The Institute for Advanced Strategic and Political Studies

Research Papers in Strategy

May 2002 **No. 14**

Proceedings of an Institute Symposium

African Oil: A Priority for U. S. National Security and African Development

Held on January 25, 2002 at The University Club in Washington, D. C.

Edited by: Paul Michael Wihbey & Barry Schutz

Editor’s Introduction

Proceedings of an Institute Symposium

“African Oil: A Priority for U. S. National Security and African Development”

What jumps out at the reader from these pages, especially in the comments of Congressmen Edward Royce and William Jefferson which the Institute inserted at the head of a White Paper just handed to the House Africa Subcommittee, is this: the U.S. took note of a national strategic “priority” in African oil only after the shock we all suffered on September 11, 2001. But there are two important reasons why we might have acted sooner. First, we had prior warning in 1973.

The OPEC oil embargo of that year was a shock, too. It prompted oil companies to revolutionize their industry until oil glut replaced scarcity. This touched off an economic counter-revolution in the Persian Gulf that drove Saudi capita GDP from $20,000.00 to under $8,000.00 in a decade. But these things did not spark a policy revolution. Our policy analysts did not take note of a U.S. and Western strategic interest in African oil because they missed the *pertinent fact* about the oil embargo. U.S. dependence upon oil from OPEC was a bad strategy. They missed it.

Missing the pertinent fact is what doomed us to wait for the other foot to drop. In 1973 the policy community surely saw a pertinent fact: U.S oil supply depends on OPEC which controls oil. But anyone who knows this knows as well that we are confused about facts and values. Was the embargo a fact or a value? Plainly both. But then if values are relative, facts necessarily being infinite, whence comes pertinence? In modern policy analysis it comes from the “rock,” like the one Boswell’s Johnson kicked: the Arab oil embargo happened. It was “there.” Fearing infinity on one side and value judgment on the other side, strategic policy is little more than a deduction (“how to fix” the *problem*) from a pertinent strategic fact in time and place. A deduction of this kind that is not another strategy, someone’s value and “theoretical,” is bound to reduce the strategic to what is lower, in this case to the political as behavior. Our response to a discrete strategic experience, the oil embargo, was a political policy. (Everyone knows what it was.)

But for someone who knows that a pertinent strategic fact is a real and fixed thing, say that “all men are political creatures,” and that the large human bodies (nowadays nation-states) are facts but also values (some are superior to others where “superiority” refers to justice as the aim of these bodies), strategic policy emerges from more than “deduction” about How and becomes an inference from Aim. For example, it emerges from the fixed principle of states as required in the nature of things to protect members: an embargo, to say nothing of 9/11/01, breaches this requirement.

An authentic policy analyst looking at the oil embargo and seeking the pertinent facts might have leapt, as Paul Michael Wihbey did, to considering, say, “moving” the Persian Gulf to the Gulf of Guinea. But just this inference from truths about human affairs is what prompted policy executor Walter Kantsteiner, III Assistant Secretary of State for Africa to say on 1/25/02 (recorded here): “African oil is a national strategic interest…[and] it’s people like you who will…bring the oil home.” But it was a domestic political policy in 1995 that constrained an earlier government figure in DoD to say the opposite: “ultimately we see very little traditional strategic interest in Africa.” These *Proceedings* are the first pertinent fact generated by a strategic policy based upon a truth about the American nation and the West as pertinent values. RJL

THE INSTITUTE FOR ADVANCED

STRATEGIC & POLITICAL STUDIES

* * *

AFRICAN OIL: A PRIORITY FOR

U.S. NATIONAL SECURITY AND

AFRICAN DEVELOPMENT

* * *

SYMPOSIUM

* * *

FRIDAY

JANUARY 25, 2002

* * *

The symposium was held in University Hall, the University Club, 1135 16th Street, N.W., Washington, D.C., at 8:30 a.m.

SPEAKERS:

TOM CALLAHAN, Department of State

JAMES R. DUNLOP, Department of State

JOHN FLYNN, Vice President ChevronTexaco

THE HON. WILLIAM JEFFERSON, U.S. House of Representatives

WALTER H. KANSTEINER, III, Assistant Secretary of State for African Affairs

LT.COL. KAREN KWIATKOWSKI, African Affairs, Department of Defense

MALCOLM MORRIS, President, Stewart Title Guaranty Company

ROBERT BARRY MURPHY, Bureau of Intelligence Department of State

THE HON. EDWARD R. ROYCE, Representative, U.S. House of Representatives

BARRY SCHUTZ, Foreign Service Institute, State Department

JANICE VAN DYKE WALDEN, Vanco Energy

PAUL MICHAEL WIHBEY, Institute for Advanced Strategic & Political Studies

P. M. WIHBEY (Senior Fellow, IASPS): Good morning. Thank you all for attending.

My name is Paul Michael Wihbey. I'm Strategic Fellow at the Institute for Advanced Strategic & Political Studies here in Washington, and on behalf of the President of the Institute, Professor Robert Loewenberg, its Executive Director, Mr. Robert Heiler, and its Senior Associate, Mr. Fred Cedoz, I welcome you to this morning's symposium: **African Oil: A Priority for U.S. National Security and African Development**.

In May of last year, the Bush administration, through the guidance of the Office of the Vice President, released its report for national energy policy. The administrations plan calls for a major diversification of oil supplies away from longstanding reliance on volatile and unfriendly oil-bearing regions.

In the same report and with respect to Sub-Saharan Africa the report stated: "Along with Latin America, West Africa is expected to be one of the fastest growing sources of oil and gas for the American market. African oil tends to be of high quality and low in sulfur, making it suitable for stringent refined product requirements and giving it a growing market share for refining centers on the East Coast of the United States."

Indeed, a recent unclassified Defense Department report resulting from a conference summary on the subject declared: "West Africa is the swing production region that allows oil companies to leverage production capability to meet fluctuating world demands. West African oil is of high quality is easily accessed offshore and well positioned to supply the North American market."

And production in two of the oil producing states, Nigeria and Angola, is expected to double or triple in the next five to ten years. Already Nigeria and Angola together provide as much oil to the U.S. as Venezuela or Mexico, making it of strategic importance. We import as much oil from West Africa as we do from Saudi Arabia.

It is within this context of the growing strategic significance of Sub-Saharan Africa, and particularly of the Gulf of Guinea region, that we are hosting this event. This symposium has three basic goals:

First, to recognize the extraordinary work and accomplishments of the House International Relations Subcommittee on Africa, led by Chairman Ed Royce, who will keynote in just a few moments.

Chairman Royce has been ably supported by committee members, such as Donald Payne from New Jersey and Jeff Flake from Arizona, among others, and certainly from members of the Congressional Black Caucus, especially Congressman William Jefferson, who will speak to us later today on our second panel. Chairman Royce has developed a strong and effective bipartisan consensus on a host of U.S.-Africa related issues.

Our second objective is to underscore, to emphasize the growing importance of African oil to U.S. energy security planning and its impact on African developmental strategies.

Our third goal is to promote and stimulate discussion in the public policy arena on the issue of Africa as it relates to oil and development, and to all the other issues that will challenge Sub-Saharan Africa.

Our panelists come from government, the private sector, and academe, and they will contribute to the opening of this policy discussion.

I'd like to introduce my co-coordinator, co-organizer of this event, Barry Schutz. Dr. Schutz is a foreign affairs specialist in the Department of State, with a broad academic background. He has held positions at the departments of State and Defense, as well as Georgetown University, the Rand Corporation, and the Naval Postgraduate School, and has been a Fulbright lecturer and scholar at the Higher Institute of International Relations in Maputu, Mozambique.

Barry SCHUTZ (Chairman African Studies, Foreign Services Institute): Thank you, Paul Michael.

I 'd like to recognize some of our honorable guests.

Ambassador Aminu from Nigeria, two representatives from the Embassy of Angola. Ambassador Jazairy from Algeria is here. Ambassador Mombouli from the Congo Brazzaville. Ambassador Iipumbu from Namibia. Political Couselor Tsegah from Ghana. Ambassador Mendouga from Cameroon. Ambassador Biogo Nsue, from the promising oil-producing country of Equatorial Guinea. And Mr. Daniel Ngwebe from the South African Embassy.

I would like say something about Africa's fundamental dilemma since independence, and what the United States can relate to in that regard. First of all, we would have to say that dependency has been an African byword. For every African state it's been a very difficult haul.

Their dependency has been primarily on former colonial powers, which has just made it that much more painful. The African states have tried to deal with it by seeking unworkable models of governance, namely, Marxist-Leninist models, but others as well, which centralize government and have no means or will for distribution.

Meanwhile, the United States is confronted with a need for dependable sources of energy: oil, gas, and other resources. Africa is faced with the requirements of a development strategy, based on their own resources, that will allow them to participate as partners, and I mean partners, in their own development. We are happy to have a number of specialists and experts to discuss the twin interlinking aspects of these two dilemmas.

So I am going to pass it on to the moderator, Jim Dunlop, who is sitting in momentarily for Walter Kansteiner.

James R. DUNLOP (Special Advisor to Walter Kansteiner, Department of State): Thank you, Barry.

I'm at the State Department, and I'm the Special Advisor to the Assistant Secretary of State for Africa, Walter Kansteiner, who will be with us shortly. He's currently with Secretary Powell.

One of the administration's top priorities in Africa is promoting trade and foreign direct investment. African oil obviously is extremely important to the United States. The United States obtains approximately 15 percent of its import requirements of oil from Africa. Also, it offers a region that's growing in reserve potential. West Africa, as we've just heard, has great oil potential. Offshore African oil also offers a unique political risk-hedging opportunity for U.S. businesses.

The developmental needs in Africa are great. The average GDP per capita in Africa in the last 15 years, the nominal GDP, has actually declined 15 percent.

Now I would like to introduce Congressman Ed Royce, Chairman of the U.S. House of Representatives Subcommittee on Africa. Mr. Royce has had a long time interest in Africa. Congressman.

Edward R. ROYCE (Chairman Subcommittee on Africa): Well, thank you very much, Jim, and I'd like to thank the Institute for Advanced Strategic & Political Studies for sponsoring this seminar here today. I'm looking forward to the panels, and I'm especially looking forward to hearing from my good friend William Jefferson, who I think is one of the most knowledgeable people about oil, important for Louisiana. I think you've put together a great program here today.

Several years ago the Africa Subcommittee held a hearing on Africa's energy potential. I think that we can still say with some assurance that few Americans really appreciate that Africa is now the third largest source of our imports, and I don't think they realize just how much U.S. investment has occurred on that continent. How many billions are being invested as we speak to increase that share of oil and natural gas that's going to come to the United States?

As mentioned, Africa provides 15 percent of our oil imports, and it is increasing rapidly. We need to talk about strengthening the partnerships we have with African countries, our African energy partners.

From an American perspective there are several reasons why we need to champion the energy investment important for this type of development. One is geographical. Africa, specifically the Gulf of Guinea, is so much closer to U.S. markets than the Persian Gulf.

Another reason is that it really is less of a long-term threat in terms of our dependency on foreign oil. It is very difficult to imagine a Saddam Hussein in Africa. It is difficult to imagine how our dependency on oil could be politically threatened on the continent, and anyway most of the production is offshore.

I think that African oil should be treated as a priority for U.S. national security post-9/11, and I think that post-9/11 it's occurred to all of us that our traditional sources of oil are not as secure as we once thought they were.

African energy is also critical to African development. It provides a revenue stream that should supply the capital to grow African economies and to break the cycle of poverty that plagues the continent.

Unfortunately we know that this hasn't always been the case. I think we know that the best African economic performers, those with the highest growth rates, are not oil producers, and this has led some observers to the conclusion that oil wealth is a curse for some African countries.

But it is not preordained that oil wealth should be squandered or that the non-energy sector of an African economy should be neglected. For example, there is no good reason why African oil producing countries should not take advantage of the African Growth and Opportunity Act (AGOA) to diversify their economies. In fact, these countries should be in the best position to do so because oil revenues could be used to finance the infrastructure needed to export.

But economic development requires more than infrastructure. It requires the right economic policies, and it requires stability, but there again, AGOA has the prerequisite: movement toward economic reform in those countries that decide to take advantage of it. Those countries that utilize that bill to diversify their economy will be going through the process of creating the economic reform that will lead to stability.

Creating stability is not the first requirement or the first responsibility of a U.S. company. What oil companies excel in is finding and producing oil, and that's what they should do. But U.S. oil companies should also invest in human capital by training local staff at all levels. This has been done reasonably well in Africa, but the companies should not rest on their laurels and should focus on training Africans in these sectors.

Oil is where you find it. Oil companies cannot always invest in democratically governed countries. It would be ideal if it could be guaranteed that the head of an African country where a U.S. oil company invested was, in fact, an advocate of democracy and always respected human rights. Unfortunately, that is not a realistic expectation in today's Africa or in most other oil producing regions of the world. It is important to urge and cajole and to nudge the leaders of the oil producing countries towards establishing inclusive democracies and good governance. This is the task of U.S. diplomacy, and it is also the task of organizations like the National Endowment for Democracy, the National Democratic Institute, and the International Republican Institute.

Regional organizations like the Organization of African Unity (OAU), now called the African Union, and the Southern African Development Community also have an important role to play.

The announcement by the OAU that it would not allow governments established by coup to take a seat in the continental organization was a good start. Oil companies have a responsibility to be more part of the solution than part of the problem, and that is good for countries in Africa, but it is also good for American business. Nigeria under Abacha was probably not sustainable for long-term oil production. Nigeria changed for the better because of some accidents of fate, the involvement of NGOs and because of General Abu Bakr's decision that elections should go forward.

One of the things that is necessary is transparency. Perhaps the most closely guarded secret in Africa is the amount of oil revenue accruing to the government of an oil producing country. Sometimes there is the impression that an oil company gets the lion's share of revenue when, in fact, the contrary is more often the case.

I advocate informing citizens of oil producing countries how the revenues are being distributed. Transparency should become the norm. Every dollar diverted to an offshore account or wasted in conspicuous consumption undermines stability.

How many classrooms could have been constructed with the ill-gotten wealth of former Nigerian military strongman Abacha? What development projects could have been launched in the volatile Niger Delta if corruption had not been rampant? Again, this is best promoted by diplomats, organizations such as Transparency International, and development NGOs.

The international financial institutions and donors must intervene for this to become the norm. This is one of the major strengths of the framework for the innovative Chad-Cameroon pipeline project, hearings for which were postponed by the events of September 11th. We will soon have those hearings.

Economic diversification must be a crucial component of an effective U.S. policy towards African oil-producing countries. An economy where the non-oil sectors are neglected will be, by definition, distorted.

Oil production is not particularly labor intensive. It's capital intensive. It will not provide essential employment or foster economic growth. Agriculture should not be neglected, and we should be doing more to open our markets to African agriculture.

We should follow up on the success of the Africa Growth and Opportunity Act, which has attracted hundreds of millions of dollars in direct foreign investment and created hundreds of thousands of jobs in a short period of time. I am just back from a Congressional visit to Lesotho in South Africa and Namibia to assess the impact of AGOA there, and we saw factories that employ tens of thousands going up.

We've seen a 17 percent increase in trade with Africa in the last six months. Also impressive is the transformation in African attitudes. African government officials, now believing that they have a chance in the global economy, are speaking passionately about creating better investment climates, including combating corruption, cutting red tape and improving governance.

The energy sector is pleased by the AGOA-triggered reforms in customs services. AGOA should be used to leverage these improvements throughout the continent.

The importance of U.S. oil production in the Gulf of Guinea points to developing a strategy to protect this production from terrorism, and this raises critical concerns about the role of the U.S. military in the region and its relations with African militaries.

In this respect, the relation of the Nigerian military and the members of ECOMOG is crucial. We can build on the ties established during Operation Focused Relief, when we provided infantry training for Nigerian troops that were deployed in Sierra Leone. The framework of the Africa Crisis Response Initiative (ACRI) is a starting point for exporting security arrangements to protect offshore energy resources in selected ECOMOG countries.

The governments and the representatives that I've met in Nigeria, Ghana, and Senegal all welcomed the ACRI framework. Nigeria's General Abu Bakr told me that it was his training, specifically at Fort Benning, Georgia, that had taught him the importance of a constitution, the rule of law, and of having the military subservient to the constitution and to a civilian government. It was the impact of that experience, when he succeeded General Abacha, that led him to call together his fellow officers and to announce that they were going to move toward democratic elections.

My experience as an election observer in Nigeria with then-General Colin Powell, showed me the amount of positive influence that we can have in this regard.

We can also help African countries overcome their dependence on the burning of wood and its harmful environmental effects, by using our tremendous capacity for developing natural gas. In Namibia, we saw two new gas fields being developed. In Algeria, the combination of natural gas and oil production in a couple of years is expected to leave Algeria the top producer on the continent.

Natural gas production has a real and sustainable possibility of decreasing the amount of environmental degradation on the continent. We must move to deepen our already good relations with African energy-producing countries in ways not just economic.

This region is of increasing strategic importance to the United States as it applies to American energy security needs. We must move beyond the antiquated view that places Sub-Saharan Africa on the lower rungs of U.S. interests with a marginal impact on the well-being and security interests of our country. That is not true, and I appreciate your efforts in this regard here today.

Tom Sheehy, the Staff Director of the Africa Subcommittee once said: "If oil is what it takes to get Americans more interested in Africa, we'll take it."

Well, we as a nation, frankly, have so many reasons to be engaged in Africa, but if it is oil that gives the continent greater prominence in Congress or the White House, let's take the focus on oil and use it to help give the continent a brighter future.

I'm committed to that, and I appreciate the level of commitment here in this room towards that goal of greater prosperity and economic opportunity in Africa, and I thank you for holding this forum here today.

DUNLOP: Congressman, thank you very much for that great kickoff.

Our next speaker is Janice Van Dyke Walden. She's the Vice President of Public Relations for Vanco Energy. Vanco is the industry leader in African deep water acreage holdings, with almost 19 million acres. It holds licenses in six West African countries: Cote d'Ivoire, Equatorial Guinea, Gabon, Morocco, Namibia, and Senegal.

Janice.

Janice Van Dyke WALDEN (Vanco Energy): Good morning. I'm going to tell you a little bit about Vanco and our company, what we're doing there in Africa, but I want to set that up with the situation as we see it in Africa and why it's important for the United States to pay attention to Africa's oil reserves.

There are two truths that underpin my brief presentation. One of them is that the U.S. is going to continue its dependency on oil. The second is that Africa will increase its production. U.S. daily production is only 5.7 million barrels of oil per day, but we are actually consuming almost four times that, about 19 million barrels of oil per day.

Our country is clearly dependent on imports, and the world reserves mostly come from the Middle East. About 650 billion barrels are in the Middle East itself but Africa ranks second way down there at 89 billion barrels of oil in estimated reserves.

And compared to 1980, the United States is less dependent on OPEC. In other words, it's getting most of its imports from non-OPEC countries. In 1980 the U.S. got 38 percent of its oil imports from non-OPEC countries. Today that number is 54 percent.

And this really astonished me when I read it a week ago. According to IDE, West Africa, not the Gulf of Mexico, will have the highest investment in deep water. In the year 2000 there was about $5 billion invested in drilling offshore West Africa. That number will rise to over $10 billion in 2005. Compare that with the Gulf of Mexico, where there will be a little over $6 billion invested in deep water drilling by 2005.

So where does Vanco fit in all of that? Well, we're an independent oil and gas company based in Houston. We saw the potential of deep water in the mid-1990s. We had been in the North Sea for about 25 years. My father started the company, and he was very active in the North Sea until it reached a maturity level that was not equitable for us to be a major player there.

And so in 1996, we knew that the major reserves of the world were to be found in deep water. By that time the Gulf of Mexico blocs were pretty well taken up, profit margins were unattractive and the majors were dominant.

Our forte had always been going into a frontier area, and we saw incredible potential in offshore, deep water Africa beginning with the lower Congo basin. We took our first license there in 1997, offshore Gabon.

Since then, we have spread our interests to seven countries, soon to be eight in Africa; from Morocco to Madagascar. We're in Morocco, Senegal, Cote d'Ivoire.

We have enjoyed good relationships with the countries with whom we're doing business. We have decided to be in those countries because we saw incredible structures and positive geologic features in those countries and offshore, but also because those countries were very receptive to doing business with us, and the terms were very fair and very favorable to a company like ours. As a result, Vanco is the largest deep water license holder in West Africa with over 20 million net acres of exploration licenses.

Last fall, in anticipation of bringing in partners, we wanted to get a handle on what our reserves potential was in our licenses because this is all very frontier, virgin area. Most of these deep waters have not been drilled before. There are some well tied-in histories to the shoreline and some on shore, but these often do not correlate to deep water. Before we went into our drilling plans, we wanted to assess what our deep water reserves were. We spent $30 million over the last 12 months investing in an extensive 3D and 2D seismic program in five of those countries, including Equatorial Guinea and Namibia.

We brought in Netherland Sewell of Dallas to do a reserve estimate based on our data. Potential reserves number eight billion barrels of oil just from Vanco; 1.26 billion barrels of that could be in Equatorial Guinea, 3.2 billion in Morocco, 2.9 billion in Namibia, and half a billion in Cote d'Ivoire.

If you were to take our acreage, and superimpose it onto the Gulf of Mexico you would see that it about 75 percent of deep water Gulf of Mexico, and that's just one company alone.

So clearly our interest is in Africa, and the deep water potential there is fantastic, and I'm very appreciative to the Institute for organizing this and hope the U.S. will see the importance of African oil.

DUNLOP: Before we go to the next panelist, I'd like to introduce my boss, Walter Kansteiner, who just arrived. Walter was one of the founding principals of the Scowcroft Group. Also in the public sector part of the Scowcroft Group, Walter was the Director of African Affairs at the National Security Council and held various positions at the State Department.

I'd like to introduce Walter for perhaps a few comments, and then we'll go to our second panelist.

Walter KANSTEINER III (Assistant Secretary of State for African Affairs): I'm glad to see so many people showing up for an African oil seminar. I think it's terrific.

As we all start looking at the facts and figures of how many barrels per day are coming in from Africa, it's undeniable that this has become a national strategic interest for us. It's hard to get people that are used to just thinking Middle East, Middle East, Middle East as an oil source to really break out of the box and think that Africa has incredible potential not only in its current reserves and production, but in the future.

African oil is of national strategic interest to us, and it will increase and become more important as we go forward. It will be people like you who are going to develop that resource, bring that oil home, and try to develop the African countries as you do it.

That second, developmental part is where I think the State Department and the U.S. government can perhaps come in and help. There are both great and terrible examples of how oil resources have been in Africa. We've seen it all.

The more we can engage with all of you that are in the business of exploring, developing, producing the oil, I think the better off we'll all be.

DUNLOP: Our next speaker is Malcolm Morris, and Malcolm is the chairman of Stewart Information Services Corporation with over 5,800 issuing offices in 13 countries. He is also a founding director of Living Water International.

Malcolm MORRIS (Chairman of Stewart Information Services Corporation): It trades on the New York Stock Exchange, and I am not an oil man. So you say, "What in the world are you doing up here?" Well, at least the founder of our company was an oil man.

High spikes in oil prices do impact our business. We are related to the real estate business. The higher oil prices climb, the higher 30-year mortgage rates rise. And reasonable and more stable oil prices result in lower long-term mortgage rates, making housing more affordable for more Americans. So stable oil prices are in the best interest of all of the housing industry.

In 1990 I made my first trip to Africa. We had planned to drill three water wells, but because of many difficulties encountered there, made only one unsuccessful attempt.

A group of Houston businessmen sent three men back to complete the three promised wells. In searching for supplies, the men came across a Jaswell 3500 drilling rig belonging to Amoco Oil in Houston, Texas. Upon returning to Houston, a meeting with Amoco, led to the formation of Living Water International, receiving a $500,000 donation of drilling equipment from Amoco Oil located in Kenya. Today, Living Water has created multiple NGOs in various countries and Africa, Central and South America and India. We train, equip, consult, and drill to bring potable water to churches, hospitals, schools, orphanages, and villages in developing countries.

We operate a number of drill schools, as well, teaching people how to drill and to complete a water well using our small rig, called an LS-100, and manufactured by Living Water.

Many of our drill instructors come from the oil industry. Today we have put out over 100 rigs working in over 50 countries of the world. As a result, clean drinking water is today being provided to nearly one million people every day. Our goal is to be serving ten million people by 2011.

Stewart also does land titling projects in countries around the world. In fact, in 1990, when I first went to Kenya, it was to visit with President Moi about doing a land titling project under USAID in that country. Good and indefeasible land titles form the basis for developing an economy in a country. When people have no place to call their own, it leads to unrest and tension.

President Bush has done a great thing in setting in motion an American continent energy strategy. We need to become more self-sufficient in light of the many hot spots around oil fields of the world. However, we must develop other secure sources of energy for continued economic expansion. I see a win-win situation in helping Africa develop her own energy resources. For stability in the world, we need to encourage internal economic development on the world's largest continent. That can happen if the U.S. not only provides assistance in the development of natural resources, but also expands its purchases of African oil.

The highest technological standards would be applied by our companies everywhere in the world. The leading oil companies have the ability to use the most sophisticated seismic and drilling technology, developed in the United States, in a positive way, providing the best that any country can ask for in developing their oil resources.

The State Department has a wonderful asset in our oil services industry to promote growing and mutually beneficial relationships with other countries. In this country if you find oil on your land, it's cause for great celebration. But sadly, from what I have been exposed to in quite a few countries of the world it has been just the opposite. It's resulted in corruption, murder, and in some cases even ethnic cleansing. My great grandfather crafted legislation in the State of Texas to set aside oil royalties to fund higher education in our state. Such a concept is needed today in planning the development of oil resources in other countries.

Royalties should be paid into a public trust for building infrastructure to serve and benefit all of a country's citizens rather than used to buy weapons or secreted off to foreign bank accounts for the benefit of those who then use ruthless tactics to maintain power.

Living Water is very interested in partnering with the oil industry in developing countries. Where oil companies maintain land based rigs I can see them helping us reach our goals of providing water to those countries which will help them develop as well.

The oil services industry could participate through drilling the bore holes. Living Water would locate the locations for the wells, set up local boards to control the wells, set the pumps and oversee the ongoing production in the water wells. It's very important to maintain ongoing, safe wells and not just come in and drill a well and leave, which many organizations of the world have done.

Water is one of the most valuable resources to all mankind. All over the world I go and everywhere Living Water has worked, I hear the statement: no water; no life.

The oil industry could create goodwill for itself and their respective countries by bringing water to areas of the world where they are active.

As past President of the American Land Title Association, I had the opportunity to honor our board by drilling a water well in Africa. Vice President Saitoti of Kenya had requested a well at a Masai High School near the Great Rift Valley. The school at that time was deeply in debt. Children were leaving the school because of lack of water; but today we have seen vast changes at that school.

The school has paid off its debt and the student population has doubled. The school has put in science laboratories, including solar-powered water heaters that the students developed for taking showers. In addition, they're putting in computer labs. This last year 25 percent of that school's graduating class was admitted to higher education, something unheard of in Kenya.

Over the last 11 years I have grown to love the people of Kenya, and I have met people throughout Africa. Our latest venture now is to expand into the Congo.

DUNLOP: Our next speaker is Ambassador John Flynn. He is the political research advisor for ChevronTexaco based in the U.K. After many years of distinguished service in the British Foreign Service, he joined ChevronTexaco.

John FLYNN (Vice President ChevronTexaco): Your Excellencies, ladies and gentlemen, as James has said, the implication was that I'm not an expert in a company of experts. I'm much more of a generalist, but I've had long contact with the energy industry, the energy sector, and much of it in Africa. If my remarks today bear heavily on my experience in Angola, I apologize in advance. That usually means in diplomatic terms that I don't apologize at all.

I also hope that this presentation will be accepted as reasonably impartial from someone from the outside. I was many years in the British Foreign Service, and it may seem strange for a Brit to be present in a meeting here. However, unusually I can claim that at one point I was a kind of unofficial, informal American ambassador when there was no U.S. representation in Angola. I acted as the go-between between the Angolan government and the U.S. government in peace negotiations in 1991, a very interesting time working for the State Department, totally different from the Foreign Office.

My respect for Chevron (now ChevronTexaco) was enhanced when I was asked by President dos Santos to try to persuade British oil companies to come into Angola. He wanted some kind of balance to what he saw as the preponderance of Chevron's presence in Angola.

I remarked on this to the managing director of Chevron there, who took a totally enlightened attitude. He thought it was good for others to come in mainly because it would reduce the exposure of Chevron, the single large producing company at that time.

It's that farsightedness that continues in ChevronTexaco. The company works in several countries in West Africa, from Nigeria, through Congo Brazzaville, the Democratic Republic of Congo, and Angola. It works to produce oil, its primary task, but also with a view to the long term stability of the country by making sure that it fits well into the local environment and is accepted by the local people.

For that reason, there's a substantial program in social development, which in my experience has worked well. It's no use trying to impose projects on people if that's not what they want. You first have to find out what they think would be useful, such as a water project, or if it's education, build a school or even to teach in the open air when you haven't got a school.

You also build clinics, provide health facilities, provide medical care, and as much as possible, encouraging the local, provincial or national government to do what governments should.

Over the last year or so we've been discussing with the State Department and the Foreign Office the introduction of voluntary principles on the conduct of companies providing security for the oil facilities. Unless those companies act within certain fairly rigorous terms, they can cause tremendous problems.

It has been a very good experience seeing what government can do, because it's government's job, the embassy's job, to talk to governments on matters like transparency and the eradication of corruption, and it's the company's job to produce oil where it can.

U.S. investment is crucial in Africa. I'd like to talk about British investment, but one of the difficulties is that U.K. investment across Africa tends to be either stable or decreasing. But the U.S. has the power to invest in Africa. You're already doing very well, and if you lead, others will follow. As in the stock market, if one company decides a product was good, everybody else surely will follow.

There is, however, a contrary view, which you should take into account, that is the view of certain non-governmental organizations. I recall last year one member, a left-leaning member of that NGO, remarked that he would much prefer oil companies to withdraw entirely from Africa. I responded that this would cause massive deprivation and misery if it were to happen. Was that really what he wanted? He said yes. Back to zero, primeval zero, so that everything could start afresh. It's a funny attitude, but it's out there and we should be aware of it.

One remark on transparency: "it takes two to tango." U.S. companies are bound by the Foreign Corrupt Practices Act, and I am very glad to see that the British government has joined or is about to join the OECD's rules on a similar banning of corrupt practices overseas.

As Angolans have always pointed out to me, there are the corrupted, but there first has to be a corrupter. The more we are bound by regulations and good practice and general moral ethos, then the better our work will be in Africa.

Lastly, I mentioned the question of British investment there. Very often at similar forums in the U.K., we are talking to a dwindling number of the converted, preaching to them. They already know it.

I'm glad to see that you are converted already, and I'm glad to see so many of you here today. Could some of you please come to London and do the same there?

DUNLOP: Our final panelist in this session is Terry Karl, and Terry is a professor of political science at Stanford University and is affiliated with the Institute of International Studies. She is the author of *The Paradox of the Plenty, Oil Booms in Petrol States, an Examination of the Failures to Convert Oil Reserves into Lasting Prosperity in Venezuela, Iran, Nigeria, Algeria, and Indonesia*.

Terry KARL (Professor of Political Science, Stanford University): Thank you. I usually ask not if you can hear me, but if you can see me.

A long time ago when I was looking for a dissertation topic, I went down to Venezuela to interview the founder of OPEC, a man named Juan Pablo Perez Alfonzo, and I asked him some questions about the founding of OPEC, which some of the Texans in the room might be interested to know came modeled after the Texas Railroad Commission.

And he said to me, "*Teresita*, you know, you're such a bright young person. Why are you studying OPEC? Why don't you see what oil is doing to us, the oil exporters?"

And I said, "What do you mean?"

And he said, "Oil is the excrement of the devil."

And that was a new take on what I had heard of as black gold, but I thought about it a lot, and it was the origin of my book.

What I would like to do is share with you some of the findings that we have in the academic world about oil. And I want to preface this by saying two things: Oil in itself means nothing. It's just a black viscous liquid. What matters is the social and political and economic institutions in which oil is inserted. Oil can be a force for development or it can be a major impetus for war. It can be either. The issue is how to make sure that oil is a force for development rather than the excrement of the devil.

What is likely to happen if African countries or any other developing country exploits oil in the context of very, very weak political and economic institutions? What is likely to happen without intervention of some sort is that oil will exacerbate profound political and economic crises facing Africa, Latin America, and the Middle East. It will lead to a reduction of the welfare of people in oil exporting countries. It will provoke violence and unrest. It will lead to the violation of rights. It will lead to the destruction of the environment. It will buffer authoritarian rule. That's what will happen, again, if it is inserted in weak political and economic and social institutions without interventions to see that something to the contrary occurs.

I'm not just making an idle prediction. I'm basing this on the experience of a number of oil exporters and on the evidence of a number of us who have been studying these exporters for a long time.

The problem is to think about oil in a different way so that what we have seen happen very vividly in countries like Venezuela, Sudan and Angola can be avoided.

The World Bank has said over and over again that oil, in the aggregate, slows down the growth rates of oil exporting countries. In other words, oil exporting countries grow more slowly than non-oil exporting countries. In the World Bank's most recent report, 27 of the 36 states in the World Banks' most troubled countries are mineral exporters. A new study from

Harvard University shows that countries that base their development on minerals and particularly petroleum grow more slowly than countries that base their development models on something else.

If you look at my own study at Stanford, what it shows is that across the board and across regions, oil over time reduces welfare, lowers growth rates, leads to political instability of oil exporting countries, causes great environmental damage, and also buffers regimes, authoritarian regimes that are violators of rights. This is not a Middle Eastern phenomenon; it's not an African phenomenon; it's not a Latin American phenomenon; it's an oil phenomenon inserted into weak political and economic institutions.

Let me add one more thing. In another new Harvard study there is very powerful statistical evidence linking oil and war. Large data sets looking at civil wars during the period 1965 to 1999, and in a series of statistical tests World Bank economists Collier and Huffler, show that the most powerful risk factor for perpetuating civil war is the export of primary commodities, particularly mineral commodities.

This is not to say that oil causes war, but it does mean that where you have civil wars, oil, diamonds, and other commodities can be very important factors in perpetuating war and leading to an oil/war syndrome.

An African worst-case scenario is Sudan. It is very clear that the Sudanese regime has perpetrated acts of genocide, ethnic cleansing, massive population displacements, scorched earth policies, systematic rape of women as a weapon of war, and the encouragement of slavery. It has one of the worst human rights records in the world, and it is being significantly buffered by revenues from oil. Oil is paying for the displacement of peoples and the conduct of ethnic war. It has led to and encouraged the massive expulsion of populations in oil-producing regions that have no desire to leave their tribal lands.

Finally, what we see is that oil companies -- not U.S. companies, I want to be clear on this -- have been deeply involved in this process and are being condemned widely for supporting and helping to pay for acts ranging from slavery to the displacement of populations.

We also have a better case in Africa: the Chad-Cameroon pipeline. This case is better because there is a very clear effort in the Chad-Cameroon pipeline development to avoid the devastations that I've talked about. The Chad-Cameroon pipeline is based on a partnership between governments, oil companies, NGOs, and the World Bank, trying jointly to avoid this problem of weak institutions, and to control and manage the exploitation of petroleum.

There are a number of ways to do this, and there are two places to look to see attempts in action. One is Azerbaijan in the Caspian region, and the other is the Chad-Cameroon pipeline. In these two places there is consciousness and understanding of partnerships of all groups: companies, governments, both ours and exporting governments, and the very important role of NGOs.

If you believe that it is important to have transparency, then – as Mr. Morris suggested -- we need an oil fund in which those revenues are directed and targeted towards infrastructure, education, health and welfare of the populations, and in which oil is treated as the resource of the nation and directed to the people of the nation. We must know where the money goes.

There must be non-governmental groups on the ground that monitor at all times what happens to these oil revenues. Otherwise we will see throughout Africa what we've already seen in Angola and Sudan: oil as a force for de-development and war.

We should be very much thinking about African oil, but we must think about it in a way that is different from our experiences in the past. And when I say "we," I mean an inclusive "we," -- governments, our government, governments of oil exporters, but also all of the citizen groups inside oil exporting countries who need to be organized to make sure that these oil revenues become the patrimony of the nation.

I want to end with a statement. In another interview, I asked Sheik Yamani, who at the time was the oil minister, to think about what oil was doing to the Middle East, what oil had done in Latin America, as a way to sum up our interview.

He said, "All in all, I wish we'd discovered water."

WIHBEY: Do we have any questions? Yes, sir.

Mike KOSTIY: I'm Mike Kostiy. I'm the General Manager of ChevronTexaco here in Washington on the international side. I'm also Vice Chairman of the International Republican Institute, which spends a lot of time on rule of law related issues, on good governance, on assistance to nation-states that have the problems that Professor Karl was discussing.

I find that your comments would probably be equally applicable to gold, to almost any natural resources, hopefully not in the future to water wells. As you all are well aware, the concern in the future is that there will be more wars fought over water than there will be fought over oil. Oil always gets this sort of negative bath, but there are countries, of course, that have natural wealth in oil that have done extremely well. You didn't say much about Norway. You didn't say much about North Sea development. You didn't say much about the fact that much of the wealth of the United States is oil-based, historically.

I don't disagree with the underlying premise of your remarks, but I think you were talking less about oil and a great deal more about rule of law, good governance or mal-governance, mal-administration really in the sense of the countries that you were referring to.

I also agree that the Chad concept is interesting. We'll see if it works. It should work, but to go into it in the way you were advising is not acceptable to a lot of African governments. It borders on colonialism and we've gone that way before. It's really a lot more to do with inclusiveness, with discussions, with transparency, and with the rule of law concept that is critical to everything we're going to do in the next few decades in working with developing nations.

KARL: Okay. I want to be very clear that this isn't about oil. It's about the relationship of what oil is inserted into. The comparative study in my book is Norway, in fact, because countries can develop wealth with oil. We did. Other countries have. The issue is that the countries that we are talking about lack several things that were crucial to the management of oil elsewhere. For example, a civil service, which is very essential to the management of oil revenues.

The problem then is if you exploit petroleum, you can't at the same time build the civil service fast enough to get the personnel to ensure that oil revenues are dealt with through a fair and honest system, and don't go just to support the regime in power.

It's very difficult to do that in a sequenced way. What is being tried in Chad and Cameroon has some elements that smack of colonialism, but there's a very big difference: the thrust of what people are learning in the Chad-Cameroon case is that the only organizations that can effectively monitor governments are the organizations of people inside those countries. The World Bank isn't in Chad every moment. The United States isn't in Chad every moment. No one can monitor countries like the citizens of those countries.

And so what I'm arguing very specifically is that it is critical to build oil funds that are transparent, that are effective for development, to build tax systems that work, civil services that work, employing indigenous personnel with external help. The most effective organizations to make sure that oil revenues are efficiently used come from a partnership between oil companies and NGOs on the ground jointly monitoring transparency.

We are now seeing, if you look at BP or Shell or other leading companies is cooperation between NGOs on the ground and oil companies, in which oil companies are transparent about their revenue basis inside the countries of operation. At the same time, African nationals in these countries are helping to use that information to see that revenues are properly directed.

However, I am not optimistic that this is going to be a clean process, or that you're not going to see corruption spill over. But at least it is a better model than what we have seen in the past.

To the extent that governments can be held accountable by their use of money, it is the citizens inside those countries that are going to be the best possible forces for accountability. That is not colonialism.

WIHBEY: We have another question. Yes.

Trish KATYOKA: My name is Trish Katyoka. I'm a staffer for the International Relations full committee. I wanted to direct my question to Mr. Flynn, who spoke about the Foreign Corrupt Practices Act and the idea that it takes two to tango.

I agree with Mr. Flynn considering the bribery exception of the Foreign Corrupt Practices Act, and I'm wondering if you would advise that we get rid of the bribery exception to the Foreign Corrupt Practices Act, enabling us to have a consistent policy against corruption from the United States in this fight against corruption in Africa.

FLYNN: I'm not a lawyer, but I do recall when I joined our Foreign Service many years ago and was made First Commercial Secretary in a Latin American country, I was told that at a certain stage of negotiation, when somebody started talking about legal fees I was to leave the room. I thought this was absolutely disgraceful, and I still do. The question of bribery in whatever form it takes is ultimately damaging for both sides and for the society in general. Anything which can be done to toughen up, and here good accounting practices which I gather from the press is one of the issues fairly hot at the moment in both of our countries, is one of the things which could help here.

MORRIS: Well, I'd just make a comment. I said water may replace oil in the future wars of the world, and that is true. Just to follow up on a comment, we've had two circumstances where we have found it very important to work with or develop a local water board. Before we drill wells, we make sure we have the land dedicated in a public way to ensure its public availability.

We had one circumstance where the community had raised $30,000 over 10 years, then given it to the government to get a well in that community, and the government officials had stolen the money. The request came in from the Anglican Church to Living Water to drill them a well.

We had enough money in the bank to do that one well at that time, and we did it. We had another situation where a community called and a well had dried up; an individual owner, we found, had tapped into that well, pumped it up the hill and was selling it from his particular spot. We were able to cut off that tap, rehabilitate the well, and create a local water board. Creating a local interest managed by the people is what works.

WIHBEY: We will turn it now to Ambassador Aminu of Nigeria.

AMB. AMINU: I would like to thank the organizers, Vanco, a notable oil service company, and the Institute for organizing this. We're happy that attention has turned to the potential of Africa in cooperation with the UnIted States.

I think enough has been said for there to be no need to try to embellish on the case, except to say we have not had any problem with people and companies going. What is needed is to look at areas where more could be done.

For example, in Nigeria, we have been flaring gas for a very long time. This is very wasteful to the country. It is very harmful to the environment, and there is need to do something.

Some things are being done. In cooperation with Chevron we started in 1991. I think it would help if Americans could expand their investment to help Nigeria cap its gas faster.

SCHUTZ: The second panel will begin immediately, and I'm turning it over to Jim Dunlop.

DUNLOP: I have the distinct honor to introduce Congressman Jefferson from Louisiana. Congressman Royce made reference to the African Growth and Opportunity Act in his keynote address, Congressman Jefferson was one of the leaders pushing that act through Congress.

William JEFFERSON (Congressman, Member Africa Subcommittee; Co-chairman of the Africa Trade and Investment Caucus): I would not have been adverse to a longer and more complete introduction. Usually introductions are better than my talks, and I look forward to them. It's a great pleasure to be here with my friend, Ed Royce. I enjoy working with him very much; he's very committed to Africa and to enlightened African policy.

And we have forged a relationship in an organization which we call the Trade and Investment Caucus of the U.S. Congress, which has some 38 or so members now. This caucus includes Republicans and Democrats focused on African investment and on trade with the continent of Africa.

I want to acknowledge these ambassadors who are seated here in front of me and some who are perhaps in other places in the audience. It has been a pleasure to work with them and to have their counsel. We have always thought that the best policy for Africa is one that is informed by African thinking, and that the African Growth and Opportunity Act [AGOA], when it was put together, depended heavily on the ideas and the influence of African ambassadors and leaders in the various countries that they represent.

It has been a true partnership getting African leadership involved in helping us to forge policy that might work on both sides well.

I also am very pleased to be here at the request of the Institute for Advanced Strategic & Political Studies, and thanks to them for hosting this important forum, and for all of the participants whom I had a chance to hear a few minutes ago. Your presentations were thoughtful, diverse, and set us all to thinking about different issues perhaps in new and different ways.

In any event, we have heard today that in spite of the great wealth of the African continent in minerals and particularly in petroleum minerals, Africa has for the most part been confined to the margins of our country's national security strategy.

During the Cold War, the United States and Soviet Union fought several of what we might call proxy battles on African soil, and Africa has always been a valuable source of strategic minerals. But the central problem is that U.S. engagement with Africa has been largely tactical, largely short term, and largely shallow. Moreover, it has been largely one sided. The U.S. has arguably received greater benefits from the interaction with Africa than Africa has received from the U.S.

We have begun to change that. AGOA provides a mutually beneficial relationship. We could have access to our markets made to African products, and help Africa take back the capital from that interaction and develop internally, as has occurred in many of the Asian countries.

We all note with some sadness that 40 years ago, South Korea, and Ghana, if not Nigeria and the other West African countries, had about the same per capita income, and now it's $11,000 in South Korea and some minuscule figure Ghana, Nigeria and other places. A primary reason was the way the United States provided those countries with greater access to our markets than to their African counterparts.

Now we are here with another opportunity, presented by many factors, and there's no point in my recounting what has already been recounted, except to say this: Last year there were eight billion [barrel] finds of oil in the world; seven of those were off the coast of West Africa.

When reserves in the Middle East are compared to the reserves in Africa, all I can say is that we don't quite know what we're talking about. No one knows yet how much oil there is off the West Coast of Africa or in West Africa. If you asked this question five years ago, we would have stated a very different reserve number than we would state now, because of what has happened with technology. A lot that we've experienced in Louisiana and Texas now permits us –with great certainty –to pinpoint the presence of these hydrocarbons under the soil of extremely deep water, to be pretty accurate about it, and to have the developmental cost to go down after these resources decrease. We can do it more precisely with less cost.

Therefore, there will be many more discoveries that we have not yet anticipated. Just six or seven years ago, there was no story about Equatorial Guinea. Now it's one of the biggest stories of oil potential in Africa.

Sao Tome and Principe just signed a joint exploration agreement with Nigeria. Whoever thought about that little place? But they are now estimating four billion barrels of oil in Sao Tome and Principe. And that's just the beginning.

We know a lot about the Middle East because there's been a lot of attention paid there, and a lot of the oil is in places where you can find it a whole lot easier.

We do not know how much oil is in Africa. But I do think we do know that there's a lot more than we know about. We'll find out more about it as we go forward.

We've heard all of the issues about governance and so on, but I will tell you one thing about Africa as opposed to the Middle East:.

While there may be strivings and failings in Africa over democracy, in the Middle East there's not even talk of it. Talk about democracy does not even part the lips of those who are in charge in those countries.

So in Africa there's at least a chance for the kinds of things we talk about here: rule of law, for transparency. There's a chance for us to overcome some of the issues of bad governance through democratic influences.

These things are not foreseeable in the Middle East. There's a greater prospect for good governance, for the flourishing of democracy, for our supporting democratic institutions, in Africa, and, therefore, for having democratic partners in Africa than there is in the Middle East.

I have had the good luck of seeing production and oil resource development in my home state of Louisiana, where we are the number one natural gas producers in the country and second only to Texas in oil production. But technologically, I don't think second to anyone in terms of how we develop ways to go after oil.

Let me tell you what I think 9/11 and its effects on national security portend for us. I don't think it's just a matter of how much oil exists in Africa to furnish energy needs in our country. Oh, yes, if there isn't oil there, there's nothing to talk about; but that's not really the strategic question.

It's not the national security question either because it really is bigger than that. We worry about the future of our dependency not so much on foreign oil, as we must depend on foreign oil. We can't produce enough domestically unless we find a way to reduce our appetite for it.

So it's not so much that. The strategic question is which countries we depend on for this oil. Who are the folks that we're going to have to partner with to get to the oil? We'll have to make them with someone, and the question is where might we find our best partners. The suggestion that comes out of all of these discussions is our best partners are in West Africa for many of the reasons I've mentioned: the commitment to democracy. Though there may be strivings and failings, nonetheless there is a commitment.

West Africa is closer, making it easier to move product from there to here; the resources are, in most cases, not landlocked. Things usually work fairly well if you're out in deep water; all of these are reasons why it makes sense to move product from there to here.

And here is what is most important to me, beyond oil. We not only have to think of Africa in different terms because of the growing emergence of oil finds there, but because there are so many limitations in the Middle East and so many opportunities in Africa that are just free and open for U.S. companies.

Recently, I met with the Ambassador from Djibouti, the dean of the African ambassadors, to talk about what are the implications of this African oil versus Arab oil after 9/11. The attacks happened, and that suggests certain long-term and short-term thinking analyses that might not have been suggested before then.

What is Africa's trade-off in this and what can Africa provide to us in the way of national security? And then what can we trade for that? We're past the time of one-way relationships with Africa. We're now talking about partnerships that make sense and mutual respect between our country and Africa. That is how we have to look at this, and at African internal development.

When we used to talk about development in our country, the things we focused on were infrastructure development: transportation and communications. We figured the private sector could take over after that for the most part. We put money into highways and and airports and ports so products and people could move and do business with each other.

And there are communication issues. How do you talk to each other? How do you do things in real time? How do you manage transactions no matter where people are all over the country? These are the issues we need to help Africa with.

What can Africa give us in exchange? We know that the eastern part of Africa, which doesn't have the oil -- it may have some – we have concern about Eritrea, Djibouti, Ethiopia, Somalia, some other places right across the Red Sea from the active and worrisome Middle East. These countries are not averse to having us put forward-placed assets there of all sorts, including military assets.

In West Africa from Mauritania to Mali across to Chad and Nigeria, with its large Islamic population of Africans, and then, past the Sahara we can have connections that relate to human intelligence important to the national security of our country.

So Africa provides the oil, helps us with human intelligence, helps us with our access to the Middle East so we can have a forward presence. Our tradeoff has to be to help develop Africa with what makes our country work: transportation and information technology. That is the new deal I hope we can get out of this for Africa and for the United States. That is where I think our national security interests are.

This all leads to our encouraging development in Africa and to the friendliness in Africa to U.S. companies.

We have to have a sense of responsibility. We suggested earlier that our environmental concerns apply to Africa , especially in dealing with supporting communities and community development. But the private sector is only a small part of the development that's going to take place.

I believe that we ought to think about how we motivate our companies to be there, and how we promote a relationship with Africa that gets us easy access.

We're competing with the British and the French. We ought to make it easier and less risky for oil ties to develop between us and Africa. Our companies need more protection and security. Part of that partnership has to be African companies providing security, but the other part is what we can do to make oil companies more secure in their investment.

I focus on our tax and trade policies, because that's what I work on, trade and taxes, more than anything else. Africa is connected to all of those things, and the Ways and Means Committee needs to address how we can make all of this work better.

We haven't fully developed our plan yet that I just talked to you about a minute ago, but I have talked to the Nigerian Ambassador about it. I have also talked to ambassadors from oil-producing nations about how we can make a plan or strategy that will improve our companies' chances to go there and engage Africa. We all ought to put our thinking caps on to figure this thing out.

And I do think that 9/11 suggests that we need to think creatively about our new national security strategy.

DUNLOP: Congressman Jefferson, thank you very much for that great speech.

Our next panelist is Lieutenant Colonel Karen Kwiatkowski, United States Air Force. She is a political military officer assigned to the Office of the Secretary of Defense, Under Secretary for Policy, Office of African Affairs.

LT.COL. Karen KWIATKOWSKI (USAF; Office of African Affairs Department of Defense): It's a great honor to be here to represent Mr. Westphal [Deputy Assistant Secretary of Defense for Africa] who intended to come and could not.

Before I go on, I have to make it clear that this will be a personal view on this subject. We don't have a formal security energy policy.

One of the things I want to emphasize is how important Africa is to U.S. defense policy and U.S. security.

It's sometimes a difficult challenge to make this point and actually I want to invite the Congressman over to the Pentagon to address his wonderful remarks to a number of people to whom we try to make some of the same arguments. Sometimes it's difficult, especially since 9/11, to get the Pentagon to think about Africa. I'll go through some of the reasons that Africa and African energy is important to our security. One is our relationship to most of the countries in the continent. It has been historically good, and with our shared values, the relationship starts on a good foundation. We don't have the same history with Africa as many of European nations. That's an advantage.

The U.S. funds 20 percent of U.N. peacekeeping activities, and while that is not DoD money, but it is U.S. money. So we're interested in security, peace, and ways to reduce the need for peacekeepers. We've also occasionally been called upon for natural disaster response.

Public health and HIV is of critical concern to the Pentagon. Soldiers, along with truck drivers and peacekeepers, are a huge vector for HIV. We're very grateful to the Congress for granting additional money in the coming years to fight HIV in African militaries.

In terms of the campaign against terrorism, events have occurred in Africa historically. African nations have been victims of terrorism in many ways and in some ways continue to be. So we have a shared value there and a shared concern.

The current administration's emphasis is on free trade, and expanding AGOA is something that we want to support. It means that Africa is increasingly a trading partner and a recipient for U.S. private investment, foreign direct investment.

One of the DoD's concerns is securing interest of United States citizens around the world, including the growing number in Africa.

But oil from Sub-Saharan Africa is the subject here. The National Intelligence Council produced a report in 2000 called *The Global Trends, 2015* available on the Internet. The report said that Sub-Saharan African oil -- and this, I assume, excludes Algerian and Moroccan oil, which adds to it -- will comprise 25 percent of U.S. oil imports by the year 2015. It also says that oil production in Sub-Saharan Africa will foster corruption instead of economic development, and that's unacceptable. I don't think that is necessarily a true prediction.

The report does not discuss corruption as Mr. Flynn discussed it, with equal emphasis on the corruptor and the corrupted. It's a two-way street, and that corrupt future is not fate. It's something that we can choose for ourselves.

The tools that the military has to deal with most countries, and particularly Africa, are international military education and training, IMET. It was wonderful to hear Congressman Royce this morning mention Mr. Abu Bakr's experience with IMET training at Fort Bening.

Our IMET relationships with African oil-producing countries are sketchy. It's improving, as we have recently developed IMET relationship with Nigeria. Our IMET relationship with Republic of the Congo was suspended for several years, and it's back on.

But we don't have even the most basic ability to interact with the militaries of many oil-rich nations. That can be changed, provided those countries make progress toward democracy, good government, toward an apolitical military.

We also have the African Crisis Response Initiative (ACRI), but it is again not a player among many oil producing countries. So we have very limited tools to deal with African countries “mil-to-mil” already.

We need positive relationships with today's transparent, accountable, democratic African states with apolitical militaries, and we need to create opportunities to have more countries like that. Our strategy in Africa has been consistent, and has three pillars, and one is to support defense reform and civil military relations. IMET, again, is the tool for that.

The second pillar is to promote military professionalism through increased mil-to-mil contacts and tailored and through targeted training and exchange programs. The Congressman mentioned that training, education, relationship building is a long process. It's not something you turn on and off like water. It requires time, and it is a frustration of the Pentagon, particularly in Africa, that we don't get the time to build long relationships.

The third pillar of our strategy is to build national and sub-regional organizational capacity to respond to crises, resolve differences, and maintain mutually beneficial relationships with the U.S., particularly the military. This is again limited in West Africa.

Traditionally this has an army flavor to it, but for energy, we need to look at Coast Guard and Navy and aircraft surveillance and border surveillance techniques. These will help these countries secure property and protect investment, both ours and the African nations'. We need to look in that direction if we're going to step forward as partners with the African countries.

Because African security and energy is important, we're interested in these developments:

1. More fully understanding the challenges of U.S. energy companies and investors in Sub-Saharan Africa. The more we know, the more we might be able to help.
2. Improved relationships. We'd like to have improved relationships with U.S. companies in Africa for purposes of augmenting our limited human footprint, and again, the Congressman mentioned human intelligence sadly lacking in Africa, especially from the military perspective, and we need that.

That doesn't mean asking people to be intelligence gatherers for us. It does mean Africans having good relationships with our defense attaches. In the past three years we've nearly doubled our defense attaches in the subcontinent. They are more available. So we encourage you to reach out and touch those folks as you see fit.

We want to work where we can with you to increase the level of accountable government and overall economic development that comes with adherence to rule of law, freedom in the marketplace, freedoms in the media, and a well trained, small, professional, and apolitical military.

DUNLOP: Our next speaker is a colleague of mine, and I've got the pleasure to introduce Mr. Robert Murphy. Robert is an economic specialist in the Office of African Analysis at the Department of State.

Robert MURPHY (Bureau of Intelligence Department of State): Excellencies, Congressmen, ladies and gentlemen, my views also today are unofficial, and in return for being unofficial, I'll also try to keep them very brief and allow plenty of time for Tom Callahan, who I'm sure can give you any official views of the Department of State.

I was asked to look at U.S. national interests in African oil. In the best of all possible worlds, the United States would be self-sufficient in energy. Unfortunately the United States has been an importer of oil since the 1950s, and since 1994 imports have exceeded domestic production.

About two thirds of our petroleum consumption is for transportation. In 2000, the United States produced about 8.1 million barrels of oil per day from domestic sources and imported about 11 and a half million barrels of oil, representing about 58 percent of our total consumption.

The security of our imported oil supply was in the forefront of national security discussions during and after the 1973 OPEC oil embargo. The issue has resurfaced recently as political tensions have risen in major oil producing areas.

And I find it very interesting that there has been a change in perspective in editorial and talking head reactions on television to the question of a real or potential disruption in oil imports.

In 1973, during the OPEC embargo, pundits called for the invasion and military occupation of oil fields to insure supply. In 2002, the public wisdom is that oil is a commodity like others, and that an oil embargo will cause some early inconvenience, but that there will be a prompt realignment of producing and consuming states, as well as an instantaneous gray market in embargoed oil, and market demand will simply sort things out.

The public lack of concern reflects the security secured for America by the diversification of our sources of imported oil. In 1977, 72 percent of our imported oil came from OPEC countries. In 2001, 60 percent of our oil will come from states bordering on the Atlantic Ocean.

Africa has provided us with an excellent array of diverse oil exporters. Political discord or disputes in African oil states are unlikely to take on a regional or ideological tone that would result in a joint embargo by several suppliers once.

Much of West African's oil is offshore, thereby insulated from domestic political or social turmoil and can be delivered via open sea lanes devoid of canals or narrow straits. With proven reserves of about 80 billion barrels of oil and over 40 different types of crude, Africa now supplies about 15.3 percent of America's imported crude oil. Between now and the year 2020, Africa's crude oil shipments to the United States will increase by 1.6 percent a year and will provide about 17 percent of our crude oil imports by 2020.

Under current projections, we will be importing in the year 2020 over 770 million barrels of African oil a day, according to the Energy Information Administration of the Department of Energy.

These projections might be conservative. African oil supplied to the United States could easily be a greater percentage of our total imported consumption.

But African oil is not merely about the importation of oil. African oil represents the economic security of an important sector of the American industrial base, namely our petroleum sector. When we think of Chevron or Exxon oil in Africa, we think of oil companies first as investors. But they are also service providers, sellers of services and contractors of services.

By 2003, investment in the African oil industry will exceed $10 billion a year. Between two thirds and three fourths of our foreign direct investment in Africa in the next decade will be in the energy sector.

Foreign direct investment in the petroleum sector brings tremendous economic benefits back to the United States. An oil platform, which is counted as a U.S. foreign direct investment in Africa, may return 90 percent of its economic benefit to American contractors and workers. If an American firm wins an OPIC [Overseas Private Investment Commission] to engineer, procure, construct, and install a new oil platform with $100 million, it will probably create about 2,000 direct jobs in the United States spread among a design and engineering firm in Houston, a fabricating shipyard in Louisiana, a number of U.S. steel mills, various U.S. vendors providing installed equipment, U.S. ships to transport the platform to Africa, U.S. barges that install the platform, and even after installation, many of the contractors providing services in the rig will continue to be American.

Even if much of the work and material sourcing is given to overseas firms, the U.S. return would probably be at least 50 percent. But oil also interrelates to other interests. The United States has a number of interrelated goals in Africa.

We want stability, sustained economic development and the rule of law. We prefer democratic societies that respect universal human rights and support international environmental protection, creating prosperous societies that buy American goods, discourage undocumented migration and eliminated all public health threats.

Oil revenues are no guarantee of any of the above, but as Senator Moynihan used to say, poverty is caused by people not having wealth.

Oil is one of the few things that at least guarantees a transfer of wealth from the developed to the developing world. The presence of oil creates opportunities for constructive engagement, transfer of technology, and the development of infrastructure and human capital. In addition, oil company scholarships expose many Africans to American society. Petroleum economies make America the most sought after country for third level education by future elites, and the dominance of English in the oil patch encourages exposure to American culture.

The Chad-Cameroon pipeline agreement with the World Bank may provide a model for new oil states. Equatorial Guinea may soon be producing as much oil per capita as Saudi Arabia and offered an unprecedented opportunity for economic development.

Moreover, Nigeria's goals for eliminating flaring will, we hope, allow both the more efficient exploitation of its natural resources, while eliminating the adverse consequences of flaring. It was a major environmental goal, and the whole world applauds Nigeria's and Chevron's efforts in this regard.

In closing, I'd like to point out that the ten largest oil producing states in Africa have more than 40,000 American citizens in residence, many affiliated with the petroleum industry, though certainly not all.

I would like to end by mentioning the obvious national security obligation that comes with tens of thousands of American citizens living in Africa, with tens of billions of dollars of American investment. There is a duty upon the government of the United States to provide consular protection and commercial advocacy in many areas that once hosted few American or few American interests. While African oil secures security and economic opportunity to many Americans, it also requires a more intimate and interdependent relationship with Africa.

DUNLOP: Our final panelist today in this session on African oil and U.S. priorities is another colleague of mine, Tom Callahan. Tom is a member of the Office of Policy and Planning at the U.S. Department of State and formerly on the staff of the House Committee on International Relations and also is on the Senate side as Director of the Senate Sub-Committee on African Relations.

Tom CALLAHAN (Policy Planning Department, Department of State): Sorry to say that I, too, am here in an unofficial capacity. My remarks are completely my own and have not been cleared by anyone.

The symposium is called **African Oil: A Priority for U.S. National Security and African Development.** I'd like to separate those two and address them each in turn.

U.S. national security when it comes to African oil is the more the better, and from the more different sources the better. So things are very good. The trend is very good from the U.S. national security standpoint in that billion barrel reserves are being found on a regular basis in a variety of areas from a variety of countries. Many of them are offshore. So it looks like we will have a commercial supply of African oil for many years to come, and if there's a disruption in one place for whatever reason, it can be supplemented by others that will come on line.

The second theme, African development, is a much thornier and more difficult issue to address. I would associate myself with Professor Karl's remarks. She's done the research and the technical effort to verify what I think many of us have observed intuitively, that great resources, oil or otherwise can be a very mixed blessing in a country torn by war or with extremely weak political and economic institutions.

In a number of countries the per capita income is lower today than it was before oil was discovered. This should be a matter of some concern. Each country that is blessed with oil resources deals with those issues within its own hands. If the political institutions are there to set up accountability, good accounting practices, the thoughtful stewardship of the resources, the checks and balances necessary in any society, then all to the good.

But where that's difficult or impossible to do, we are now seeing some models like the Chad-Cameroon pipeline concept for taking revenues and putting them outside of the government coffers for a period of time with maximum transparency and accountability.

I understand this concept very well. Before I got married, I controlled my own funds and I had no money. After I got married, I don't see any of the money I make and we seem to be doing quite well. My wife manages our money quite effectively, better than I could.

But there's another problem for consideration, that individual countries don't have sole control over their own resources. I did a quick and unofficial count of countries in Africa that have disputes of some kind or another with neighboring countries, and came up with about 27. Some of these boundary disputes have been going on for many years.

Boundary disputes are especially exacerbated when there are issues of resources under the ground. Many of the discoveries are being found offshore, and the technology that our oil companies and scientists are bringing to bear allow deeper and deeper exploration and production of energy resources. Soon some may even be beyond the 200-mile exclusive economic zone within a short period of time. Maritime boundaries are even more difficult and disputatious than land boundaries, especially once you get beyond the 200 mile economic zone.

Boundary disputes can easily erupt into military and violent conflicts pitting nation states against each other. Individual countries can't resolve these by themselves.

But it's productive when two countries can come to an agreement on the joint exploration and production of an area. But where that doesn't happen I would suggest that a role for the Organization for African Unity (or the new African Union) and the sub-regional organizations which were referred to earlier. A very valuable role might be to set up a boundary dispute resolution mechanism.

I think that resources, commodities of any kind, even ones as valuable as oil, in the global economy of this century, are merely hedges for the future. The future strength of nation-states will be based on their people and the knowledge that they carry around in their heads and the economic [strength] they bring through education, through entrepreneurship, through building the kinds of knowledge based equities that are the key to the global economy of the 21st Century. Commodities in and of themselves can be a tremendous and valuable base upon which to build those knowledge systems. The question is: which countries will use them effectively? Which will be the wise stewards?

SCHUTZ: We've run over our time, but I think we have time for two or three questions.

AMB. Idriss JAZAIRY: I'm Idriss Jazairy, the Ambassador of Algeria. If there's one field in which one should get over the bureaucratic divide of the State Department between Africa north and south of the Sahara, it's in the field of hydrocarbons because oil is where you find it. It happens to be North Africa, as well as in West Africa and in Southern Africa.

This is why I would like to emphasize that while the discussion this morning has been focusing on Africa south of the Sahara, that really doesn't make sense in terms of a vision, a strategic vision, a realistic vision of what the strategic interests of the United States are in terms of oil supply.

Oil is also in Algeria. With the support of U.S. companies, the production is now in the process of increasing 50 percent. Algeria is one of the main exporters of oil in Africa to the United States, and that should be kept in mind if you want to have a realistic and strategic vision.

I would add to this a second point, equally important. We're talking about oil in Africa. We should be talking about hydrocarbons. That is including gas, which is a key resource.

There is an umbilical link in the field of gas between Nigeria and Algeria that we're in the process of building through a pipeline to use part of the gas that's being flared. You can't separate Nigeria from Algeria. Africa is one continent. It has one national and African commission for energy which is coordinating policies of energy throughout Africa.

We would like this commission to interact with the United States. If you look at the prospects of the projections of gas needs of the United States, you will see that starting this year you're going to have an increasing deficit in gas supplies even with these supplies from Canada, the long term prospects of getting gas from Alaska or from the northern parts of Canada. That will not be available. You will need African gas, and several countries of Africa, including Algeria, can provide this gas. For goodness sake, let's have a global vision.

SCHUTZ: One more question.

Leonard ROBINSON: I'm Leonard Robinson from the African Society.

Congressman Jefferson, I wonder if you could comment on what role you see Congress, in general, playing to really augment this effort because as you know, as we all know in this room, the United States has entrenched interests, if not a fixation, on the Middle East.

And because of what happened on September 11th and the war on terrorism there are those who argue that this interest may become even more entrenched. So what role do you think Congress should play beyond AGOA to increasingly push the United States towards Africa in terms of a relationship.

And finally, with respect to the concern expressed here this morning about how the oil wealth will be effectively utilized to impact people, to improve people's lives, what can Congress do to ensure putting in place some safeguards?

JEFFERSON: On the first point, I think what we're doing here today helps us to inform the Congress and to raise the alarm on this whole question. What Ed Royce is going to do with his hearings we may then do with our Trade Committee hearings and talk about new ways to look at Africa.

It's all important because the megaphone of the president, of the Congress to have the private sector of our country engage Africa in a broader sense, to take Africa more seriously as an investing and trading partner is very important to this whole changing paradigm. They'll be talking about things which expand this whole issue of this new paradigm, this new strategy.

To the second point, I'd like to speak a little bit about the issue that we've talked about here about governance and corruption. There's a new issue, too.

Even if the countries decide to be fully transparent, to take in all the money and account for every penny and they want to apply to every citizen, there's a big commitment our country needs to make about this whole debt issue.

Take Nigeria. Nigeria has been spending virtually a third of its income on debt relief, and it's not even the principal. Interest has grown over these years, a lot of it accumulated under dictators who had no responsibility to the people. So now the people suffer as a consequence of it. Our country has to engage all of these countries in a way that reduces this whole problem so that they can take their money and apply to the needs of their people. That can happen if the Western countries of the world decide to make a serious effort, a serious dent toward resolving the debt relief issue.

SCHUTZ: I just want to thank all of the panelists and Jim Dunlop and all of you for what I think has been a very, very productive three hours.

About the editors

Paul Michael Wihbey is a Senior Fellow in Strategic Studies at IASPS specializing in the study of strategic resources, for example in the Gulf of Guinea. A regular participant in Washington and international forums, Wihbey has testified before the Africa Subcommittee; addressed Congress members and staff on the Saudis; briefed the Pentagon Office of Net Assessment on oil. He was co-chair of this issue's Symposium and on the AOPIG for the White Paper presented to Mr. Royce. Wihbey has published or interviewed on the subjects of this Symposium in *The London Daily Telegraph, The L.A. Times, Boston Herald, Atlanta Constitution, Reuters, Slate .Com, US News and World Report, Periscope (U.S. Naval Institute), Washington Times, The National Journal, The International Herald Tribune, ABC National News, Russian ORT TV, Swedish National TV, Turkish NTV, and Star TV*. Recent publications include "Succession in Saudi Arabia: The Not-so-silent Struggle" (*IASPS Research Papers in Strategy* 1999); "The Geopolitics of Water," (*IASPS Research Papers in Strategy*, 2000); "An Assessment of Energy Security Issues in the Caspian," (Rand Corp., 1999); "South Atlantic Region Emerging as New US Strategic Oil Supply Flashpoint," (*Oil & Gas Journal*, 1998); "The New Water Politics of the Middle East," (*Strategic Review*, 1999); "A Turkish Strategic Window of Opportunity," (*Insight Turkey*, Oct-Dec. 2001).

Barry Schutz is an Africa expert and holds a Ph.D. from the University of California, Los Angeles. He was a Fulbright research scholar and academic teacher in Mozambique, a government African affairs analyst and policy specialist and research officer of African affairs, and a recognized expert in African, and especially Southern African development. Schutz is presently an African specialist at the Foreign Service Institute and Bureau of Intelligence and Research in the Department of State and has previously been on the faculties of Georgetown University, the Naval Postgraduate School, Lancaster University (UK), and San Diego State University. He has had research appointments to Columbia University's Research Institute on International Change and The Rand Corporation, and was coordinator for the Defense Academic Research Studies Program. His publications include, co-editor, *Global Transformation and the Third World* and *Revolution and Political Change in the Third World*. He has published widely on Southern African political patterns and more recently on the impact of African oil investment on African development.

Series Editor is **Robert J. Loewenberg,** president and founder of the Institute for Advanced Strategic & Political Studies in Jerusalem and Washington, D. C. Until 1983 Loewenberg taught history and political philosophy in several American universities having taken his Ph.D from Yale in 1972. His scholarly books and essays concern questions in politics raised in the works of Leo Strauss and Eric Voegelin. He is presently preparing the second of a six part analysis of the peace process and the Jews.