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

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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 in part to end the dependence of these states on Russia for trade, security, and other relations. The United States has 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 its pro-Western leadership. 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 pipelines to world markets. The United States has been active in diplomatic efforts to end conflicts in the region, many of which remain unresolved.

The FREEDOM Support Act (P.L. 102-511) provides the major authorization for assistance to the Eurasian states for humanitarian needs, democratization, creation of market economies, trade and investment, and other purposes. Sec. 907 of the act prohibits most U.S. government-to-government aid to Azerbaijan until its ceases blockades and other offensive use of force against Armenia. This provision has been 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.

In the aftermath of the September 11, 2001 terrorist attacks on the United States, the 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 calendar year under certain conditions. President Bush exercised the waiver most recently on January 13, 2005.

As part of the U.S. Global War on Terrorism, 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. Azerbaijani and Georgian troops participate in stabilization efforts in Afghanistan and Iraq. Armenia dispatched personnel to Iraq on January 18, 2005.

Consolidated Appropriations for FY2005, including Foreign Operations (P.L. 108-447, signed into law on December 8, 2004), provides $205 million in FREEDOM Support Act (FSA) assistance to the South Caucasus states. The Conference managers (H.Rept.108-792) direct $75 million in FSA funding for Armenia ($13 million above the budget request), $38 million for Azerbaijan, and $92 million for Georgia ($2 million above the budget request). The managers call for at least $3 million to be "provided to address ongoing humanitarian needs in Nagorno Karabakh." Among other foreign assistance, $8 million is provided for Armenia, $8 million for Azerbaijan, and $12 million for Georgia for Foreign Military Financing.

MOST RECENT DEVELOPMENTS

Assistant Secretary of State Elizabeth Jones indicated on January 13, 2005, that President Bush would urge Russian President Vladimir Putin at an upcoming summit to intensify Russia's mediation to settle conflicts in the South Caucasus by the end of the year. She stated that "it is in Russia's interest for ... Transnistria, Abkhazia, South Ossetia, Nagorno- Karabakh, for these areas to be stable, for corruption to end there, for the criminal secessionists who rule there to be removed." She explained that "Russia can play a very positive leadership role in addressing these questions.... [These areas] can be a breeding ground for terrorists.... It is not in Russia's interest, or in the interests of the United States or Europe for these areas to be free for weapons transportation, for narcotics transportation and trafficking.... It is appropriate for us to get down to cases and try to figure out how to address these issues in a political framework."

Russia in December 2004 withheld its approval to extend the mandate of observers from the Organization for Security and Cooperation in Europe (OSCE) who have been monitoring Georgia's northeastern border with Russia. These monitors had helped inform Russia and Georgia about trans-border terrorist movements, but Russia termed their help "ineffective." On January 19, 2005, the United States backed a Georgian proposal for an OSCE assessment mission to evaluate the security situation along the border and for the removal of observers to be delayed until the assessment mission has presented its findings.

BACKGROUND AND ANALYSIS

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. Although 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*.)

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: 15.6 million, similar to Netherlands; Armenia: 3.0 m.; Azerbaijan: 8.3 m.; Georgia: 4.3 m. (*Economist Intelligence Unit*, 2003 est.)
GDP: $13.9 billion; Armenia: $2.8 b.; Azerbaijan: $7.1 b.; Georgia: $4.0 b. (EIU, 2003 est., market exchange rate)

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, and Georgia's conflicts with its breakaway regions of Abkhazia and South Ossetia. Successive U.S. Special Negotiators for NK and Eurasian Conflicts have helped in various ways to settle these conflicts. 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 non-proliferation 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 waiver authority, see below). Provisions in FY1996, FY1998, and FY1999 legislation eased the prohibition by providing for humanitarian, democratization, and business aid exemptions.

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. 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 to bolster the independence of the states. Some argue that such enhanced U.S. relations also would serve to "contain" Russian and Iranian influence, and that close 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 support offered to the United States by Armenia, Azerbaijan, and Georgia in the aftermath of the September 11, 2001, attacks by al Qaeda on the United States.

Post-September 11. In the wake of September 11, 2001, 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 2002* highlighted U.S. support for Azerbaijan's and Georgia's efforts to stop their territories from being used by international mujahidin and Chechen guerrillas to finance and supply Chechen and other terrorism.

Congressional attitudes toward Azerbaijan and Sec. 907 also shifted. Presidential waiver authority was added to Foreign Operations Appropriations for FY2002 (H.R. 2506;

P.L. 107-115). The President may use the waiver authority if he certifies that U.S. aid 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 report to Congress on 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, President Bush on January 25, 2002, exercised the waiver. The waiver most recently was exercised on January 13, 2005.

Operations in Iraq. Azerbaijan and Georgia were among the countries that openly pledged to support the U.S.-led Operation Iraqi Freedom (OIF) — with both offering the use of their airbases — and to assist the United States in re-building Iraq. Both countries agreed to participate — subject to U.S. financial support — in the stabilization force for Iraq. In August 2003, both Azerbaijan (150 troops) and Georgia (69 troops) dispatched forces to Iraq. Georgia plans to boost troop deployments to 800 in February 2005, making it among the top ten countries providing troops. U.S. officials reportedly asked Azerbaijan and Georgia at the end of April 2004 to bolster their troop contributions in the face of Spain's troop pullout. In October 2004, the Georgian defense minister met with Secretary of Defense Donald Rumsfeld in Bahrain, where the minister pledged to boost troops in Iraq and Rumsfeld pledged to substantially boost military aid to Georgia in return.

Before the U.S.-led operation in Iraq, Armenia raised concerns about the safety of about 25,000 ethnic Armenians residing in Iraq, and about Turkish expansionism into Kurdish areas of Iraq. On July 17, 2003, the Senate Appropriations Committee (S.Rept. 108-106) stated that it "regrets that Armenia was not more supportive of OIF." However, in September 2004, the presidents of Poland and Armenia agreed that Armenian troops could serve with the Polish contingent in Iraq to carry out humanitarian work and support the ethnic Armenian community residing there. The Armenian legislature approved the planned deployment, and 46 personnel left for Iraq on January 18, 2005.

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.

Nagorno Karabakh Conflict. Since 1988, the separatist conflict in Nagorno Karabakh (NK) has resulted in up to 20,000 deaths, up to 1 million Azerbaijani refugees and displaced persons, and about 300,000 Armenian refugees. About 15-20% of Azerbaijan's territory, including NK, reportedly 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). The United States, France, and Russia co-chair meetings of the Minsk Group.

The Minsk Group reportedly has presented four proposals as a framework for talks, but a peace settlement has proved illusive. A first proposal in 1997 was rejected, leading to a late 1997 step-by-step peace proposal that the presidents of Azerbaijan and Armenia recognized as a basis for further discussion. This led to protests in both countries and to the forced resignation of Armenian President Levon Ter-Petrosyan in early 1998. Heydar Aliyev in February 2001 stated that he had "turned down" and refused to discuss a late 1998 Minsk Group proposal embracing elements of a comprehensive settlement. Other Azerbaijani officials had criticized the proposal's alleged vagueness on the character of NK's proposed "common state"status. The assassination of Armenian political leaders in late 1999 by a disgruntled Armenian set back the peace process. In 2001, the two presidents attended talks in Key West, Florida, and then met with President Bush, highlighting early Administration interest in a settlement. In January 2003, Armenia's President Robert Kocharyan proclaimed that its peace policy 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. Armenian Foreign Minister Oskanyan in October 2004 stated that the continued occupation of NK border areas was necessary leverage to convince Azerbaijan to agree to NK's status as a "common state" apart from Azerbaijan, and that there could be no compromise on this status, since "every inch of Armenia is priceless, including Karabakh." In January 2005, media in both countries reported progress in talks on a "hybrid" peace plan involving the return of most NK border areas prior to a referendum in NK on its status.

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, resulting in the loss of central government control over the regions of South Ossetia and

Abkhazia. Georgian President Mikheil Saakashvili in his inaugural address on January 25, 2004, proclaimed his responsibility to re-integrate these regions into Georgia. Some observers have argued that Russia's increasing controls over South Ossetia and Abkhazia have transformed the separatist conflicts into essentially Russia-Georgia disputes (see also below, *Russia*).

South Ossetia. In 1989, the region 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, Russia brokered a cease-fire, and a "peacekeeping" force composed of Russian, Georgian, and Ossetian units has been stationed in South Ossetia (reportedly numbering around 1,000 troops, including about 530 Russians, 300 South Ossetians, and until recently, 100-150 Georgians). A Joint Control Commission composed of OSCE, Russian, Georgian, and North and South Ossetian emissaries was formed to promote a settlement of the conflict. Relations with Georgia deteriorated following a contentious "presidential" election in South Ossetia in late 2001, won by Russian citizen and St. Petersburg resident Eduard Kokoyev (also spelled Kokoiti), who had run on a platform of "associating" the region with Russia. There has been little progress in peace talks. According to some estimates, some 25,000 ethnic Ossetians and 20,000 ethnic Georgians reside in the now largely vacant region.

President Saakashvili increased pressure on South Ossetia in 2004 by tightening border controls, an action that severely harmed the region's economy. He also reportedly sent several hundred police, military, and intelligence personnel into the region. Georgia maintained that it was only bolstering its peacekeeping contingent up to the limit of 500 troops, as permitted by the cease-fire agreement, and stated that these peacekeepers were preventing smuggling and guarding ethnic Georgian villages. Georgian guerrilla forces also allegedly entered the region. Allegedly, Russian defense and security officers assisted several hundred paramilitary elements from Abkhazia, Moldova's breakaway Transdnistria region, and Russia (Cossacks) who rallied to a call for help from South Ossetian authorities. On August 13, Georgia and South Ossetia signed an agreement on removing illegal forces from the region, but fighting continued. On August 19, Georgian troops reportedly gained a tactical success that some observers speculate permitted Saakashvili to save face — since his efforts to win control of the region had stalled — and announce that all troops except Georgia's peacekeepers would withdraw. Large numbers of undeclared troops remained in place until early November 2004, however, when both sides signed another agreement to remove them from the region. Russia has opposed Georgia's calls for an international peace conference and for boosting the OSCE presence in the region.

Abkhazia. In July 1992, Abkhazia's legislature declared the region's effective independence from Georgia, prompting Georgian national guardsmen to attack the region. In October 1992, the U.N. Security Council (UNSC) approved the first U.N. observer mission to a Eurasian state, termed UNOMIG, to help the parties reach a settlement. UNOMIG's mandate has been continuously extended and consisted of 118 observers in early 2004 (including a few U.S. troops). 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. In April 1994, the two sides agreed to a framework for a political settlement and the return of refugees. A Quadripartite Commission (QC) was set up to discuss repatriation, composed of Abkhaz and Georgian representatives and emissaries from Russia and UNHCR. A May 1994 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 UNSC agreed that UNOMIG's cooperation with the Russian forces was a reflection of trust placed in Russia. *The Military Balance 2003-2004* 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.

Steven Mann, the U.S. Special Negotiator for NK and Eurasian Conflicts (and Minsk Group co-chair), 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. In late 1997, the sides agreed to set up a Coordinating Council to discuss cease-fire maintenance and refugee, economic, and humanitarian issues. The QC meets periodically and addresses grievances not considered by the Coordinating Council, which Abkhazia has boycotted since 2001. These talks have been supplemented by other 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. Since 2002, Abkhaz authorities have refused to consider a draft negotiating document prepared by the U.N. and the Friends of Georgia. Tensions between the two sides have escalated during 2004, with Georgian naval forces interdicting Turkish, Ukrainian, Greek, and other boats off Abkhazia's shores. Peace talks were disrupted following a disputed October 2004 Abkhaz "presidential" election. Perhaps alarmed by Russia's growing control, voters rejected the candidate preferred by Moscow. Russia quickly dispatched an official from its Ministry of Emergencies to serve as the Abkhaz "premier" to protect its interests. Russia orchestrated a power-sharing arrangement and the two candidates successfully ran on the same ticket in a new election held on January 12, 2005.

Ajaria. Aslan Abashidze had controlled the semi-independent Ajaria region since 1991 and had long resisted many of Shevardnadze's attempts to establish central authority over the region. After being elected as Georgia's president in January 2004, Saakashvili called for the region to submit to central government authority. Georgia began military exercises near the border of Georgia on April 28, which prompted Ajarian paramilitary elements on May 2 to blow up two bridges linking roads to the rest of Georgia. Saakashvili successfully appealed for the allegiance of many Georgian military and police elements in the region, and they abandoned loyalty to Abashidze. After talks between Putin and Saakashvili, Russia offered sanctuary to Abashidze and flew him to Moscow on May 6. Regional legislative elections in June 2004 were judged by OSCE monitors to be administered in a credible, transparent, and professional manner.

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 $930 per capita,

Azerbaijan's about $865, and Georgia's about $930 (*Economist Intelligence Unit,* 2003 estimates, market exchange rates). Widespread poverty and regional conflict have contributed to high emigration from all three states, and remittances from these emigres provide major support for the remaining populations.

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 2004, Georgia severely restricted traffic from South Ossetia and in October 2004 banned all Armenian and Azerbaijani traffic through South Ossetia's Roki tunnel linking it to Russia, proclaiming that because Georgia could not regulate the traffic, it would ban it.

Democratization Problems

The organization *Freedom House* considers Armenia and Georgia as somewhat more democratic than Azerbaijan. It judges the former two as "partly free," and in 2004 downgraded Azerbaijan's status to "not free," in part because of abuses surrounding its 2003 presidential election (see below). All three states conducted presidential and/or legislative elections in 2003. Armenia held such elections in March and May, respectively. Azerbaijan held presidential elections in October, and Georgia held legislative elections in November. According to the OSCE, none of the elections were free and fair. Protests in Georgia against the tainted vote led to Shevardnadze's overthrow (see below).

Armenia. Illustrating ongoing challenges to stability in Armenia, in October 1999, gunmen entered the legislature and opened fire on deputies and officials, killing the prime minister, the legislative speaker, and six others. The killings may have been the product of personal and clan grievances. Political infighting led President Robert Kocharyan in mid-2000 to appoint former Soviet dissident Andranik Margaryan as prime minister. In late 2002, Margaryan announced that the Republican Party, which he headed, would fully back Kocharyan in a re-election bid scheduled for February 2003. None of the nine candidates on the ballot received a required 50% plus one of the vote, forcing a run-off in March by the top two candidates, Kocharyan and People's Party head Stepan Demirchyan (the murdered speaker'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, 2003, 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 were elected by party lists), six out of 21 parties running passed a 5% hurdle and won seats. Margaryan's Republican Party won about 25% of the votes, the opposition Justice bloc won 14% (led by Stepan Demirchyan), the pro-government Land of Laws Party won 12%, pro-government Dashnaktsutiun won 10%, the opposition National Unity Movement won 10%, and the pro-government United Labor Party won 5%. Many seats in individual constituency races were won by party independents. The 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*.)

Oppositionists in Armenia in early 2004 stepped up their protests against the legitimacy of President Robert Kocharyan's 2003 re-election. They argued that a ruling after the election by the Constitutional Court had called for a referendum to be held within one year on confidence in the president. Kocharyan termed the Court's call only advisory, a view also evinced by the Parliamentary Assembly of the Council of Europe (PACE). The runners-up in the presidential election, Demirchian and Artashes Geghamian (head of the National Unity Party) joined forces and urged nationwide civil disobedience until Kocharyan resigned. The government termed this advocacy a criminal attempt to change the constitutional order and raided the premises of the main opposition parties, arrested several dozen opposition activists, and forcibly broke up a demonstration. The U.S. State Department called on the government and opposition to peacefully resolve their disputes and termed the government actions "excessive and contrary to international standards." At its October 2004 meeting, PACE resolved that it remained disappointed by the government's delay in prosecuting those who orchestrated presidential election "fraud." Some of those detained in April have been released and others sentenced to prison terms.

Azerbaijan. Marking the closing of an era, long-time ruler Heydar Aliyev suffered serious cardiac problems in April 2003 and was mostly in hospital up through the expiration of his presidential term. In what some critics termed a move to ensure a dynastic succession, Ilkham in July became a candidate in the scheduled October 15, 2003, presidential election, but demurred that he was running only to buttress his father's candidacy. On August 4, the legislature hurriedly convened to confirm Ilkham as prime minister. In early October, the ailing Heydar Aliyev withdrew from the race in favor of his son. Ilkham Aliyev handily won the election, beating seven other candidates with about 77% of the vote. Protests alleging a rigged vote resulted in violence, and spurred arrests of hundreds of alleged "instigators" of the violence. On October 21, the State Department expressed "deep disappointment" with "serious deficiencies" in the election and "extreme concern" about post-election violence and "politically-motivated arrests." In October 2004, seven leading oppositionists arrested after the election — People's Party leader Panah Huseynov, Hope Party Chairman Iqbal Agazada, Democratic Party secretary-general Sardar Calaloglu, Musavat Party deputy chairmen Arif Hacili and Ibrahim Ibrahimli, Union of Karabakh Veterans chairman Etimad Asadov, and Yeni Musavat newspaper editor Rauf Arifoglu — were sentenced to 2-5 years in prison. In a resolution on October 5, 2004, PACE called for releasing or pardoning these and other individuals arrested after the presidential election.

Georgia. Georgia has experienced increased political instability in recent years. Polls before a November 2, 2003 legislative race and exit polling during the race appeared to indicate that the opposition National Movement (NM) and the United Democrats (UD) would win the largest shares of seats in the party list vote. Although admitting that there were many irregularities, the CEC instead certified results giving the largest shares of seats to the pro-Shevardnadze "For a New Georgia" bloc and the Revival Party. The U.S. State Department criticized "massive vote fraud" in Ajaria and some other regions. Mass protests led to Shevardnadze's resignation on November 23. Russia and the United States appeared to cooperate diplomatically to urge Georgians to resolve their crisis peacefully.

UD co-leader and outgoing legislative Speaker Nino Burjanadze assumed the interim presidency and appointed co-leader Zurab Zhvania as State Minister (to oversee the ministries). UD and NM agreed to co-sponsor NM head Mikheil Saakashvili for a presidential election scheduled for January 4, 2004. Saakashvili received 96% of 2.2 million popular votes from a field of five candidates in the presidential race. OSCE observers judged the vote as freer and fairer than previous elections and as bringing Georgia closer to meeting democratic electoral standards. The legislature approved constitutional amendments in February that created the post of prime minister, and it confirmed Zhvania for the post (for background, see CRS Report RS21685, *Coup in Georgia*). Meeting with visiting President Saakashvili on February 25, 2004, President Bush termed him "a strong friend, a friend with whom we share values," and hailed the rose revolution as "people taking charge of their own lives and transforming society in a peaceful way," and as "a powerful example to people around the world who long for freedom and long for honest government."

The South Caucasus' External Security Context

Russian Involvement in the Region

Russia has appeared to place great strategic importance on maintaining influence in the South Caucasus region. 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 quash separatism in its North Caucasus areas while seemingly backing it in the South Caucasus. These concerns, Russia avers, has led it to maintain military bases in Armenia and Georgia. The states have responded in various ways 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 thousands of 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. Armenia reportedly pays Russia to 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 103,000 Russian troops are stationed nearby in the North Caucasus (*The Military Balance 2003-2004*). 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; Russia's state-controlled REN Television reported in late 2003 that there were 1,500 troops at the site.) By October 1999, most of the Russian border troops had left Georgia, 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 to monitor its border with Chechnya (later this monitoring was expanded to nearby border areas and included 144 monitors in the summer and 111 in the winter).

After the September 11, 2001 terrorist attacks in the United States, Russia stepped up its claims that Georgia harbored Chechen terrorists (with links to al Qaeda) who used Georgia as a staging ground for attacks into Chechnya. The United States 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 late 2002 that somewhat reduced tensions over this issue. In February 2004, Saakashvili reportedly pledged during a Moscow visit to combat "Wahabbis" (referring to Islamic extremists) in Georgia, including Chechen terrorists hiding in the Pankisi Gorge and international terrorists that Russia alleged had transited Georgia to fight in Chechnya (for background, see CRS Report RS21319, *Georgia's Pankisi Gorge*).

Russia's Bases in Georgia. In 1999 Russia and Georgia agreed to provisions of the adapted Conventional Armed Forces in Europe (CFE) Treaty calling for Russia to reduce weaponry at its four bases in Georgia, to close two of the bases (at Gudauta and Vaziani) by July 2001, and to complete negotiations during 2000 on the status of the other two bases (at Batumi and Akhalkalaki). The Treaty remains unratified by NATO signatories until Russia satisfies these and other conditions. Russia moved some weaponry from its bases in Georgia to Armenia, raising objections from Azerbaijan. On July 1, 2001, Georgia reported that Russia had turned over the Vaziani base. Russia reported in June 2002 that it had closed its Gudauta base, but that 320 troops would remain to guard facilities and support Russian "peacekeepers" taking leave at the base. Russia has maintained that it needs $300 million and 9 to 11 years to close the other two bases. The *Military Balance 2003-2004* reports about 3,000 Russian troops at the bases (other sources report greater or lesser numbers). After some hesitancy, the OSCE proposed a resolution at its December 2003 ministerial meeting — which Russia blocked — that strongly criticized Russia's stance on the bases.

The Georgian media alleged in November 2004, that Russia had proposed that its military bases be converted into anti-terrorism centers for professional rapid-reaction troops. Russia earlier had called for creating an anti-terrorism center while continuing to discuss the status of its bases, and Georgia had countered that such anti-terrorism cooperation could take

place only after the bases are closed. Many Georgians reacted negatively to the latest proposal, considering it as an attempt to re-classify and thereby retain bases that Georgia and the West have demanded be closed.

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 are exploited. Russia has changed its stance by agreeing on seabed delineation with Kazakhstan and Azerbaijan. 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 oil and gas pipelines from Azerbaijan to Turkey that do not transit Russia. On March 18, 2004, Russia's Caspian affairs emissary Viktor Kalyuzhny stated that Putin had directed him to ensure that the greatest volume of Caspian energy flows through Russian pipelines.

The Protection of Ethnic Russians and "Citizens". Russia has claimed to be concerned about discrimination and other human rights abuses committed in Azerbaijan and Georgia against ethnic Russians and pro-Russian groups. Many observers argue that this ostensible interest in protecting human rights is a stalking horse for Russia's military-strategic and economic interests. 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. A new Russian citizenship law enacted in 2002 made it easier to grant citizenship and passports to most residents of Abkhazia and South Ossetia, heightening Georgian fears that Russia *de facto* has annexed the regions. In an interview with Russian reporter Anna Politovskaya published on September 2, 2004, the "foreign minister" and the "presidential advisor" of Abkhazia stated that their salaries came from Moscow and that they were Russian citizens. Putin interfered in Abkhazia's October 3, 2003, "presidential" election by appearing to favor Abkhaz "prime minister" Raul Khajimba, a former Russian security agent. His favor proved inadequate, however, when both Khajimba and Sergey Baghapsh claimed they had won a close race. Some observers viewed this outcome as a blow to Russia's influence in Abkhazia, but others pointed out that Baghapsh has close ties to Russia. Reportedly, Putin dispatched Nodar Khashba, a high-level Russian official, to Abkhazia as its "premier" to protect Russian interests during the electoral contretemps.

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 to balance 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. Turkey has hoped to benefit from the construction of new pipelines delivering oil and gas westward from the Caspian Sea.

Iran's goals 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), as well as 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, Iran long 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. U.S. policy aims at containing Iran's threats to U.S. interests (See CRS Report RL32048, *Iran: U.S. Concerns and Policy Responses*). 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. Central Asia's increasing energy and other trade with the South Caucasus will make it more dependent on stability in the region.

U.S. 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-FY2003 (the others are Russia and Ukraine). See **Table 1**. 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 to emphasize regional peace and development. Assistant Secretary of State Jones testified to Congress in

March 2004 that "rapid" democratic reforms in Georgia merited a boost in U.S. foreign aid from an estimated $86 million in FY2004 to a proposed $108 million for FY2005, an example of the principle that aid follows reform (see below, **Table 1**). The Conference Report (H.Rept. 108-792) on H.R. 4818 (P.L.108-447; Consolidated Appropriations for FY2005) directed FREEDOM Support Act (FSA) and Foreign Military Financing (FMF) funding for Azerbaijan and Georgia that matched, or nearly matched, the amount called for by the request, but somewhat boosted such requested aid to Armenia (from $62 million to $75 million in FSA aid and from $2 million to $8 million in FMF). Besides bilateral aid, the United States contributes to multilateral organizations such as the International Monetary Fund and the World Bank that aid the region.

By comparison, aid from the European Union (EU) to the region has totaled about $1 billion over the past decade. However, in June 2004, EU foreign ministers invited the South Caucasus states to participate in a "Wider Europe" program of enhanced aid, trade, and political ties. A World Bank/EU-sponsored donor conference that month resulted in over $1 billion in three-year pledges for development in Georgia (U.S. pledges amounted to about one-third of the total). In January 2004, Congress authorized a major new development assistance program, the Millennium Challenge Account (Section D of P.L. 108-199). Shortly thereafter, all three South Caucasus states were designated as candidates for aid by the newly established Millennium Challenge Corporation. It announced in May 2004 that Armenia and Georgia would be among the first states invited to apply for FY2004 aid. Georgia was deemed eligible despite scoring below the median on the categories "ruling justly," "encouraging economic freedom," and "investing in people," with the Corporation arguing that the new government in Georgia appeared committed to reforms. This assistance could dwarf that appropriated under the authority of the FREEDOM Support Act.

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 in the war on terrorists in Afghanistan (see **Table 1**). Azerbaijan and Georgia play "important" anti-terrorism roles, according to the Administration, including by sending some troops to support coalition actions in Afghanistan and Iraq. In Georgia, Congress in 1997 directed setting up a Border Security and Related Law Enforcement Assistance Program. 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 earmarked such aid for Georgia.

Azerbaijani and Georgian leaders 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) in 1994. Troops from Armenia, Azerbaijan, and Georgia serve as peacekeepers in NATO-led operations in Kosovo (from the latter two since 1999 and from Armenia since early 2004), and in NATO-led operations in Afghanistan (from Azerbaijan since late 2002 and Georgia since September 2004). There reportedly have been some fistfights and even a murder involving Armenians and Azerbaijanis during some PFP activities. NATO

cancelled a PFP exercise in Azerbaijan in September 2004, stating that Azerbaijan had violated NATO principles of inclusiveness by refusing to host Armenian forces. The June 2004 NATO summit pledged enhanced attention to the South Caucasian and Central Asian PFP members. A Special Representative of the NATO General Secretary was appointed to encourage democratic civil-military relations, transparency in defense planning and budgeting, and enhanced force inter-operability with NATO.

Until waived, Sec. 907 had prohibited much U.S. security aid to Azerbaijan, including Foreign Military Financing (FMF), and International Military Education & Training (IMET). By U.S. policy, similar aid had not been provided to Azerbaijan's fellow combatant Armenia. From 1993-2002, both had been on the Munitions List of countries ineligible for U.S. arms transfers. The Conference Report (H.Rept. 108-792) on H.R. 4818 (P.L.108-447; Consolidated Appropriations for FY2005) directed that FMF funding for Armenia be boosted to match that for Azerbaijan (from $2 million as requested to $8 million). The Members appeared to reject the Administration's assurances that the disparate aid would not affect the Armenia-Azerbaijan military balance or undermine peace talks.

A $64 million Georgia Train and Equip Program (GTEP) began in May 2002 that U.S. officials explained would help Georgian military, security, and border forces to combat Chechen, Arab, Afghani, al Qaeda, and other terrorists who allegedly had infiltrated Georgia. Some of these terrorists had allegedly fled U.S.-led coalition operations in Afghanistan, so the GTEP was initially linked to the Afghan campaign. Other reported U.S. aims include bolstering Georgia's ability to guard its energy pipelines and ensuring internal stability. U.S. officials say there are no plans to establish a permanent U.S. military presence in Georgia. GTEP ended in May 2004, but follow-on programs provide training to troops destined to serve in Iraq, advice on reorganizing the military, and support to GTEP-trained units. Reports that al Qaeda and other terrorists may be hiding in Georgia create dilemmas for a U.S. policy that holds governments responsible for terrorists operating on their territories.

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 the three regional states otherwise has discouraged investors. With U.S. support, in June 2000 Georgia became the second Eurasian state (after Kyrgyzstan) to be admitted to the WTO. Then-President Clinton in December 2000 determined that Title IV should no longer apply to Georgia and proclaimed that its products would receive permanent nondiscriminatory (normal trade relations or NTR) treatment. 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 pipelines.

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* report. It recommends that the President direct U.S. agencies to support building the so-called Baku-Tbilisi-Ceyhan (BTC) oil pipeline, expedite use of the pipeline by oil companies operating in Kazakhstan, support constructing a 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 September 11, 2001, the Administration has emphasized the vulnerability of the United States to possible energy supply 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 three 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, Heydar 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 1997 stressing the strategic importance of the BTC route as part of an "Eurasian Transport Corridor." In November 1999, Azerbaijan, Georgia, Turkey, and Kazakhstan signed the "Istanbul Protocol" on construction of a 1,040-mile BTC oil pipeline. In August 2002, the BTC Company was formed to construct, own, and operate the oil pipeline (U.S. construction firms awarded contracts include Bechtal and Petrofac). BTC hopes to begin loading oil tankers at Ceyhan in mid-2005. The pipeline does not cross Armenia, raising objections from some in Armenia of lack of access. On the other hand, Armenian Foreign Minister Oskanyan on January 14, 2004, suggested that the opening of the BTC pipeline would make Azerbaijan reticent to launch conflict. Armenia and Iran signed accords in May and September 2004 on building a gas pipeline to link up with Iran's pipelines.

Table 1. U.S. FY1992-FY2003 and FY2003 Budgeted Aid, FY2004 Estimated Aid, and the FY2005 Foreign Assistance Request

(millions of dollars)

South Caucasus Country	FY1992-FY2003 Budgeted Aid[a]	FY2003 Budgeted Aid[a]	FY2004 Estimate[c]	FY2005 Request[c]
Armenia	1,406.56	106.16	80.46	67.08
Azerbaijan	435.21	68.13	49.06	51.24
Georgia	1,304.0	124.84	85.93	108.06
Total	3,145.77	301.12[b]	215.45	226.38

Sources: State Department, Office of the Coordinator for U.S. Assistance to Europe and Eurasia; State Department, *U.S. Government Assistance to and Cooperative Activities with Eurasia: FY2003 Annual Report*, January 2004.

a. FREEDOM Support Act and Agency budgets.

b. Caucasus Regional funds are included in the total.

c. FREEDOM Support Act and other Function 150 funds (does not include Defense or Energy Department funding or funding for exchanges).

Figure 1. Map of the Region

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