



OPENING STATEMENT

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Chairman

“Energy and Democracy: Oil and Water?”

July 23, 2007

(as prepared for delivery)

Good afternoon. I want to welcome you all to this hearing of the Commission on Security and Cooperation in Europe.

Today’s hearing is the second of three hearings the Commission is holding on the topic of energy security, an issue that spans the security, economic and environmental, and human dimensions of the Helsinki process. This hearing series is designed to give the Commission a comprehensive picture of this complex issue and highlight areas where the Commission, the U.S. Government and the OSCE can take effective action.

The first hearing took place on June 25 and focused on conflict prevention and the security of supply and transit of oil and gas. The third hearing will address the nexus of energy security and environmental security, focusing on the diversification of energy supply and sustainable technologies—namely how we can decrease dependence on foreign sources and address environmental concerns at the same time.

At today’s hearing we are going to hear from our distinguished panelists about the development of democracy and civil society in countries with abundant energy resources—and why that matters to U.S. energy security. I mentioned at the last hearing the remarkable fact that only two of the world’s top 10 oil exporters are established democracies—Norway and Mexico. What is wrong with this picture?

Top World Oil Net Exporters 2006

1	Saudi Arabia
2	Russia
3	Norway
4	Iran
5	United Arab Emirates
6	Venezuela
7	Kuwait
8	Nigeria
9	Algeria
10	Mexico

Source: EIA: International Energy Annual (2000-2004),
International Petroleum Monthly (2005-2006).

When we look at countries that are situated on oil and natural gas reserves, we think these countries have won the global version of the economic lottery. They have a built-in revenue

stream that can fuel not only their own economy but also be an export commodity. But what economists have found by studying these resource-rich countries is that they often do worse than their resource-poor neighbors, both economically and politically. This problem is often referred to as the “resource curse.”

Each of the countries we are focusing on today—Russia, Kazakhstan, Turkmenistan, Uzbekistan and Azerbaijan—face some aspect of this resource curse. And while the situation in each country is unique, we can generalize and say that the lack of transparency in politics, and in oil and gas deals, is at the root of the problem.

It’s a well-known, and well-bemoaned, fact that the United States is becoming more and more reliant on imported energy to fuel our economy. We are the world’s largest consumer of oil—we account for an astounding 25 percent of global daily oil demand—despite having less than 3 percent of the world’s proven reserves. And we source that oil from some unstable and unfriendly places in the world such as Nigeria and Venezuela.

In the context of today’s hearing some of you may wonder why the United States should care what is happening in Turkmenistan or Kazakhstan, when we actually don’t rely on these countries for a significant portion of our energy supplies. Russia is only number nine on our list of oil suppliers and Kazakhstan, Turkmenistan, Uzbekistan and Azerbaijan don’t even make it into the top twenty.

The answer is that unlike natural gas, oil is a commodity, so regardless of where we source our oil, what happens in other oil-rich countries impacts the stability of our price and our supply as well. As the National Petroleum Council reported last week, “There can be no U.S. energy security without global energy security.”

Oil is the tie that binds us all and threatens to choke us at the same time.

So take a minute to think about how drastically different our interactions with these countries would be if we did not rely so heavily on these countries’ resources. I think it goes without saying that we would have more leverage to promote democracy and civil society. Clearly oil constrains, if not drives, our foreign policy.

So while it is imperative that we work to limit our dependence on foreign oil and change the dynamic of supply and demand, it is just as important to create more stable and reliable sources of energy. One of the key ways the international community has sought to counteract the political and economic instability inherent in the resource curse is through programs that seek to instill transparency and accountability into the resource payment system.

I am pleased that we have with us today Mr. Simon Taylor, one of the founders of, and now the director of, Global Witness, an organization that has led the charge in not only exposing corruption and kleptocracy, but also finding workable solutions to these problems. Also joining us today is Mr. Roman Kupchinsky, regional analyst for Radio Free Europe/Radio Liberty.

You should all have copies of the full bios of the witnesses, so I would now like to turn to Mr. Taylor for his testimony.