



OPENING STATEMENT

Senator Benjamin L. Cardin Co-Chairman

“Energy and Democracy: Oil and Water?”

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(as prepared for delivery)

Thank you, Mr. Chairman. I am pleased that the Commission is now turning its focus to the nexus of energy and democracy. As the States of the Organization for Security and Cooperation in Europe (OSCE) pursue energy security, we must address why it is that so many of the resource-rich countries in the world are not democratic and whether development of both democracy and energy resources is an incompatible goal.

In the search for energy security in the OSCE region and beyond, democracy is an important contributing factor. Endemic corruption is an impediment to democracy. Last year the OSCE Parliamentary Assembly adopted a resolution I authored on limiting immunity for parliamentarians in order to strengthen good governance, public integrity and the rule of law in the OSCE region. Just recently Chairman Hastings and I met with the President of Ukraine who told us that this was one of the first things he would like to see accomplished once a new parliament is elected this September. This is an important step forward for Ukraine.

Broad immunity for parliamentarians can serve as a cover for corruption. I believe that good governance is the key to a properly functioning democracy. In many of the oil-exporting states, corruption and kleptocracy have become the norm and prevent democratic ideals from flourishing. The United States must consider the impact of its dependence on these types of states for energy security.

Countries that are mired in corruption are not reliable sources of energy. According to Transparency International, six of the top ten oil-exporting countries to the United States are among the most corrupt countries in the world. A lack of transparency within governments and the energy sector poses both a threat to energy exports and the ability of governments to properly manage revenue for their citizens. These governments are not accountable to their citizens and have taken advantage of the resources of the nation in pursuit of the self-interest of a few corrupt leaders. The result has been increasing political instability, and in some cases violent attacks on pipelines and refineries.

Not only does political instability threaten the physical ability to export oil and gas, but it also has created a poor investment climate. If we are to support development of energy resources, U.S. policy should certainly take into account the investment incentives in these countries. Corruption not only weakens those incentives, but also prevents those investments from producing real results in terms of security of supply. There is clearly a positive link between development of democracy and development of energy resources, which can be seen in

some of the recent improvements to both in countries such as Azerbaijan. Additional steps are absolutely necessary to increase transparency in oil-exporting governments, but initiatives such as the “Extractive Industries Transparency Initiative,” and “Publish What You Pay,” are moves in the right direction and need U.S. support.

In order to achieve energy security, not only must we work towards our own energy independence, for which I have introduced legislation, but we must also ensure that the countries from which we import oil and gas are reliable sources. Combating corruption and increasing transparency are part of the process of democratic development and must be supported by U.S. policy if we are to attain long term energy security.