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Armenia, Azerbaijan, and Georgia: Political Developments and Implications for U.S. Interests

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Jim Nichol
Foreign Affairs, Defense, and Trade Division

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Armenia, Azerbaijan, and Georgia: Political Developments and Implications for U.S. Interests

SUMMARY

The United States recognized the independence of all the former Soviet republics by the end of 1991, including the South Caucasus states of Armenia, Azerbaijan, and Georgia. The United States has fostered these states' ties with the West, including membership in the Organization for Security and Cooperation in Europe and NATO's Partnership for Peace, in part to end the dependence of these states on Russia for trade, security, and other relations. The United States pursued close ties with Armenia to encourage its democratization and because of concerns by Armenian-Americans and others over its fate. Close ties with Georgia have evolved from U.S. contacts with former Soviet Foreign Minister Eduard Shevardnadze, Georgia's president for the last decade. Growing U.S. private investment in Azerbaijan's oil resources strengthened U.S. interests there. The United States has been active in diplomatic efforts to end conflicts in the region, many of which remain unresolved.

Faced with calls in Congress and elsewhere that the Administration develop policy for assisting the Eurasian states of the former Soviet Union, then-President Bush proposed the FREEDOM Support Act in early 1992. Signed into law in 1992, P.L. 102-511 authorized funds for the Eurasian states for humanitarian needs, democratization, creation of market economies, trade and investment, and other purposes. Sec. 907 of the Act prohibited most U.S. government-to-government aid to Azerbaijan until its ceases blockades and other offensive use of force against Armenia. This provision was partly altered over the years to permit humanitarian aid and democratization aid, border security and customs support to promote non- proliferation, Trade and Development Agency aid, Overseas Private Investment Corporation insurance, Eximbank financing, and Foreign Commercial Service activities. The current Bush Administration appealed for a national security waiver of the prohibition on aid to Azerbaijan, in consideration of Azerbaijan's assistance to the international coalition to combat terrorism. In December 2001, Congress approved foreign appropriations for FY2002 (P.L. 107-115) that granted the President authority to waive Sec. 907, renewable each year under certain conditions. President Bush exercised the waiver on Jan. 25, 2002 and Jan. 17, 2003.

In the South Caucasus, U.S. policy goals have been to buttress the stability and independence of the states through multilateral and bilateral conflict resolution efforts and to provide humanitarian relief. U.S. aid has also supported democratization, free market reforms, and U.S. trade. The Bush Administration supports U.S. private investment in Azerbaijan's energy sector as a means of increasing the diversity of world energy suppliers, and encourages building multiple energy pipeline routes to world markets. In the aftermath of the September 11, 2001 terrorist attacks on the United States, the South Caucasus states expressed support for U.S.-led operations in Afghanistan against al Qaeda and other terrorist groups. As part of the U.S. anti-terrorism campaign Operation Enduring Freedom, the U.S. military in May 2002 began providing security equipment and training to help Georgia combat terrorist groups in its Pankisi Gorge area and elsewhere in the country.

MOST RECENT DEVELOPMENTS

NATO exercises termed "Cooperative Best Effort 2003" took place in Armenia on June 18-23, 2003, involving about 400 troops from 19 NATO and related Partnership for Peace countries. Among firsts, Turkey's troops participated in Armenia and Russia's officers and troops from its military base in Gyumri, Armenia, were fully integrated into the exercise.

The Parliamentary Assembly of the Council for Europe decided on June 26, 2003, to postpone until September a decision on a draft resolution condemning Azerbaijan's alleged holding of political prisoners. Reportedly, the Assembly hoped that the delay would provide more time for reforms in Azerbaijan.

BACKGROUND AND ANALYSIS

The Caucasus States: Basic Facts

Area: The region is slightly larger than Syria: Armenia is 11,620 sq. mi.; Azerbaijan is 33,774 sq. mi.; Georgia is 26,872 sq. mi.

Population: 16.03 million, similar to Netherlands; Armenia: 3.0 m.; Azerbaijan: 8.1 m.; Georgia: 4.93 m. (*Economist Intelligence Unit*, 2002 est.)

GDP: $11.7 billion; Armenia: $2.3 b.; Azerbaijan: $6.1 b.; Georgia: $3.3 b. (EIU, 2002 est., current prices)

Armenia, Azerbaijan, and Georgia are located south of the Caucasus Mountains that form part of Russia's borders (see map). The South Caucasus states served historically as a north-south and east-west trade and transport "land bridge" linking Europe to the Middle East and Asia, over which the Russian Empire and others at various times endeavored to gain control. In ancient as well as more recent times, oil and natural gas resources in Azerbaijan attracted outside interest. While Armenia and Georgia can point to past periods of autonomy or self-government, Azerbaijan was not independent before the 20th century. After the Russian Empire collapsed in 1917, all three states declared independence, but by early 1921 all had been re-conquered by Russia's Red (Communist) Army. They regained independence when the Soviet Union collapsed in 1991. (For background, see CRS Report RS20812, *Armenia Update*; CRS Report 97-522, *Azerbaijan*; and CRS Report 97-727, *Georgia*.)

Overview of U.S. Policy Concerns

By the end of 1991, the United States had recognized the independence of all the former Soviet republics. The United States pursued close ties with Armenia, because of its profession of democratic principles, and concerns by Armenian-Americans and others over its fate. The United States pursued close ties with Georgia after Eduard Shevardnadze, formerly a pro-Western Soviet foreign minister, assumed power there in early 1992. Faced with calls in Congress and elsewhere for a U.S. aid policy for the Eurasian states, then-President George H.W. Bush sent the FREEDOM Support Act to Congress, which was signed with amendments into law in October 1992 (P.L. 102-511).

U.S. policy toward the South Caucasus states includes promoting the resolution of the Armenia-Azerbaijan conflict over Azerbaijan's breakaway Nagorno Karabakh (NK) region, the Georgia-Abkhaz conflict, and other regional conflicts. Successive U.S. Special Negotiators have served as co-chair of the Minsk Group of states mediating the NK conflict

and taken part in the Friends of the U.N. Secretary General consultations and efforts of the Secretary General's special representative to settle the Abkhaz conflict. Congressional concerns about the NK conflict led to the inclusion of Sec. 907 in the FREEDOM Support Act, which prohibits U.S. government-to-government assistance to Azerbaijan, except for nonproliferation and disarmament activities, until the President determines that Azerbaijan has taken "demonstrable steps to cease all blockades and other offensive uses of force against Armenia and NK" (on the waiver authority, see below). U.S. aid was at first limited to that supplied through international agencies and private voluntary and nongovernmental organizations (NGOs), but provisions in FY1996, FY1998, and FY1999 legislation eased the prohibition by permitting the provision of humanitarian aid to the Azerbaijani government, support for democratization, Trade and Development Agency (TDA) guarantees and insurance for U.S. firms, Foreign Commercial Service (FCS) operations, aid to prevent the spread of weapons of mass destruction, Overseas Private Investment Corporation (OPIC) activities, and Export-Import Bank financing. Notwithstanding these exemptions, the State Department argued that Sec. 907 still restricted aid for anti-corruption and counter-narcotics programs, regional environmental programs, and programs such as good business practices, tax and investment law, and budgeting. The Defense Department argued that Sec. 907 restricted military assistance to Azerbaijan, including for anti-terrorism measures and energy pipeline security.

Some observers argue that developments in the South Caucasus region are largely marginal to global anti-terrorism and to U.S. interests in general. They urge great caution in adopting policies that will heavily involve the United States in a region beset by ethnic and civil conflicts. Earlier arguments against significant U.S. involvement – that the oil and other natural resources in the region were not commercially viable because of development and export costs and inadequate amounts, or would not be available to Western markets for many years – have lost much credibility (see below, *Energy Resources*). Other observers believe that U.S. policy now requires more active engagement in the South Caucasus. They urge greater U.S. aid and conflict resolution efforts to contain warfare, crime, smuggling, terrorism, and Islamic extremism and bolster independence of the states. Some argue that improved U.S. relations with these states also would serve to "contain" Russian and Iranian influence, and that improved U.S. ties with Azerbaijan would benefit U.S. relations with other Islamic countries, particularly Turkey and the Central Asian states. Many argue that the energy and resource-rich Caspian region is a central U.S. strategic interest, including because Azerbaijani and Central Asian oil and natural gas deliveries would lessen Western energy dependency on the Middle East. They also point to the prompt cooperation offered to the United States by Azerbaijan, Armenia, and Georgia in the aftermath of 9/11.

Post-9/11. In the wake of 9/11, U.S. policy priorities shifted toward global anti-terrorist efforts. In the South Caucasus, the United States obtained quick pledges from the three states to support Operation Enduring Freedom (OEF) in Afghanistan, including overflight rights and Azerbaijan's and Georgia's offers of airbase and other support. OEF was later expanded to Georgia (see below, *Security Assistance*). The State Department's *Patterns of Global Terrorism 2001* highlighted U.S. support for Azerbaijan's and Georgia's efforts to halt the use of their territories as conduits by international mujahidin and Chechen guerrillas for financial and logistic support for Chechen and other Caucasian terrorists.

After 9/11, Congressional attitudes toward Sec. 907 also shifted. Permanent Presidential waiver authority was added to the Senate version of Foreign Operations

Appropriations for FY2002 (H.R. 2506) and retained by the conferees. The President may use the waiver authority if he certifies to the Appropriations Committees that it supports U.S. counter-terrorism efforts, supports the operational readiness of the armed forces, is important for Azerbaijan's border security, and will not harm NK peace talks or be used for offensive purposes against Armenia. The waiver may be renewed annually, and sixty days after the exercise of the waiver authority, the President must send a report to Congress specifying the nature of aid to be provided to Azerbaijan, the status of the military balance between Armenia and Azerbaijan and the effects of U.S. aid on that balance, and the status of peace talks between Armenia and Azerbaijan and the effects of U.S. aid on those talks. Days after being signed into law (P.L. 107-115), President Bush on January 25, 2002, exercised the waiver. Presidential Determination No. 2003-12, released January 17, 2003, extended the waiver another year.

Iraqi Freedom. Azerbaijan and Georgia were among the countries that openly pledged to support U.S.-led Iraqi Freedom coalition actions, with both offering the use of their airbases and to assist the United States in re-building Iraq. Shevardnadze reported on March 19 that President Bush pledged in a letter that the Administration would pay more attention to the conflict in Georgia's breakaway Abkhazia region after it dealt with Iraq. On April 22, 2003, Aliyev offered 150 troops to assist rebuilding in Iraq, and on May 11, Georgia offered 75 troops. Before the Iraq action, Armenia raised concerns about the safety of 30,000 ethnic Armenians residing in Iraq and 200,000 residing in the Middle East and Turkish expansionism into Kurdish areas of Iraq.

Obstacles to Peace and Independence

Regional Tensions and Conflicts

Ethnic conflicts have kept the South Caucasus states from fully partaking in peace, stability, and economic development over a decade since the Soviet collapse, some observers lament. The countries are faced with on-going budgetary burdens of arms races and caring for refugees and displaced persons. Other costs of ethnic conflict include threats to bordering states of widening conflict and the limited ability of the region or outside states to fully exploit energy resources or trade/transport networks.

U.S. and international efforts to foster peace and the continued independence of the South Caucasus states face daunting challenges. The region has been the most unstable part of the former Soviet Union in terms of the numbers, intensity, and length of its ethnic and civil conflicts. The ruling nationalities in the three states are culturally rather insular and harbor various grievances against each other. This is particularly the case between Armenia and Azerbaijan, where discord has led to the virtually complete displacement of ethnic Armenians from Azerbaijan and vice versa. The main languages in the three states are mutually unintelligible (also, those who generally consider themselves Georgians – Kartvelians, Mingrelians, and Svans – speak mutually unintelligible languages). Few of the region's borders coincide with ethnic populations. Attempts by territorially-based ethnic minorities to secede are primary security concerns in Georgia and Azerbaijan. Armenia and Azerbaijan view NK's status as a major security concern. The three major secessionist areas — NK, Abkhazia, and South Ossetia — have failed to gain international recognition, and

receive major economic sustenance from, respectively, Armenia, Russia, and Russia's North Ossetia region. Also, Georgia's Ajaria region receives backing from Russia for its autarchic stance toward the Shevardnadze government.

Nagorno Karabakh Conflict. Since 1988, the separatist conflict in Nagorno Karabakh (NK) has resulted in 15,000 deaths, about 1 million Azerbaijani refugees and displaced persons, and about 300,000 Armenian refugees. Azerbaijan claims that about 20% of its territory, including NK, is controlled by NK Armenian forces. Various mediators have included Russia, Kazakhstan, Iran, the United Nations, and the Organization for Security and Cooperation in Europe (OSCE). The OSCE's "Minsk Group" of concerned member-states began talks in 1992. A U.S. presidential envoy was appointed to these talks. A Russian-mediated cease-fire was agreed to in May 1994 and was formalized by an armistice signed by the ministers of defense of Armenia and Azerbaijan and the commander of the NK army on July 27, 1994 (and reaffirmed a month later). Moscow talks were held by the sides, with token OSCE representation, along with Minsk Group talks. The OSCE at its December 1994 Budapest meeting agreed to send OSCE peacekeepers to the region under U.N. aegis if a political settlement could be reached. Russia and the OSCE merged their mediation efforts. The United States, France, and Russia co-chair meetings of the Minsk Group.

A new round of peace talks opened in Moscow in 1997. The presidents of Azerbaijan and Armenia recognized a step-by-step peace proposal as a basis for further discussion, leading to protests in both countries and to Ter-Petrosyan's forced resignation. Azerbaijan rejected a new Minsk Group proposal in late 1998 embracing elements of a comprehensive settlement, citing vagueness on the question of NK's proposed "common state"status. The assassinations of Armenian political leaders in late 1999 set back the peace process. In 2001, presidential meetings included one in Key West, Florida, in April, where they reportedly discussed (via emissaries) elements of a peace plan first broached in 1999 that included territorial concessions and the establishment of land corridors. The presidents later met separately with President Bush, highlighting early Administration interest in a settlement. In the aftermath of 9/11, the U.S. Special Negotiator for NK and Eurasian Conflicts and Minsk Group co-chair, Rudolf Perina, has stressed that worldwide anti-terrorism efforts increase the importance of resolving regional conflicts. Presidential meetings in 2002 appeared inconclusive. In January 2003, Kocharyan proclaimed that Armenia's policy on the settlement of the NK conflict rested on three pillars: a "horizontal" – instead of hierarchical – relationship between NK and Azerbaijan; a secure land corridor between Armenia and NK; and security guarantees for NK's populace. (See also CRS Issue Brief IB92109, *Armenia-Azerbaijan Conflict*.)

Civil and Ethnic Conflict in Georgia. Several of Georgia's ethnic minorities stepped up their dissident actions, including separatism, in the late 1980s and early 1990s. Georgia's South Ossetian region in 1989 lobbied for joining its territory with North Ossetia in Russia or for independence. Repressive efforts by former Georgian President Gamsakhurdia triggered conflict in 1990, reportedly leading to about 1,500 deaths. In June 1992, former Russian President Yeltsin brokered a cease-fire, and a predominantly Russian military "peacekeeping" force has been stationed in South Ossetia (currently numbering about 530). A coordinating commission composed of OSCE, Russian, Georgian, and North and South Ossetian emissaries was formed to promote a settlement of the Georgian-Ossetian conflict. Relations with Georgia deteriorated following a contentious "presidential" election in South Ossetia in late 2001, won by Russian citizen and resident of St. Petersburg Eduard

Kokoyev (Kokoiti), who had run on a platform of "associating"the region with Russia. In January 2003, a Shevardnadze emissary met with Kokoyev.

Abkhazia. In late 2001, the Abkhaz conflict heated up after remaining dormant for several years. Abkhazia's Supreme Soviet declared its effective independence from Georgia in July 1992. This prompted Georgian national guardsmen to attack Abkhazia. In October 1992, the U.N. Security Council (UNSC) approved the first U.N. observer mission to a Eurasian state, termed UNOMIG, to help reach a settlement. UNOMIG's mandate has been continuously extended. In September 1993, Russian and North Caucasian "volunteer" troops that reportedly made up the bulk of Abkhaz separatist forces broke a cease-fire and quickly routed Georgian forces. The U.N. sponsored Abkhaz-Georgian talks, with the participation of Russia and the OSCE, that led to a cease-fire. In April 1994, the two sides signed framework accords on a political settlement and on the return of refugees. A Quadripartite Commission was set up to discuss repatriation, composed of Abkhaz and Georgian representatives and emissaries from Russia and UNHCR. In May 1994, an accord provided for Russian troops (acting as CIS "peacekeepers") to be deployed in a security zone along the Inguri River that divides Abkhazia from the rest of Georgia. *The Military Balance 2002-2003* estimates that about 1,600 Russian "peacekeepers" are deployed. The conflict resulted in about 10,000 deaths and over 200,000 displaced persons, mostly ethnic Georgians.

U.S. Special Negotiator Perina works with the U.N. Secretary General, his Special Representative, and other Friends of Georgia (France, Germany, Russia, the United Kingdom, and Ukraine) to facilitate a peace settlement. There were 108 UNOMIG military observers as of mid-2002, including two U.S. personnel. The UNSC agreed that cooperation with the Russian forces was a reflection of trust placed in Russia. Under various agreements, the Russian "peacekeepers" are to respond to UNOMIG reports of ceasefire violations, carry out demining, and provide protection for UNOMIG's unarmed observers. In late 1997, the sides agreed to set up a Coordinating Council to discuss cease-fire maintenance and refugee, economic, and humanitarian issues. Coordinating Council talks and those of the Quadripartite Commission have been supplemented by direct discussions between Abkhaz and Georgian representatives. Sticking points between the two sides have included Georgia's demand that displaced persons be allowed to return to Abkhazia, after which an agreement on broad autonomy for Abkhazia may be negotiated. The Abkhazians have insisted upon recognition of their effective independence as a precondition to large-scale repatriation. Abkhaz authorities have refused to consider a draft negotiating document prepared by the U.N. and the Friends of Georgia in January 2002.

Deputy Assistant Secretary of State Lynn Pascoe in Congressional testimony on September 24, 2002, stated that Russia was stalling on negotiations on a political settlement of the Abkhaz conflict. Perhaps addressing this criticism, Putin, Shevardnadze, and an Abkhaz emissary met in Sochi on March 6-7, 2003, and the three sides agreed to set up working groups to facilitate opening a rail line through Abkhazia and repatriating Georgians to Abkhazia's Gali area. Georgia agreed to an indefinite extension of the mandate to the Russian peacekeepers, to participate in a proposed economic zone led by Russia, and to permit Russian control of the Inguri hydroelectric station. A troubling sign after this meeting included Abkhazia's immediate rejection of Shevardnadze's report that the parties had agreed to work out a federal status for Abkhazia.

Economic Conditions, Blockades and Stoppages

The economies of all three South Caucasus states greatly declined in the early 1990s, affected by the dislocations caused by the breakup of the Soviet Union, conflicts, trade disruptions, and the lingering effects of the 1988 earthquake in Armenia. Although gross domestic product (GDP) began to rebound in the states in the mid-1990s, the economies remain fragile. Investment in oil and gas resources and delivery systems has fueled economic growth in Azerbaijan in recent years. Armenia's GDP was about $550 per capita, Azerbaijan's was about $700, and Georgia's was about $1,000 (*Economist Intelligence Unit*, 2001 estimates, current dollars). Widespread poverty and regional conflict have contributed to high emigration from all three states.

Transport and communications obstructions and stoppages have severely affected economic development in the South Caucasus and stymied the region's emergence as an East-West and North-South corridor. Since 1989, Azerbaijan has obstructed railways and pipelines traversing its territory to Armenia, and for a time successfully blockaded NK. These obstructions have had a negative impact on the Armenian economy, since it is heavily dependent on energy and raw materials imports. Turkey has barred U.S. shipments of aid through its territory to Armenia since March 1993. P.L. 104-107 and P.L. 104-208 mandated a U.S. aid cutoff (with a presidential waiver) to any country which restricts the transport or delivery of U.S. humanitarian aid to a third country, aimed at convincing Turkey to allow the transit to U.S. aid to Armenia. According to the U.S. Embassy in Baku, Azerbaijan's poverty-stricken Nakhichevan exclave "is blockaded by neighboring Armenia," severing its "rail, road, or energy links to the rest of Azerbaijan." Iran has at times obstructed bypass routes to Nakhichevan. Georgia has cut off natural gas supplies to South Ossetia, and Russia has at times cut off gas supplies to Georgia. In 1996, the CIS supported Georgia in imposing an economic embargo on Abkhazia, but Russia announced in 1999 that it was lifting most trade restrictions. Indicating the complicated politics surrounding regional transport, Aliyev alleged that, during an August 2002 meeting with Kocharyan, his conditional offer to reopen a railway transiting the two countries was rejected by Kocharyan. The Armenian presidential press secretary responded that an unconditional reopening could be a confidence-building measure, but that it should be part of a comprehensive settlement of the NK conflict.

Political Developments

All three regional states are undergoing presidential and/or legislative elections. Armenia had such elections in March and May 2003, respectively. Azerbaijan will hold presidential elections on October 15, 2003. Georgia will hold legislative elections on November 2, 2003, and Shevardnadze has declared that he will not run for re-election in 2005, opening the competition for presidential succession in that country. The organization *Freedom House* rates all three states as "partly free," but ranks Armenia and Georgia as further along in democratization.

Armenia. Armenia appeared somewhat stable until 1998, when then-President Levon Ter-Petrosyan was forced to resign, reporting that his endorsement of peace proposals suggested by the OSCE's "Minsk Group" of concerned member-states had not been supported by others in his government. Former Prime Minister Robert Kocharyan won a 1998 presidential election termed flawed by the U.S. State Department. Nonetheless, this peaceful transfer of power is one of the few so far among the Eurasian states. Armenia's

1999 parliamentary election was viewed as improved but still falling short of OSCE standards. Illustrating the ongoing challenges to stability faced by Armenia, in October 1999, gunmen entered the legislature and opened fire on deputies and officials, killing Prime Minister Vazgen Sarkisyan and Speaker Karen Demirchyan, and six others. The killings may have been the product of personal and clan grievances. Abiding by the constitution, the legislature met and appointed Armen Khachatryan as speaker (a member of the ruling Unity bloc), and Kocharyan named Sarkisyan's brother the new prime minister. Political infighting intensified until mid-2000, when Kocharyan appointed former Soviet dissident Andranik Margaryan the new prime minister. Kocharyan has co-opted several opposition party officials into his government in order to increase political stability.

At the end of November 2002, Defense Minister Serzh Sarkisyan announced that he was taking a leave of absence to head up Kocharyan's campaign in presidential elections scheduled for February 19, 2003, and Margaryan announced that the Republican Party, which he heads, would fully back Kocharyan. None of the nine candidates on the ballot received a required 50% plus one of the vote, forcing a run-off on March 5 by the top two candidates, Kocharyan and People's Party head Stepan Demirchyan (Karen's son). OSCE and PACE observers termed the campaign vigorous and largely peaceful, but concluded that the election did not meet international standards for a free and fair race, because of "widespread" ballot box stuffing, a lack of transparency in vote-counting, and other "serious" irregularities.

On May 26, the Armenian Central Electoral Commission issued preliminary results for the legislative election and a constitutional referendum held the previous day. In the party list section of the voting (75 of 131 deputies are elected by party lists), six out of 21 parties running passed a 5% hurdle and won seats. Margaryan's Republican Party won 24.63% of the votes, the opposition Justice bloc won 14.03% (led by Stepan Demirchyan), the pro-government Land of Laws Party won 11.78%, pro-government Dashnaktsutiun won 10.46%, the opposition National Unity Movement won 9.66%, and the pro-government United Labor Party won 5.24%. Many seats in individual constituency races were won by party independents. The Organization for Security and Cooperation in Europe (OSCE), said that the election was "less flawed than the recent presidential poll, but still fell short of international standards." Proposed constitutional changes failed to be approved by the voters, allegedly in part because of a poor government effort to inform the public about the proposed changes. (See also CRS Report RS20812, *Armenia Update.*)

Azerbaijan. Azerbaijan has had three presidents and other acting heads of state since independence, and has suffered several coups or attempted coups. A constitutional referendum in 1995 granted Azerbaijani President Heydar Aliyev sweeping powers. He has concentrated power in his office, arrested many of his opponents, and taken other measures to keep the opposition weak. The 1995 legislative and 1998 presidential elections were marred by irregularities, according to international observers. In late June 2000, the Parliamentary Assembly of the Council of Europe (PACE) approved Azerbaijan's membership, conditioned on its compliance with commitments, including holding a free and fair legislative election. OSCE and PACE observers to the November 2000 legislative election judged it "seriously flawed," though they said it showed some progress compared to previous elections. U.S. Helsinki Commission observers saw virtually no progress. Although international observers also judged January 2001 legislative run-off elections as seriously flawed, PACE admitted both Azerbaijan and Armenia as members later in the month. U.S. State Department Spokesman Richard Boucher stated in August 2002 that

widespread irregularities appeared to have taken place during a just-held constitutional referendum, and concluded that it "did very little to advance democratization." Several of the constitutional changes had been encouraged by the Council of Europe, such as the creation of a executive-level human rights ombudsman. Others, however, were criticized by some opposition party leaders, in particular the elimination of party list voting, which may sharply reduce opposition party representation in the legislature, and a designation of the prime minister as the next in line in the case of presidential incapacity, death, or resignation, which oppositionists fear could permit Aliyev to more effectively position his son Ilkham as successor. Despite poor health, President Aliyev maintains that he will stand for re-election in a race planned for October 2003. About ten potential candidates have indicated interest in running, but the Central Electoral Commission rebuffed pleading by the Democratic Party to permit exiled Rasul Guliyev to return to Azerbaijan and run in the election.

Georgia. Georgia experienced political instability during the early 1990s, a fragile stability in the second half of the decade, and seemingly increased instability in recent years linked to President Eduard Shevardnadze's stated intention not to seek another term in 2005. Over the years, Shevardnadze has survived several coup attempts and has prevailed over political rivals both within and outside of his Citizens' Union Party (CUG). According to some critics, U.S. policy has relied too heavily on personal ties with Shevardnadze (and with Aliyev in Azerbaijan), and his replacement could bring instability and setbacks to U.S. interests. The OSCE reported that legislative races in October-November 1999 in Georgia appeared mostly fair, but did not fully comply with OSCE standards. Shevardnadze received 80% of 1.87 million votes cast in an April 2000 presidential race that the OSCE concluded did not meet democratic standards. Shevardnadze's appointment of State Secretary Avtandil Dzhorbenadze at the end of June 2002 to head the CUG was viewed by many Georgians as an attempt to designate an heir. According to some reports, U.S. aid to set up a Georgian National Security office has reflected in part U.S. concerns that Shevardnadze's succession proceed smoothly. Legislative elections are scheduled for October 2003. Observers have raised concerns about reports that some political parties are forming militias and about the possibility of criminal syndicates infiltrating the vote. The United States, at the Permanent Council of the OSCE, protested in May 2003 against continuing violence against religious minorities in Georgia that authorities appeared unwilling to stop.

The South Caucasus' External Security Context

Russian Involvement in the Region

Russia has appeared to place a greater strategic importance on maintaining influence in the South Caucasus region than in Central Asia (except Kazakhstan). Russia has exercised most of its influence in the military-strategic sphere, less in the economic sphere, and a minimum in the domestic political sphere, except for obtaining assurances on the treatment of ethnic Russians. Russia has viewed Islamic fundamentalism as a potential threat to the region, but has cooperated with Iran on some issues to counter Turkish and U.S. influence. Russia has tried to stop ethnic "undesirables," drugs, weapons, and other contraband from entering its borders, and to contain the contagion effects of separatist ideologies in the North and South Caucasus. These concerns, Russia avers, has led it to maintain military bases in Armenia and Georgia. The states have variously responded to Russian overtures. Armenia

has close security and economic ties with Russia, given its unresolved NK conflict and grievances against Turkey. Russia's security actions against its breakaway Chechnya region, its military bases in Georgia, and support to Abkhaz and South Ossetian separatists draw Georgia's ire. Azerbaijan has been concerned about Russia's ties with Armenia.

Military-Strategic Interests. Russia's armed presence in the South Caucasus is multi-faceted, including military base personnel, "peacekeepers," and border troops. The first step by Russia in maintaining a military presence in the region was the signing of the Commonwealth of Independent States (CIS) Collective Security Treaty (CST) by Armenia, Russia, and others in 1992, which calls for mutual defense consultations (Azerbaijan and Georgia withdrew from the CST in 1999). Russia also secured permission for two military bases in Armenia and four in Georgia. Russian forces help guard the Armenian-Turkish border. The total number of Russian troops has been estimated at about 2,900 in Armenia and 4,000 in Georgia. Another 100,000 Russian troops are stationed nearby in the North Caucasus (*The Military Balance 2002-2003*). In 1993, Azerbaijan was the first Eurasian state to get Russian troops to withdraw, except at the Gabala radar site in northern Azerbaijan. (Giving up on closing the site, in January 2002 Azerbaijan signed a 10-year lease agreement with Russia to permit up to 1,500 personnel to man the site.) In January 1999, Georgia assumed full control over guarding its sea borders, and in October 1999, most of the Russian border troops left, except for some liaison officers. Armenia has argued that its Russian bases provide for regional stability by protecting it from attack. Russia has said that it has supplied weapons to Armenia, including S-300 missiles and Mig-29 fighters for air defense, to enhance Armenia's and NK's security. Azerbaijan and Georgia have raised concerns about the spillover effects of Russia's military operations in Chechnya. In December 1999, the OSCE agreed to Georgia's request to send observers (currently 42) to monitor its border with Chechnya (later expanding this monitoring to nearby border areas).

Since the September 11, 2001 terrorist attacks in the United States, Russia has stepped up its claims that Georgia harbors Chechen terrorists with links to bin Laden, who use Georgia as a staging ground for attacks into Chechnya. Georgia, which borders Chechnya, has accepted thousands of Chechen refugees, mainly because many Chechens, termed Kists, live in Georgia's Pankisi Gorge area. Some Russian officials initially condemned U.S. plans, announced in early 2002, to provide military training and equipment to Georgia to help it deal with terrorism in the Pankisi Gorge and elsewhere. The United States has expressed "unequivocal opposition" to military intervention by Russia inside Georgia. Georgia launched a policing effort in the Gorge and agreed with Russia to some coordinated border patrols in October 2002 that have appeared to reduce tensions (for details, see CRS Report RS21319, *Georgia's Pankisi Gorge*).

Russia's Bases in Georgia. In 1999 Russia agreed to provisions of the adapted Conventional Armed Forces in Europe (CFE) Treaty calling for it to reduce weaponry at its bases in Georgia, to close its bases at Gudauta and Vaziani by July 2001, and to discuss closing Russian military bases at Batumi and Akhalkalaki. The Treaty remains unratified by NATO signatories until Russia satisfies these and other conditions. Russia moved some weaponry from the bases in Georgia to bases in Armenia, raising objections from Azerbaijan. On July 1, 2001, Georgia reported that the Vaziani base and airfield had been turned over by Russia to Georgia. The Russian government reported in June 2002 that it had closed its Gudauta base, but announced that 320 troops would remain to guard facilities and support "peacekeepers" who would relax at the base. Russia has stated that it needs $300 million and

eleven years to close the other two bases. At its December 2002 ministerial meeting, the OSCE hailed the Gudauta closure over Georgia's objections that the base was not under Georgia's control, and appeared unwilling to press Russia on terminating the other bases. Pascoe testified on September 24, 2002, that Russia is temporizing on implementing its CFE Istanbul commitments. At the OSCE meeting in December 2002, the United States voiced "hope" that Russia would make progress in 2003 in meeting its CFE commitments.

Caspian Energy Resources. Russia has tried to play a significant role in future oil production, processing, and transportation in the Caspian Sea region. In an effort to increase influence over energy development, Russia's policymakers during much of the 1990s insisted that the legal status of the Caspian Sea be determined before resources could be exploited. Russia has changed its stance by agreeing on seabed delineation with Kazakhstan and Azerbaijan, prompting objections from Iran and Turkmenistan. Before, 9/11, Putin criticized Western private investment in energy development in the Caspian region, and appointed a special energy emissary to lobby the region to increase its energy ties with Russia. After 9/11, however, he appeared to ease his criticism of a growing U.S. presence. At the May 2002 U.S.-Russia summit, the two presidents issued a joint statement endorsing multiple pipeline routes, implying Russia's non-opposition to plans to build the Baku-Tbilisi-Ceyhan (BTC) oil and gas pipelines. Nonetheless, in September 2002, Foreign Minister Ivanov resurrected opposition to the BTC pipeline, stating during a U.S. visit that "we will not put up with the attempts to crowd Russia out." Some observers view Russia's stepped-up pressure on Georgia during 2002 as calculated to increase its influence, including over pipelines. Russia conducted a major military exercise in the northern Caspian Sea in August 2002, demonstrating its armed predominance and underscoring its proposals for dividing Caspian Sea energy and other resources among the five littoral states.

The Protection of Ethnic Russians and "Citizens". As a percentage of the population, there are fewer ethnic Russians in the South Caucasus states than in most other Eurasian states. According to the *CIA World Factbook*, ethnic Russians constituted about 3.6% of the region's population in 2002. Russia has voiced concerns about the safety of ethnic Russians in Azerbaijan and Georgia. A related Russian interest has involved former Soviet citizens who want to claim Russian citizenship or protection. In June 2002, a new Russian citizenship law permitted granting citizenship and passports to most Abkhazians and South Ossetians, heightening Georgian fears that Russia has *de facto* annexed the regions. Kokoyev reported in April 2003 that the vast majority of South Ossetians had been granted Russian citizenship. Many observers argue that the issue of protecting the human rights of ethnic Russians and pro-Russian groups is a stalking horse for Russia's military-strategic and economic interests. Some observers have raised concerns that Russia also is using fellow-travelers and agents in place in the South Caucasus states to further its interests.

The Roles of Turkey, Iran, and Others

The United States has generally viewed Turkey as able to foster pro-Western policies and discourage Iranian interference in the South Caucasus states, though favoring Azerbaijan in the NK conflict. Critics of Turkey's larger role in the region caution that the United States and NATO might be drawn by their ties with Turkey into regional imbroglios. Turkey seeks good relations with Azerbaijan and Georgia and some contacts with Armenia, while trying to limit Russian and Iranian influence. Azerbaijan likewise views Turkey as a major ally against such influence, and as a balance to Armenia's ties with Russia. Armenia is a member

of the Black Sea Economic Cooperation zone, initiated by Turkey, and the two states have established consular relations. Obstacles to better Armenian-Turkish relations include Turkey's rejection of Armenians' claims of genocide in 1915-1923 and its support for Azerbaijan in the NK conflict, including the border closing. Georgia has an abiding interest in ties with the approximately one million Georgians residing in Turkey and the approximately 50,000 residing in Iran, and has signed friendship treaties with both states. Turkey and Russia are Georgia's primary trade partners. Consistent with the U.S. focus on the global anti-terror campaign, Turkey, Azerbaijan, and Georgia reached a tripartite security cooperation accord in January 2002 on combating terrorism and international crime and protecting pipelines. Turkey has hoped to benefit from the construction of new pipelines delivering oil and gas from the Caspian Sea, though a Turkish economic downturn has resulted in an oversupply problem for the time being.

Iran's interests in the South Caucasus include discouraging Western powers such as Turkey and the United States from gaining influence (Iran's goal of containing Russia conflicts with its cooperation with Russia on these interests), ending regional instability that might threaten its own territorial integrity, and building economic links. A major share of the world's Azerbaijanis reside in Iran (estimates range from 6-12 million), which also hosts about 200,000 Armenians. Ethnic consciousness among some "Southern Azerbaijanis" in Iran has grown, which Iran has countered by limiting trans-Azerbaijani contacts. Azerbaijani elites fear Iranian-supported Islamic extremism and object to Iranian support to Armenia. Iran has growing trade ties with Armenia and Georgia, but its trade with Azerbaijan has declined. To block the West and Azerbaijan from developing Caspian Sea energy resources, Iran has insisted on either common control by the littoral states or the division of the seabed into five equal sectors. Iranian warships have challenged Azerbaijani oil exploration vessels in the Caspian Sea. U.S. policy aims at containing Iran's threats to U.S. interests (See CRS Issue Brief IB93033, *Iran*). Some critics argue that if the South Caucasus states are discouraged from dealing with Iran, particularly in building pipelines through Iran, they face greater pressure to accommodate Russian interests. (See also below, *Energy*.)

Among non-bordering states, the United States and European states are the most influential in the South Caucasus in terms of aid, trade, exchanges, and other ties. U.S. and European goals in the region are broadly compatible, involving integrating it into the West and preventing an anti-Western orientation, opening it to trade and transport, obtaining energy resources, and helping it become peaceful, stable, and democratic. The South Caucasus region has developed some economic and political ties with other Black Sea and Caspian Sea littoral states, besides those discussed above, particularly with Ukraine, Romania, and Kazakhstan. Azerbaijan shares with Central Asian states common linguistic and religious ties and concerns about some common bordering powers (Iran and Russia). The South Caucasian and Central Asian states have common concerns about ongoing terrorist threats and drug trafficking from Afghanistan. Energy producers Kazakhstan, Turkmenistan, and Uzbekistan have considered various forms of trans-Caspian transport as a means to get their oil and gas to Western markets. Central Asia's increasing trade links to the South Caucasus will make it more dependent on stability in the region.

Aid Overview

The United States is the largest bilateral aid donor by far to Armenia and Georgia, and the two states are among the four Eurasian states that each have received more than $1 billion in U.S. aid FY1992-FY2002 (the others are Russia and Ukraine). See Tables 1 and 2. By comparison, aid from the European Union to the region has totaled about $1 billion over the past decade. U.S. assistance has included FREEDOM Support Act programs, food aid (U.S. Department of Agriculture), Peace Corps, and security assistance. Armenia and Georgia have regularly ranked among the top world states in terms of per capita U.S. aid, indicating the high level of concern within the Administration and Congress. Foreign Operations Appropriations for FY1998 (P.L. 105-118) created a new South Caucasian funding category and earmarked $250 million in aid to this category. In FY1999 appropriations (P.L. 105-277), Congress earmarked $228 million in FREEDOM Support Act aid for this category. The category was sustained in FY2000-FY2003, though without an earmark. Besides bilateral aid, the United States contributes to multilateral organizations such as the International Monetary Fund and the World Bank that aid the region. Georgia has been suggested as a recipient of enhanced U.S. development aid under the proposed Millennium Account. On the other hand, in June 2003, the State Department listed Georgia among states inadequately addressing the problem of human trafficking, possibly making it a target of U.S. aid sanctions. (See also CRS Issue Brief IB95077, *The Former Soviet Union and U.S. Foreign Assistance*.)

In the 108th Congress, Omnibus Appropriations for FY2003 (H.J.Res. 2; P.L. 108-7, signed into law on February 20, 2003) provided $760 million in FREEDOM Support Act assistance for the Independent States of the Former Soviet Union. The law reaffirms the South Caucasus spending category, and permits funds "notwithstanding any other provisions of law" to be used for confidence-building and other efforts to foster the settlement of regional conflicts, especially those involving NK and Abkhazia. It earmarks not less than $90 million for Armenia. It provides for exemptions to Sec. 907 in case the presidential waiver is not exercised for nonproliferation, democracy, TDA, Foreign Commercial Service, OPIC, and Eximbank aid and services. The Conferees (H.Rept. 108-10) recommended continued funding for study of a proposed synchrotron project in Armenia. The Conferees stated that, unlike prior years, aid was not earmarked for Georgia, but they "continue to support [its] sovereignty and territorial integrity." They call on Georgia to uphold human rights and the rule of law by protecting religious minorities against mob violence. They commend the conclusion of USAID that the establishment of a wastewater management program for Georgia should be deferred (to focus on energy supply needs). They call on the State Department and Azerbaijani authorities to continue to investigate the death of a U.S. democracy worker in Azerbaijan. The waiver of Sec. 907 in 2002 allowed Azerbaijan to receive U.S. advisory economic aid as well as added security aid (see below).

U.S. Security Assistance

The United States has provided some security assistance to the region, and bolstered such aid after 9/11, though overall aid amounts to the countries did not increase post-9/11 as they did in regard to the Central Asian "front line" states. See Table 2 for cumulative budgeted security assistance for FY1992-FY2002. In Georgia, Congress in 1997 directed

setting up a Border Security and Related Law Enforcement Assistance Program, and some of this aid has been used by Georgia to fortify its northern borders with Russia and Chechnya. The United States has committed millions of dollars to facilitate the closure of Russian military bases in Georgia. Congress initiated the Security Assistance Act of 2000 (P.L. 106-280) that authorized nonproliferation, export control, border, anti-terrorism, and other security aid for the South Caucasus states and earmarking such aid for Georgia. In 1997, a U.S.-Azerbaijan Bilateral Security Dialogue was inaugurated to deal with joint concerns over terrorism, drug trafficking, international crime, and the proliferation of weapons of mass destruction (WMD). The United States has signed many other accords with the regional states on military cooperation, combating WMD proliferation, and securing nuclear materials. On February 6, 2003, the United States announced that it would fully fund stepped-up Georgian border guard deployments along Georgia's border with Russia's Dagestan region (bordering Chechnya), and that it hoped to provide some personnel for an expanded OSCE observer mission along this border. Azerbaijan in November 2002 deployed 30 troops to assist the U.S.-led coalition in Afghanistan. A group of 150 Azerbaijani troops will travel to Iraq in July 2003, reportedly to help guard Islamic sites.

The Azerbaijani and Georgian presidents have stated that they want their countries to join NATO; much greater progress in military reform, however, will likely be required before they are considered for membership. All three states joined NATO's Partnership for Peace (PFP). Azerbaijani and Georgian troops serve as peacekeepers in the NATO-led operation in Kosovo, and Armenian troops will serve beginning in July 2003. "Cooperative Best Effort 2002" PFP exercises were held at the former Russian Vaziani airbase in Georgia in June 2002, involving 600 troops from 15 countries.

Until waived, Sec. 907 had prohibited much U.S. security aid to Azerbaijan (including Foreign Military Financing or FMF, and International Military Education & Training or IMET), and by U.S. policy similar aid had not been provided to Azerbaijan's fellow combatant Armenia. The calendar year 2002 waiver of Sec. 907 (followed by the April 2002 Presidential Determination 2002-15, making Armenia, Azerbaijan, and Tajikistan eligible to receive FMF in order to "strengthen the security of the United States") permitted the provision of $4.075 million in IMET and FMF aid to Armenia and $4.377 million to Azerbaijan in FY2002. The waiver enabled both Armenia and Azerbaijan to participate in that year's "Best Effort" PFP exercises. A U.S.-financed center for de-mining opened in Armenia in March 2002. Similarly, the State Department announced in July 2002 that 25 U.S. Special Operations troops were providing de-mining training in Azerbaijan. The calendar year 2003 waiver permitted additional IMET and FMF aid for both Armenia ($3.7 million) and Azerbaijan ($5.75 million).

As part of Operation Enduring Freedom, a $64 million Georgia Train and Equip Program (GTEP) began in May 2002 with the deployment of up to 150 Special Operations Forces, Marines, and other troops. They are providing training to Georgian military, security, and border forces to help them combat Chechen, Arab, Afghani, al Qaeda, and other terrorists who allegedly infiltrated Georgia. Reported other U.S. aims include bolstering Georgia's ability to guard its energy pipelines and ensuring internal stability. Some refurbishment of Georgian military facilities also was carried out, but U.S. officials say there are no plans to establish a permanent U.S. military presence in Georgia. U.S. Secretary of Defense Donald Rumsfeld and the chairman of the Joint Chiefs of Staff, Gen. Richard Myers, visited Georgia in November 2002 and reviewed the GTEP, with Myers declaring

that "the U.S. and Georgian relationship is a very rare, important one [and] it's been strengthening over the years." The leader of Georgia's breakaway Abkhaz region, Vladislav Ardzinba, has rejected reports that Abkhazia might host terrorists, warned that U.S. training could increase Georgia's revanchism and regional instability, and praised Russia as a bulwark against such instability. Reports that al Qaeda and other terrorists may be currently in Abkhazia (and elsewhere in Georgia) create dilemmas for a U.S. policy that holds governments responsible for terrorists operating on their territories. (For details, see CRS Report RS21319, *Georgia's Pankisi Gorge*.)

U.S. Trade and Investment

The Bush Administration and others maintain that U.S. support for privatization and the creation of free markets directly serve U.S. national interests by opening new markets for U.S. goods and services, and sources of energy and minerals. Among U.S. economic links with the region, bilateral trade agreements providing for normal trade relations for products have been signed and entered into force with all three states. Bilateral investment treaties providing national treatment guarantees have entered into force. U.S. investment is highest in Azerbaijan's energy sector, but rampant corruption in Azerbaijan and Georgia otherwise have stifled investment. The EIU attributes paltry U.S. and other foreign investment in Armenia to business concerns about inadequate law enforcement. With U.S. support, in June 2000 Georgia became the second Eurasian state (after Kyrgyzstan) to be admitted to the WTO. P.L. 106-476, signed into law on November 9, 2000, stated that the President may determine that Title IV should no longer apply to Georgia and proclaim that its products will receive permanent nondiscriminatory (normal trade relations - NTR) treatment. Citing "due regard for the findings of the Congress," President Clinton on December 29, 2000, determined and proclaimed such permanent normal trade relations. Armenia was admitted into WTO in December 2002, but until U.S. legislation is passed, it will continue to receive conditional NTR treatment subject to a presidential determination, as does Azerbaijan (see also CRS Report RL31558, *Normal-Trade-Relations*).

Energy Resources and U.S. Policy

The U.S. Energy Department reports estimates of 1.2 billion barrels of proven oil reserves, and estimates of 4.4 trillion cubic feet of proven natural gas reserves in Azerbaijan (*Country Analysis Brief*, June 2002). Many problems remain to be resolved before Azerbaijan can fully exploit and market its energy resources, including political instability, ethnic and regional conflict, and the security and construction of pipeline routes.

U.S. policy goals regarding energy resources in the Central Asian and South Caucasian states have included supporting their sovereignty and ties to the West, supporting U.S. private investment, breaking Russia's monopoly over oil and gas transport routes by encouraging the building of pipelines that do not traverse Russia, promoting Western energy security through diversified suppliers, assisting ally Turkey, and opposing the building of pipelines that transit Iran. These goals are reflected in the Administration's May 2001 National Energy Policy. It recommends that the President direct U.S. agencies to support building the BTC oil pipeline, expedite use of the pipeline by oil companies operating in Kazakhstan, support constructing a BTC gas pipeline to export Azerbaijan's Shah Deniz gas,

and otherwise encourage the Caspian regional states to provide a stable and inviting business climate for energy and infrastructure development. Since 9/11, the Administration has emphasized the vulnerability of the United States to possible energy supplies disruptions and intensified its commitment to develop Caspian energy and the BTC pipeline as part of a strategy of diversifying world energy supplies.

U.S. companies are shareholders in about one-half of twenty international production-sharing consortiums, including the Azerbaijan International Operating Company (AIOC; which includes U.S. firms Unocal and Exxonmobil, U.S. Devon Energy, and U.S.-Saudi Delta Hess), formed to exploit Azerbaijan's oil and gas fields. In 1995, Aliyev and the AIOC decided to transport "early oil" (the first and lower volume of oil) through two revamped Soviet-era pipelines in Georgia and Russia to ports on the Black Sea, each with a capacity of around 100-115,000 barrels per day. The trans-Russia "early oil" pipeline began delivering oil to the port of Novorossiisk in late 1997. The trans-Georgian pipeline began delivering oil to Black Sea tankers in early 1999.

The Clinton Administration launched a campaign in late 1997 stressing the strategic importance of the BTC route as part of a "Eurasian Transport Corridor." In November 1999, Azerbaijan, Georgia, Turkey, and Kazakhstan signed the "Istanbul Protocol" on construction of the BTC oil pipeline. Estimates suggest that the 1,040-mile pipeline (carrying a million barrels per day) may cost $3 billion. Full financing has been difficult to arrange. The European Bank for Reconstruction and Development and the International Finance Corporation have each pledged $300 million in financing. OPIC expects to provide loan guarantees in FY2003. U.S. Eximbank may also back the project. In August 2002, the BTC Company was formed to construct, own, and operate the oil pipeline, and it awarded contracts to begin construction in 2003, with a completion date of 2005 (U.S. construction firms awarded contracts include Bechtal and Petrofac). In September 2001, Georgia signed an accord with Azerbaijan to build a pipeline to import natural gas from Azerbaijan's Shah Deniz offshore field, and to permit remaining gas to be piped to Turkey, but plans for this pipeline are uncertain. In a September 2002 letter to the presidents of Azerbaijan, Georgia and Turkey, President Bush stated that the BTC pipeline would enhance global energy security "through a more diverse supply of oil for global markets," and strengthen regional and global economic growth and the sovereignty and independence of the region. Actual construction reportedly began in Georgia in May 2003. The pipeline does not cross Armenia, raising objections from some in Armenia of lack of access. Armenia and Iran have discussed building a gas pipeline to link up with Iran's pipelines.

Table 1. U.S. FY2002-FY2003 Budgeted Aid and the FY2004 Foreign Assistance Request

(millions of dollars)

Central Asian Country	FY2002 Budgeted Aid, Including Emergency Supplementals*	FY2003 Allocated Aid**	FY2004 Request**
Armenia	107.61	89.415	49.5
Azerbaijan	51.79	45.7	41.5
Georgia	110.01	83.45	75.0
Total	269.41	218.565	166.0

Sources: USAID and State Department.
*FREEDOM Support Act and Agency budgets.
**FREEDOM Support Act and other Function 150 funds (does not include Defense or Energy Department funding).

Table 2: U.S. FY1992-FY2002 Budgeted Assistance to the South Caucasus, by Category (FREEDOM Support Act and Agency Budgets)

(millions of dollars)

Programs	Armenia	Azerbaijan	Georgia	Total	Percent
Democracy Programs	140.01	69.7	102.27	311.98	11.16
Market Reform Programs	298.22	40.38	196.0	534.6	19.12
Security Programs	35.19	22.02	183.74	240.95	8.62
Humanitarian Programs	725.24	192.15	602.42	1,519.81	54.35
Cross-sectoral/other	138.42	13.43	37.34	189.19	6.77
Total	1,337.08	337.68	1,121.77	2,796.53	100

Source: Coordinator's Office, State Department, and CRS calculations.

Source: Map Resources. Adapted by CRS. (08/02 M.Chin)