward by President Peña Nieto and his administration. They demonstrate Mexico’s strong commitment to doing its part to realize the full potential of the North American energy renaissance.

The American author Bill Bryson once wrote that: “energy is liberated matter, matter is energy waiting to happen.”

In North America, we have resources waiting to be tapped. We have opportunities waiting to be liberated. What is required is the *vision* to maximize our growth, the *political will* to unlock our potential, and the *understanding* that working together on strategic priorities and compelling opportunities is the path to a better life for the greatest number of people in both of our countries.

So I have come to Mexico this week, with great enthusiasm, both because I want to underline the importance in my view of the North American relationship and the North American opportunity, and because I want to listen to our hosts about their ideas for how to maximize the relationship and the opportunity. I know that I have much to learn from the many senior Mexican officials, including of course the President, who have so graciously agreed to meet with me this week. I am ready to hear their ideas about how we can work together more closely, and I hope that our hosts will find this week, and going forward, that I am both an eager listener and an enthusiastic and reliable partner.

Today, we stand at the beginning of the next chapter in the story of North American integration that began long ago, but accelerated in economic terms with the passage and implementation of NAFTA twenty years ago.

Unlocking our shared energy future, and our shared energy potential – this is the path to growth.

I believe we in North America are faced with a tremendous, indeed unique, opportunity. We have the chance to take advantage of the extensive economic relations which we have built over the decades, and the abundant resources with which we have been blessed, to create a better economic future for each of the three nations of North America.

It can be a future characterized by more jobs for Americans, for Mexicans, for Canadians. It can be a future characterized by resurgence and a return of manufacturing to North America. It can be a future characterized by a higher rate of economic growth and a better standard of living for all of our citizens.

This better future is within our grasp, if we act to make it so. Mexico has embarked on a policy path with its eyes fixed on this better future. I call on America to do the same. And I look forward not only to a very productive visit over the next few days, but to a North American renaissance over the next many years.

Thank you very much.

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