

Speech to the EU Washington Forum

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It is a deep honor to open the EU Institute for Strategic Studies' Washington Forum, which has attracted so many thoughtful participants from around the world. Our celebrations this month, marking twenty years of a Europe undivided and free, provide an important reminder of the tremendous geopolitical achievements that can be realized when the United States and Europe maintain unity of vision.

Twenty years ago this month, East German authorities announced that citizens could depart the country through any border crossing. Now widely perceived as a lapse in communication within the bureaucracy, the announcement caused a swell of East Germans to overwhelm border checkpoints, which were opened, ushering the first free movement of East Germans into the West in 28 years. Negotiations the following year were undeniably disputatious, but statesmen of the time vigorously pursued their objectives and achieved the re-unification of Germany and the continent one year later.

I recount this history because it serves to elucidate a larger point. It is difficult to imagine a more vexing diplomatic challenge than unifying the largest country in Europe, which had sparked upheaval unparalleled in modern history and which sat at the intersection of Cold War tension. Yet Europeans and Americans rose to the occasion and committed the political and diplomatic capital to see through the solidification of stability on the continent. As we celebrate peace within Europe, it is critical that we

remain vigilant in identifying emerging threats that can imperil achievements that have produced the current order.

During the Cold War, Western allies were hesitant to shift strategic focus beyond Europe out of fear that confronting indirect challenges in the Middle East and elsewhere would weaken the resolve needed to confront the direct threat on the East-West border. Today, however, we have no choice but to cast our strategic focus further afield. Our credibility as a community of shared values will depend on how we meet the challenges posed by newly empowered states and populations in Asia, Africa, and the Middle East and the unconventional threats of cyber and energy insecurity, disease, hazardous material, and terrorism. Meanwhile, both Europe and the United States must contend with forces that draw our attention inward. The pressures of the global economic downturn frame political realities on both sides of the Atlantic. Moreover, Europe remains focused on deepening the European Union, harmonizing policies across 27 member states, and articulating the Union's relevance to constituent nations and peoples. In America, we are engaged with a domestic agenda that includes reform of the health care, financial, and energy sectors, which could produce a massive re-orientation of our economy.

In this setting, we need bold leadership to ward off security and economic threats that could disrupt the stability and prosperity we have invested so much in creating.

Access to stable supplies of energy, in particular, is vital to the transatlantic agenda. In my view, energy has become one of the most important currencies of statecraft. It constitutes an acute security concern of the United States and European

countries, cutting across the fields of transportation, industrial, environmental, and national security policy. For some countries, guaranteeing reliable energy supplies has been approached as an almost existential matter. Thus, the consequences of failing to set forth a coordinated energy security strategy will not be confined to the field of energy but will reverberate across entire national agendas.

Looming behind any discussion of energy security is the question of how to create a more productive relationship with Russia. In recent years, Gazprom has shut off the spigot to a number of European neighbors on the heels of political developments that the Kremlin found objectionable. It has now become an annual ritual that the onset of winter in Ukraine is accompanied by threats from the Russian government that energy flows may be in jeopardy. This year, it has come two months before Ukrainians will cast ballots in a closely-fought presidential election.

When I talk with European leaders, I sense that we largely agree on the source of our energy woes. Unfortunately, we have struggled to achieve the same consensus on solutions. While some countries pursue long-term contracts with Russia to channel energy exclusively towards domestic needs, others are left to face energy extortion if they fail to yield to Moscow's demands.

Three years ago at the NATO Summit in Riga, I called for NATO to incorporate energy security into its Article Five guarantee, arguing that any member subjected to a deliberate energy cut-off should receive assistance from other Alliance members. A shutdown of natural gas supplies to a nation in the middle of winter could cause death and economic calamity on the same scale as a military attack. While I did not expect my proposal to be immediately embraced, I did hope that it would stimulate more debate on

the matter. In the three years since the Riga summit, discussion of energy security has increased, and NATO has progressed in making energy security part of its operation duties, including strategic planning, infrastructure protection, and intelligence analysis.

This July, I was witness to a breakthrough that suggests a common strategy is within reach. I joined the U.S. Envoy for Eurasian Energy, Ambassador Richard Morningstar, and the representatives of twelve other nations in Ankara for the signing of the agreement to move forward on the Nabucco pipeline. Completion of the Nabucco project will directly connect nations of the Caspian region, the Caucasus, and Europe, bringing energy diversification that will benefit supply, transit, and consumer countries alike. Nabucco illustrates that parochial interests can be surmounted for the common cause of energy cooperation. I have been encouraged that Nabucco is supported by many enthusiasts of greater European integration.

It is my hope that the sense of common purpose and collaboration that impels Nabucco forward will result in additional steps toward energy security, such as interconnecting the pipeline infrastructure of Europe, making progress on unconventional gas reserves, improving transparency and governance in world oil and gas supplies, and bringing China and India into the International Energy Agency, to name just a few.

Since my mission to Turkey, we have been reminded of the delicate political balance that such ambitious projects require. Turkey and Armenia have neared a historic deal to ease tensions that have hindered economic and political progress in much of the Caucasus. However, less diplomatic leverage has been brought to bear on the frozen conflict over the territory of Nagorno-Karabakh between Armenia and Azerbaijan. Now some observers speculate that final agreement on gas trade could be a

casualty of recent uncertainty in the relationship between Turkey and Azerbaijan. In reality, final agreement between Turkey and Azerbaijan would build confidence, reaffirming their economic, political, and cultural connection.

I welcome Swedish Foreign Minister Carl Bildt's announcement that he will lead a regional approach to the Caucasus to address interrelated disputes as part of the EU's Neighborhood Policy. Since 1992, the so-called Minsk Group, comprised of 11 countries, has sought to address the issue under the auspices of the Organization for Security and Cooperation in Europe. The European Union and the United States must raise the profile of our efforts in solving the Nagorno-Karabakh conflict. Last year, we were witness to the ease with which frozen conflicts in this region can slip into full-scale war.

Concerted action is essential if we are to unlock the energy, economic, and political potential of the Caspian basin and Central Asia. Georgia flies the flag of the European Union outside of its government ministries to symbolize its ambitions, and Azerbaijan has welcomed cooperation with Western diplomats and multinationals. Officials in Kazakhstan and Turkmenistan have told me that they want more dialogue with the West. But while the most senior leaders in the Russian government take regular trips to the region, EU and NATO leaders have failed to engage the region at a similar level. I have encouraged President Obama to travel to Central Asia to lead a concerted Western strategy.

At the intersection of our pursuit of more secure and stable energy markets and our humanitarian interests in global economic development is the need to work with energy-rich countries to ensure the prudent management of wealth generated by their energy exports. History has shown that the possession of oil, gas, and minerals can

become a bane, not a blessing, for developing countries, leading to greater fraud, corruption, wasteful spending, and military adventurism. This situation can also dull the effect of our foreign assistance dollars. Too often, oil money intended for a nation's poor lines the pockets of the elite or is squandered on showcase projects instead of productive investments. On the other hand, when financial markets see transparent political institutions and stable growth in resource rich countries, supplies are more reliable and risk premiums factored into prices at the gas pump are diminished. Disclosure of income generated through extractive industries is critical to maintaining healthy economies and political systems.

Transparency is a necessary element for citizens to hold their leaders accountable. I am encouraged that more bilateral and multilateral attention is being paid to the importance of transparency as part of our broader efforts to work with governments on promoting rule of law, developing civil society, and strengthening fiscal management. This work is being reinforced by productive actions by several NGOs and private companies. Yet, there is much more that we can and should do.

I recently authored legislation that would help strengthen U.S. leadership on transparency promotion. The Energy Security Through Transparency Act commits the United States to improved transparency in our domestic extractives sector. It also would require companies listed on U.S. stock exchanges to disclose in their regular SEC filings their extractive payments to foreign governments for oil, gas, and mining. This information would be posted on the internet, allowing governments and citizens alike to track money flows and ask questions – and allowing investors in these companies to have a greater understanding of the stability of assets and operations. These efforts will have maximum benefit if other nations and organizations, including the European Union, join

us in requiring such disclosure in their own jurisdictions. This is a new front on which European and American cooperation is essential, and I encourage EU countries to take similar measures.

Our strategic vision for transatlantic cooperation must not suffer drift as we continue to be occupied with daunting domestic agendas on both sides of the Atlantic. We must embrace the opportunities on Europe's periphery where the challenges of political instability and energy insecurity increasingly overlap. Renewed commitment to extending the achievements of 1989 beyond the core of Europe will provide us with the best chances for securing the values of the Euro-Atlantic area.

Thank you.

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