



# Armenia, Azerbaijan, and Georgia: Security Issues and Implications for U.S. Interests

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## Summary

The South Caucasus region has been the most unstable in the former Soviet Union in terms of the number, intensity, and length of ethnic and civil conflicts. Other emerging or full-blown security problems include crime, corruption, terrorism, the proliferation of weapons of mass destruction, and narcotics trafficking. The regional governments have worked to bolster their security by combating terrorism, limiting political dissent they view as threatening, revamping their armed forces, and seeking outside assistance and allies.

The roles of neighbors Iran, Russia, and Turkey have been of deep security concern to one or more of the states of the region. These and other major powers, primarily the United States and European Union (EU) members, have pursued differing interests and policies toward the three states. Some officials in Russia view the region as a traditional sphere of influence, while Turkish officials tend to stress common ethnic ties with Azerbaijan and most of Central Asia. EU members are increasingly addressing instability in what they view as a far corner of Europe. Armenia has pursued close ties with Russia and Iran in part to counter Azerbaijan's ties with Turkey, and Georgia and Azerbaijan have stressed ties with the United States in part to bolster their independence vis-a-vis Russia.

The United States has supported democratization, the creation of free markets, conflict resolution, regional cooperation, and the integration of the South Caucasian states into the larger world community. The Administration has backed regional energy and pipeline development that does not give Iran and Russia undue political or economic influence. U.S. aid has been provided to bolster the security and independence of the states, including substantial rebuilding aid after the August 2008 Russia-Georgia conflict. In January 2009, the United States and Georgia signed a partnership agreement to underline such U.S. support for Georgia. All three regional states have supported the global war on terrorism and sent troops to assist the U.S.-led coalition in Iraq.

Congress has been at the forefront in supporting U.S. assistance to bolster independence and reforms in the South Caucasus, but debate has continued over the scope, emphasis, and effectiveness of U.S. involvement. Congressional support for the security of Armenia and Nagorno Karabakh (NK; a breakaway region of Azerbaijan mostly populated by ethnic Armenians) led in 1992 to a ban on most U.S. government-to-government aid to Azerbaijan. Congress authorized a presidential waiver to the ban after the terrorist attacks on the United States on September 11, 2001, to facilitate U.S.-Azerbaijan anti-terrorism cooperation. Congressional support for U.S. engagement with the region also was reflected in "Silk Road Strategy" legislation in FY2000 (P.L. 106-113) authorizing greater policy attention and aid for conflict amelioration, humanitarian needs, economic development, transport and communications, border control, democracy, and the creation of civil societies in the South Caucasus and Central Asia. Congressional concerns about rising Russian military and economic coercion against Georgia were reflected in legislation criticizing Russian actions and supporting Georgia's NATO aspirations. In the wake of the August 2008 Russia-Georgia conflict, Congress condemned Russia's invasion and provided boosted aid for Georgia's rebuilding. Congress regularly has earmarked foreign aid to Armenia and upheld a South Caucasus funding category to encourage conflict resolution, provide for reconstruction assistance, and facilitate regional economic integration.

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## Introduction

The countries of Armenia, Azerbaijan, and Georgia are generally considered as comprising the South Caucasus region, which borders Russia, Turkey, and Iran.<sup>1</sup> This isthmus between the Black and Caspian Seas is an age-old north-south and east-west trade and transport crossroads. The region has been invaded many times, quashing periods of self-rule. These invasions and other contacts have resulted in many and diverse historical, cultural, ethnic, religious, and linguistic links with neighboring peoples. Russian and Soviet tutelage over the region lasted nearly unbroken from the early nineteenth century until the collapse of the Soviet Union in 1991, deeply affecting economic and social development, borders, and nationality relations. Soviet control, in particular, resulted in the isolation of the crossroads region from the rest of the world. After gaining independence, all the states spiraled into economic depression and conflicts began or intensified that threatened their existence, though in recent years the states have appeared more stable. The regional states remain weak in comparison to neighboring powers in terms of populations, economies, armed forces, and other capabilities.

This report discusses the internal and external security concerns of the South Caucasus states and U.S. interests and policy toward the region. The ambitions of neighboring powers, particularly Russia, have appeared to pose the greatest threat to the stability and sovereignty of the South Caucasus states. It is also possible that internal security problems are greater threats. The states are less able to ameliorate external threats because of internal weaknesses such as political and economic instability, ethnic and regional conflicts, and crime and corruption.

## Overview of U.S. Policy

U.S. security ties with the South Caucasus states increased in the latter part of the 1990s, as a result of Russia's military threat to Georgia, regional instability surrounding Russia's conflicts in its breakaway Chechnya region, and a U.S. focus on the transport of Caspian regional energy resources to Western markets. According to Assistant Secretary of State Philip Gordon, U.S. policy toward Armenia aims to assist it to "strengthen its security and prosperity by settling [its] conflict with Azerbaijan over NK and by encouraging Turkey and Armenia to normalize their relations." He averred that "Azerbaijan is an important partner of the United States on regional security (especially counterterrorism) and on helping our European allies diversify their supplies of natural gas.... The United States has helped generate new progress toward a settlement of the NK conflict [by] facilitating ... meetings between Presidents Sargsyan and Aliyev."<sup>2</sup> Some observers have raised concerns that U.S. policy toward the rapprochement of Armenia and Turkey has complicated U.S. relations with Azerbaijan.<sup>3</sup> Assistant Secretary of Defense Alexander

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<sup>1</sup> For background, see CRS Report 97-522, *Azerbaijan: Recent Developments and U.S. Interests*, by Jim Nichol; CRS Report 97-727, *Georgia [Republic]: Recent Developments and U.S. Interests*, by Jim Nichol; and CRS Report RL33453, *Armenia, Azerbaijan, and Georgia: Political Developments and Implications for U.S. Interests*, by Jim Nichol. The Caspian region encompasses the littoral states Azerbaijan, Russia, Iran, Kazakhstan, and Turkmenistan, but sometimes the region is viewed expansively to include Armenia, Georgia, Uzbekistan, and even Afghanistan. The Black Sea region also has been viewed expansively to include Armenia and Azerbaijan.

<sup>2</sup> U.S. House of Representatives. Committee on Foreign Affairs. Subcommittee on Europe. Hearing on Strengthening the Transatlantic Alliance: An Overview of the Obama Administration's Policies in Europe. *Statement by Philip H. Gordon, Assistant Secretary, Bureau of European and Eurasian Affairs*, June 16, 2009.

<sup>3</sup> Stephen Blank, "Nagorno-Karabakh: A Disaster in the Making?" *CACI Analyst*, December 23, 2009.

Vershbow has stated that U.S. policy toward Georgia rests on continued support for its territorial integrity, independence and sovereignty and rejects “any notion of spheres of influence in the region.... We stand by the principle that sovereign states have the right to ... choose their own partnerships and alliances.... Most importantly, we will continue to stand by and deepen our support to Georgia and its people. This support does not come blindly however, and we will calibrate our assistance to respect the needs of the Georgian people, to strengthen regional security, and to support democratic and economic reforms in Georgia.”<sup>4</sup>

The United States provided some security assistance to the region prior to the September 11, 2001, terrorist attacks on the United States, particularly to Georgia. This aid and the establishment of military-to-military ties facilitated U.S. anti-terrorism cooperation with these states in the wake of September 11, 2001. The United States obtained quick pledges from the three states to support U.S. and coalition efforts in Afghanistan, including overflight rights and information sharing and Azerbaijan’s and Georgia’s offers of airbases. The State Department has highlighted U.S. support for Azerbaijan’s and Georgia’s efforts to halt the use of their territories as conduits by international mujahidin for financial and logistic support for Chechen and other Caucasian terrorists.<sup>5</sup>

The United States has placed growing strategic significance on energy supplies from the Caspian region. In the late 1990s, the Clinton Administration backed the building of east-west oil and gas pipelines not controlled by Iran or Russia. The Bush Administration’s May 2001 *National Energy Report* and 2003 and 2006 *National Security Strategy of the U.S.A.* stated that U.S. energy security and global prosperity would be strengthened by expanding the numbers of suppliers, including those in the Caspian region. The Obama Administration has endorsed these long-time goals, including support for a “Southern Corridor” for the transit of oil and gas—a route stretching from Central Asia through the South Caucasus region and Turkey to Europe—to supplement existing transit routes through Russia and to avoid route through Iran.<sup>6</sup>

Most in Congress have supported U.S. assistance to bolster independence, security, and reforms in the South Caucasus, but questions have remained about the suitability, scope, emphasis, and effectiveness of U.S. interest and involvement in the region. Attention has included several hearings and legislation, the latter including regular earmarks of aid for Armenia, rebuilding aid for Georgia after its 2008 conflict with Russia, humanitarian aid for Nagorno Karabakh (NK; a breakaway region of Azerbaijan mostly populated by ethnic Armenians), and sense of Congress provisions on U.S. policy toward the South Caucasus.

Congressional concern in the early 1990s over the Armenian-Azerbaijan conflict contributed in 1992 to the enactment of an aid prohibition for the government of Azerbaijan until the President determined that Azerbaijan had made “demonstrable steps to cease all blockades and other offensive uses of force against Armenia and Nagorno Karabakh.” After September 11, 2001, Congress provided a Presidential waiver of this provision in order to facilitate Azerbaijan’s

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<sup>4</sup> U.S. Senate. Committee on Foreign Relations. Subcommittee on Europe. Hearing on Georgia: One Year After the August War. *Testimony of Alexander Vershbow, Assistant Secretary of Defense for International Security Affairs*, August 4, 2009.

<sup>5</sup> U.S. Department of State. *Country Reports on Terrorism*, April 2008.

<sup>6</sup> The White House. *National Energy Policy*, May 17, 2001; *The National Security Strategy of the United States of America*, April 29, 2003; *The National Security Strategy of the United States of America*, March 16, 2006. U.S. Department of State. Richard Morningstar, Special Envoy for Eurasian Energy. *2010 Outlook for Eurasian Energy*, January 28, 2010.

assistance for the war on terrorism, but emphasized its continuing attention to the peaceful resolution of the NK conflict. Beginning with FY1998 appropriations, Congress created a South Caucasus funding category to encourage conflict resolution, provide for reconstruction assistance, and facilitate regional economic integration. In FY1998-FY2001, Congress specified funding for a border and customs security program for Georgia, and some of this aid was used by Georgia to fortify its northern borders with Russia and Chechnya. Congress passed the Security Assistance Act of 2000 (P.L. 106-280) that authorized aid in FY2001-FY2002 for the South Caucasus states and some others to carry out provisions of the 1999 Silk Road Strategy Act (Sec. 596 of H.R. 3422, incorporated by cross-reference in H.R. 3194; P.L. 106-113) to strengthen national control of borders and to promote independence and territorial sovereignty. The United States committed millions of dollars to facilitate the closure of Russian military bases in Georgia and \$1 billion after the August 2008 Russia-Georgia conflict to help Georgia recover from the conflict.

Congress was at the forefront in calling for greater Administration attention to energy issues in the Caspian region as part of a broad engagement policy. This interest included a 1997 congressionally requested report on Administration energy policy.<sup>7</sup> This interest was prominently reflected in the Silk Road Strategy Act (See also below, “U.S. Policy and Issues.”)

Congressional concerns about rising Russian military and economic coercion against Georgia were reflected in legislation criticizing Russian actions and supporting Georgia’s NATO aspirations. In the wake of the August 2008 Russia-Georgia conflict, Congress condemned Russia’s invasion and provided boosted aid for Georgia’s rebuilding.

## External Security Context

### Overview

Major outside players involved in the South Caucasus include the three powers bordering the South Caucasus region (Russia, Turkey, and Iran), the United States, and the European Union (EU). The outside players have both complementary and competing interests and policies toward the three regional states. Many officials in Russia view the region as a traditional sphere of influence, while some in Iran view Azerbaijan and Armenia as part of a “new Middle East,” and Turkish officials tend to stress common ethnic ties with Azerbaijan and most of Central Asia. The EU states have focused on the region as part of the wider “European Neighborhood” and as a stable transport corridor and energy supplier, and the United States has focused on antiterrorism in the post-September 11, 2001, period and on world energy diversity.

Neighboring states have been drawn into the region through threats they perceive to their interests. Regional turmoil also has drawn in international security organizations such as the U.N., Organization for Security and Cooperation in Europe (OSCE), NATO, the Commonwealth of Independent States (CIS), and the Collective Security Treaty Organization (CSTO; see below). Since the early 1990s, Iran has been concerned about Azerbaijanis who called for Iran’s ethnic Azerbaijani areas to secede. Recently Iran has stepped up efforts to suppress ethnic Azerbaijanis

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<sup>7</sup> U.S. State Department. *Caspian Region Energy Development Report to Congress*, April 15, 1997, (required by the conference managers on H.R. 3610, Omnibus Appropriations for FY1997, including Foreign Operations, P.L. 104-208).

in Iran who advocate increased human rights, regional autonomy, or secession. Instability in Chechnya and other areas along Russia's North Caucasus borders has threatened Russia's security and created reasons and pretexts for Russian intervention in the South Caucasus. Russia has attempted to boost influence in the South Caucasus since September 11, 2001, to counter increased U.S. anti-terrorism assistance to the states. Russia appeared, however, to suffer setbacks to these efforts for most of the decade. Georgia's peaceful 2003 "rose revolution" witnessed closer U.S.-Georgia ties and threatened this Russian aim. Russia also reduced its presence in late 2007 when it closed its last military base in Georgia (although Georgia retained concerns about the continued presence of Russian "peacekeepers" at the former Russian base at Gudauta, Abkhazia). These setbacks to Russia's presence in the region were reversed in August-September 2008 when it invaded Georgia, recognized the independence of Abkhazia and South Ossetia, and stationed thousands of troops at bases and along the borders of the "new states."

Among other players, Western oil and gas firms have played a dominant investment role in Azerbaijan, greatly supplementing assistance given to the region by outside governments or international financial institutions. All three states have benefitted greatly from remittances by their citizens who work in Russia and elsewhere, but Russia's efforts to restrict labor by non-citizens, as well as the recent economic downturn in Russia, threatens these remittances. Armenia's multi-million member world diaspora has provided important aid and expertise, and has publicized Armenia's plight.

### **The Confluence of Outside Interests**

Neighboring and other interested powers, while sometimes competing among themselves for influence in the South Caucasus, also have cooperated in carrying out certain regional goals. All the external powers seek influence over regional energy resources, possibly providing grounds for a common understanding that no one power shall be predominant. Prominent powers Iran, Turkey, and Russia might also come to agree not to foster instability that could spill across their borders. Iran and Russia have cooperated somewhat in trying to retain regional influence by impeding outside involvement in developing Caspian Sea oil resources or transit routes bypassing their territories. More recently, the two countries have clashed over Caspian Sea border delineation and regional export routes. Turkey and Russia have boosted their cooperation on energy, which could threaten EU and U.S. proposals for bolstering "Southern Corridor" oil and gas export routes that bypass Russia.

### **Regional Assessments**

Dismissing views that the region is a mere playground for outside powers, many observers stress that the regional states' own strategic priorities and assessments of threats and opportunities have influenced their ties with other countries. Given a long history of repeated foreign invasion and occupation, the states are bound to be concerned with regional and international politics. However, regional security cooperation has been slow to develop. Instead, conflict has driven the states and separatist areas to search for outside supporters, often as leverage against each other, and the outside powers face risks of entanglement in local disputes. The security orientations of the states and regions—whether toward NATO, the CSTO, or some other group—have become of great concern to neighboring and other states.

The Armenia-Azerbaijan conflict over NK heavily colors foreign lobbying by these states and by NK. Armenia seeks close security and economic ties with Russia and Iran to counter Azerbaijan's

close ties with Turkey. Armenia has relied more on Russia for such ties, given Iran's lesser capabilities. President Serzh Sargsyan has stressed that Armenia's top priority in foreign policy is friendly relations with Russia and that good relations with the United States, NATO, and the European Union do not jeopardize the Armenian-Russian strategic partnership.<sup>8</sup>

Armenia's relations with Turkey have been strained. Armenia is a member of the Black Sea Economic Cooperation organization, along with Turkey, and the two states have established consular relations. Obstacles to better Armenian-Turkish relations have included Turkey's rejection that there was an Armenian genocide in 1915-1923 and its support for Azerbaijan in the NK conflict.

In September 2008, Turkey's President Abdullah Gül visited Armenia, ostensibly to view a soccer game, and this thaw contributed to the two countries reaching agreement in April 2009 on a "road map" for normalizing ties, including the establishment of full diplomatic relations and the opening of borders. After further negotiations, Turkish Foreign Minister Ahmet Davutoglu and Armenian Foreign Minister Edvard Nalbandian initialed two protocols "On Establishing Diplomatic Relations," and "On Development of Bilateral Relations" on August 31, 2009, and formally signed them on October 10, 2009.

The protocol on diplomatic relations called for the two sides to establish embassies in each other's capitals within two months after the mutual legislatures approved the protocols and after the exchange of the articles of ratification of the protocol. The protocol on foreign relations called for the two sides to "agree to open the common border within two months after the entry into force of this Protocol [that is, after ratification of the protocols by the legislatures of the two states]; agree to conduct regular political consultations between the Ministries of Foreign Affairs of the two countries; implement a dialogue on the historical dimension with the aim to restore mutual confidence between the two nations, including an impartial scientific examination of the historical records and archives to define existing problems and formulate recommendations; make the best possible use of existing transport, communications and energy infrastructure and networks between the two countries," and undertake other cooperative efforts. The two sides also agreed to set up a bilateral commission to boost ties.<sup>9</sup> Turkish President Abdullah Gül and Armenian President Serzh Sargsyan attended an Armenia-Turkey soccer match in the Turkish town of Bursa on October 14. The Armenian government reaffirmed that obtaining international recognition of the Armenian genocide would continue to be a element of foreign policy and stressed that the settlement of the NK conflict was separate from the Armenian-Turkish protocols. The Turkish government asserted that the protocols would not be implemented to the detriment of Azerbaijan's interests. A ruling of the Armenian constitutional court on January 18, 2010—including a finding that the protocols could not affect Armenia's position on the genocide—was criticized by the Turkish government as not being in conformity with the text of the protocols. The Armenian government stated that the ruling did not affect the conditions of the protocols.

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<sup>8</sup> Open Source Center. *Central Eurasia: Daily Report* (hereafter *CEDR*), June 30, 2008 Doc. No. CEP-9001; *ITAR-TASS*, August 23, 2008.

<sup>9</sup> Ministry of Foreign Affairs of Armenia. *Protocol on the Establishment of Diplomatic Relations between the Republic of Armenia and the Turkish Republic and the Protocol on the Development of Mutual Relations Between the Republic of Armenia and the Turkish Republic*, August 31, 2009, at [http://www.armeniaforeignministry.com/pr\\_09/20090831\\_protocol.pdf](http://www.armeniaforeignministry.com/pr_09/20090831_protocol.pdf). See also *The Turkish Weekly*, August 31, 2009.

Armenia delayed the ratification process until it saw Turkey moving toward ratification, and Turkey delayed ratification until there was progress toward a settlement of the NK conflict.<sup>10</sup>

Besides its interest in garnering international support for bolstering sovereignty over NK, Azerbaijan has a fundamental interest in links with and the well-being of Iran's multi-million population of ethnic Azerbaijanis. Azerbaijan's agreement with Russia and Kazakhstan over oilfield delineation in the Caspian Sea (see below) seemed aimed at least in part as a defense against border claims by Iran.

Georgia appears more concerned about reversing Russia's control over Abkhazia and South Ossetia and building ties with Turkey and the United States, than about enhancing relations with non-bordering Iran. Georgia's ports on the Black Sea link it to littoral NATO members Turkey, Bulgaria, Romania, and (via the Turkish Straits) to countries around the Mediterranean Sea, providing it with a geo-strategic orientation toward the West.

The United States has stressed even-handedness in mediating regional conflicts, though other players have not, harming conflict resolution and regional cooperation. Another view is that the United States is one of several powers in the South Caucasus that, in parallel with the uncompromising stances of opposing ultra-nationalist elements in the three states, contributes to deadlock rather than the resolution of regional conflicts.<sup>11</sup> (See also "Issues for the 111<sup>th</sup> Congress.")

## **Internal Security Problems and Progress**

The South Caucasus region has been the most unstable in the former Soviet Union in terms of the number, intensity, and length of its ethnic and civil conflicts. Other internal security problems include crime, corruption, terrorism, proliferation, and narcotics trafficking. There are few apparent bases for regional cooperation in resolving security problems. 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. Ethnic relations between Azerbaijanis and Georgians, on the other hand, have been less contentious. The main languages in the three states are mutually unintelligible. Few of the region's borders coincide with ethnic populations. Secessionism by territorially-based ethnic minorities has been of primary security concern in Georgia and Azerbaijan. Armenia and Azerbaijan have viewed NK's status as a major security concern. NK has failed to gain international recognition of its independence, and Abkhazia and South Ossetia have been recognized only by Russia and a few other countries. NK receives major economic sustenance from Armenia and diaspora Armenians, and Abkhazia and South Ossetia from Russia.

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<sup>10</sup> The White House. Office of the Press Secretary. *Remarks by President Obama and Prime Minister Erdogan of Turkey After Meeting*, December 7, 2009; *Hurriyet Daily News*. December 18, 2009.

<sup>11</sup> Bruno Coppetiers, *Caucasian Regional Studies*, vol. 5, 2000, available online at <http://poli.vub.ac.be/publi/crs/eng/Vol5/>.

## Political and Social Disorder

Azerbaijan and Georgia were engulfed in political turmoil during the early 1990s, but later in the decade their leaders appeared to consolidate power. In both Azerbaijan and Georgia, new constitutions in 1995 granted the presidents sweeping powers and their ruling parties held sway in the legislatures. During the 2000s, however, these states again entered periods of political instability. In Georgia, the “rose revolution” resulted in then-President Shevardnadze’s ouster in November 2003 after a tainted legislative election. Further turmoil occurred in late 2007, when President Saakashvili forcibly suppressed an opposition demonstration, resigned in the face of worldwide criticism, and won re-election in early 2008. In Azerbaijan, a violent repression of oppositionists took place in the wake of the handover of power from Heydar Aliyev to his son, Ilkham, in October 2003 after a tainted presidential election.<sup>12</sup>

In contrast to Azerbaijan and Georgia, Armenia appeared somewhat stable until 1998, when then-Armenian President Levon Ter-Petrossian was forced to resign by military and other forces opposed to his rumored concessions to settle the NK conflict. Armenia also was roiled when gunmen with apparently personal grievances assassinated the premier, legislative speaker, and six other politicians in late 1999, but a new speaker and premier were chosen peacefully. Robert Kocharyan, elected president in 1998, was re-elected in a contentious race in February 2003. Oppositionists in Armenia in 2004 stepped up their protests against the legitimacy of Kocharyan’s re-election and some were arrested. The opposition claimed that it had little input into drafting constitutional changes that were approved in a popular referendum in November 2005. After a presidential election in early 2008, opposition demonstrators claiming fraud were forcibly suppressed.

The serious decline in the standard of living in all three South Caucasus states during the early 1990s affected their security by harming the health of their populations, which in turn hindered economic recovery. Although Armenia reportedly has resettled most of the refugees who fled Azerbaijan after 1988, Azerbaijan has moved more slowly to improve housing conditions for refugees from NK and surrounding areas. Many people in the regional states remain economically disadvantaged, with a low quality of life.<sup>13</sup> The widespread poverty has contributed to the emigration or labor migration of hundreds of thousands of citizens from Armenia, Azerbaijan, and Georgia. Azerbaijan obtains sizable revenues from oil exports, but some observers are concerned that the ruling elite are not using such revenues to broadly raise living standards for the poor. The economic damage suffered by Georgia during the August 2008 conflict has set back poverty-reduction efforts, and the worldwide economic downturn since 2008 has harmed economic growth in all three states.

## Ethnic Tensions

Regional analyst Elkhon Nuriyev has lamented that the South Caucasus states, because of ethnic conflicts, have not yet been able to fully partake in peace, stability, and economic development

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<sup>12</sup> Malkhaz Matsaberidze, *Central Asia and the Caucasus*, no. 2, April 30, 2005.

<sup>13</sup> U.N. Development Program. *Human Development Report 2009*, October 2009. According to the quality of life index (which includes measures of GDP per capita, life expectancy, school enrolment, and literacy), Armenia ranks 84<sup>th</sup>, Azerbaijan 86<sup>th</sup>, and Georgia 89<sup>th</sup> among 182 world countries, placing them among other developing countries with a “medium” quality of life but far below other top-ranked European states.

since gaining independence in 1991.<sup>14</sup> The countries are faced with on-going budgetary burdens of arms races and caring for refugees and displaced persons. Other costs of ethnic conflicts in the South Caucasus include the threat to bordering states of widening conflict and inefficiencies and risks associated with bolstering trade and transport. Some development advocates call for regional populations to repudiate exclusionary ultranationalism and for outside powers to cease trying to exploit such views.

Azerbaijan has faced dissension by several ethnic groups, including Armenians in NK, Lezgins residing in the north, and Talysh residing in the south. Some ethnic Lezgins have called for seceding and joining kindred Lezgins residing in Russia's Dagestan, and formed a separatist group called Sadval, while some Talysh have called for autonomy and have lobbied for the legalization of a political party. Since 1988, the separatist NK conflict has resulted in about 15,000 casualties and hundreds of thousands of refugees and displaced persons in Armenia and Azerbaijan. UNHCR has reported that there were 603,000 internally displaced persons in the country in January 2009.<sup>15</sup> Armenia has granted citizenship and acted to permanently house most of the ethnic Armenians who fled Azerbaijan and who have subsequently not emigrated from Armenia.

Georgia's southern Ajaria region, populated by Islamic ethnic Georgians, was substantially free from central control until 2004. Some residents of Georgia's southern district of Javakheti, populated mostly by ethnic Armenians, also have called for autonomy. Repressive efforts by Georgian authorities triggered conflict in 1990 in Georgia's north-central region of South Ossetia, reportedly leading to about 1,500 deaths and tens of thousands of displaced persons, mostly ethnic Georgians. Beginning in 1992, separatist fighting involving Georgia's north-western Abkhaz region resulted in about 10,000 deaths and some 220,000 displaced persons, mostly ethnic Mingrelians. The August 2008 Russia-Georgia conflict led to 134,000 displaced persons in Georgia and its regions, most of whom were eventually able to return to their homes. However, about 21,000 displaced persons either could not return to their homes in the conflict zones or their homes were damaged or destroyed. Also, ethnic Georgians have continued to be coerced by Abkhaz and South Ossetian militias to leave the regions. The Georgian government and international donors built or repaired thousands of homes and apartments for displaced persons. UNHCR reported that at the end of 2009 there were nearly 340,000 internally displaced persons and other persons of concern in Georgia, including in South Ossetia and Abkhazia.<sup>16</sup>

### *Azerbaijan's Nagorno Karabakh Region*

Since 1988, the separatist conflict in Nagorno Karabakh (NK) has resulted in about 15,000 casualties and hundreds of thousands of refugees and displaced persons in Armenia and Azerbaijan. The non-governmental International Crisis Group estimates that about 13% to 14% of Azerbaijan's territory, including NK, is controlled by NK Armenian forces (the *CIA World Factbook* estimates about 16%).<sup>17</sup> 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

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<sup>14</sup> Elkhan Nuriyev, in Gary Bertsch, et al., eds., *Crossroads and Conflict*, New York, Routledge, 2000, p. 151.

<sup>15</sup> UNHCR. *Azerbaijan: Statistical Snapshot*, at <http://www.unhcr.org/cgi-bin/texis/vtx/page?page=49e48d1e6>.

<sup>16</sup> UNHCR. *Global Report 2008*, June 2009; *UNHCR Global Appeal 2010-2011 – Georgia*, December 1, 2009.

<sup>17</sup> International Crisis Group. *Nagorno-Karabakh: Viewing the Conflict from the Ground*, September 14, 2005. Central Intelligence Agency. *The World Factbook. Azerbaijan*, <http://www.odci.gov>.

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 elusive. In late 1997, a new step-by-step peace proposal was recognized by the presidents of Azerbaijan and Armenia 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 early 2001 stated that he had “turned down” and refused to discuss a late 1998 Minsk Group proposal embracing elements of a comprehensive settlement.<sup>18</sup> The assassination of Armenian political leaders in late 1999 set back the peace process. In April 2001, the two presidents attended talks in Key West, Florida, and met with then-President Bush, highlighting early Administration interest in a settlement. Since 2005, officials in both countries have reported negotiations on a fourth “hybrid” peace plan to return most NK border areas prior to a referendum in NK on its status.

The Minsk Group co-chairs issued a statement and made other remarks in April-July 2006 that revealed some of their proposals for a settlement. These include the phased “redeployment of Armenian troops from Azerbaijani territories around Nagorno-Karabakh, with special modalities for Kelbajar and Lachin districts (including a corridor between Armenia and NK); demilitarization of those territories; and a referendum or population vote (at a date and in a manner to be decided ...) to determine the final legal status of NK.” International peacekeepers also would be deployed in the conflict area.<sup>19</sup>

At peace talks in Bucharest on June 4-5, 2006, the presidents of Armenia and Azerbaijan reportedly agreed on some basic principles but failed to reach a settlement. In statements issued after this meeting, the Minsk Group co-chairs raised concerns that the two presidents lacked the “political will” to make decisions about a settlement and stated that they would wind down their “shuttle diplomacy” until the two presidents demonstrated political will.<sup>20</sup>

At a meeting in Moscow between the Armenian and Azerbaijani foreign ministers on January 23, 2007, the Azerbaijani foreign minister reportedly termed the negotiations on a settlement of the NK conflict “intensive” and said that they concerned “the last principle of the settlement.” Armenian sources allegedly reported little progress. In May 2007, Aliyev reportedly stated that only after all seven occupied areas around NK had been returned in phases, and Azerbaijani displaced persons had returned to NK, could the question of NK’s status be determined (he ruled out the status of independence).<sup>21</sup> The presidents of Azerbaijan and Armenia met on June 11, 2007, for talks reportedly lasting over three hours, but no breakthrough on settling the NK conflict was announced.

On November 29, 2007, the former Undersecretary of State Nicholas Burns, Russian Foreign Minister Sergey Lavrov, and French Foreign Minister Bernard Kouchner presented the then-

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<sup>18</sup> CEDR, February 27, 2001, Doc. No CEP-262.

<sup>19</sup> OSCE. Statement by the Minsk Group Co-Chairs, July 3, 2006.

<sup>20</sup> In June 2006, the duties of the U.S. co-chair were transferred to the Deputy Assistant Secretary of State. On the proposals, see *RFE/RL*, June 23, 2006; U.S. Embassy in Armenia, *Statement by the Minsk Group Co-Chairs to the OSCE Permanent Council*, June 22, 2006; and *Statement by the OSCE Minsk Group Co-Chairs*, July 3, 2006.

<sup>21</sup> CEDR, May 4, 2007, Doc. No. CEP-950237.

Foreign Ministers of Armenia and Azerbaijan, Vardan Oskanyan and Elmar Mammadyarov with a draft text—*Basic Principles for the Peaceful Settlement of the Nagorno-Karabakh Conflict*—for transmission to their presidents. These officials from the Minsk Group co-chair countries urged the two sides to accept the *Basic Principles* (also termed the Madrid principles, after the location where the draft text was presented) that had resulted from three years of talks and to begin “a new phase of talks” on a comprehensive peace settlement.<sup>22</sup> Although the text was not released, Azerbaijan’s then-Foreign Minister Mammadyarov reportedly claimed that the principles upheld Azerbaijan’s territorial integrity and NK’s autonomous status as part of Azerbaijan. Armenia’s then-Foreign Minister Oskanyan asserted, on the other hand, that the principles accorded with Armenia’s insistence on respecting self-determination for NK.<sup>23</sup>

The Basic Principles call for the phased return of the territories surrounding NK to Azerbaijani control; an interim status for NK providing guarantees for security and self-governance; a corridor linking Armenia to NK; future determination of the final legal status of NK through a legally binding expression of will; the right of all internally displaced persons and refugees to return to their former places of residence; and international security guarantees that would include a peacekeeping operation.<sup>24</sup>

On May 6, 2008, France hosted a meeting between the Armenian and Azerbaijani foreign ministers. The foreign ministers also met with the Minsk Group co-chairs. No details were made available to the public. Armenian President Serzh Sarkisyan and Azerbaijani President Ilkhham Aliyev met briefly on June 6, 2008, while attending a meeting of the Commonwealth of Independent States in St. Petersburg, Russia. The presidents stated that a certain degree of trust had been reached during their first meeting, and they agreed that talks should continue on settling the NK conflict.

Perhaps troubling, Azerbaijan staged a major military parade in late June 2008, at which Aliyev stated that “the Azerbaijani people are tired of these [peace] talks.... We should be ready to liberate our territories by military force at any moment.” Answering a congressional inquiry about similar statements by Aliyev, then-Assistant Secretary of State Daniel Fried stated that U.S. diplomats had advised Aliyev that such statements harm the peace process, that renewed conflict would jeopardize Azerbaijan’s energy exports, that “in the judgment of the United States,” Azerbaijan does not have military superiority, and that neither side could win in a renewed conflict.<sup>25</sup> In the wake of the Russia-Georgia conflict in early August 2008 (see below), Armenian President Sarkisyan asserted that “the tragic events in [Georgia’s breakaway South Ossetia region] confirm that every attempt in the South Caucasus to look for a military answer in the struggle for the right to self-determination has far-reaching military and geopolitical consequences.”<sup>26</sup>

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<sup>22</sup> U.S. Department of State. Office of the Spokesman. Media Note: Support for Basic Principles for Peaceful Settlement of the Nagorno-Karabakh Conflict, November 29, 2007.

<sup>23</sup> CEDR, December 10, 2007, Doc. No. CEP-950390; December 13, 2007, Doc. No. CEP-950360; December 19, 2007, Doc. No. CEP-950339.

<sup>24</sup> The White House. *Joint Statement on the Nagorno-Karabakh Conflict by U.S. President Obama, Russian President Medvedev, and French President Sarkozy at the L’Aquila Summit of the Eight*, July 10, 2009.

<sup>25</sup> U.S. House of Representatives. Committee on Foreign Affairs. Hearing: The Caucasus, Frozen Conflicts and Closed Borders. *Testimony of Daniel Fried*, June 18, 2008.

<sup>26</sup> Open Source Center. *Europe: Daily Report*, August 27, 2008, Doc. No. EUP-085016.

On November 2, 2008, Russian President Medvedev hosted talks in Moscow between Armenian President Serzh Sarkisyan and Azerbaijani President Ilkham Aliyev on a settlement of the NK conflict. A joint declaration signed by Aliyev and Sarkisyan (also termed the Meindorf declaration after the castle where talks were held) upheld a continued mediating role for the Minsk Group, but the talks represented Russia's intention to play the major role in mediating the conflict, some observers argue.

Presidents Aliyev and Sargisyan met to discuss NK peace settlement issues on the sidelines of the May 2009 EU summit that launched the EU Eastern Partnership program of enhanced trade and other ties with the South Caucasus and other former Soviet republics. Although the Minsk Group co-chairs reported some progress in the talks, Nevruz Mehmedov, the head of foreign affairs in the presidential administration, reportedly stated that the co-chairs were "misinforming the international public and the president and secretary of state of the United States by speaking about progress."<sup>27</sup> However, there was some subsequent interaction between civil society representatives of Armenia and Azerbaijan who met in NK in early July 2009.

President Medvedev again hosted Minsk Group-facilitated talks between the Armenian and Azerbaijani presidents on July 17, 2009. On October 9, 2009, Presidents Sargisyan and Aliyev held talks at the residence of the U.S. ambassador in Chisinau, Moldova, on the sidelines of a summit of the Commonwealth of Independent States. The Minsk Group co-chairs participated after one-on-one talks by the two leaders. New U.S. co-chair Robert Bradtke reported that the two presidents discussed line-by-line details of a possible settlement. The co-chairing foreign ministers and the U.S. Deputy Secretary of State of the Minsk Group met with the Armenian and Azerbaijani foreign ministers in Athens on December 1, 2009, to urge the combatants to soon complete work on the Basic Principles, which will "provide the framework for a comprehensive settlement to promote a future of peace, stability, and prosperity for the entire region."<sup>28</sup> On December 10, 2009, the Russian co-chair stated that "renovated" Madrid principles had been prepared and would soon be presented to Armenia and Azerbaijan.

Presidents Aliyev and Sargisyan met in Sochi, Russia with President Medvedev in late January 2010. According to Foreign Minister Lavrov, Presidents Sargisyan and Aliyev agreed on most of the language of a preamble to the Madrid Principles and pledged to prepare suggestions for the negotiators on how to resolve the remaining contentious aspects of the principles.

### *Developments in Georgia's Abkhazia Region Before August 2008*

In July 1992, Abkhazia's legislature declared the region's effective independence, prompting an attack by Georgian national guardsmen. 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. Russian and North Caucasian "volunteers" (who reportedly made up the bulk of Abkhaz separatist forces) routed Georgian forces in 1993. Georgia and Abkhazia agreed in April-May 1994 on a framework for a political settlement and the return of refugees. Russian troops (acting as CIS "peacekeepers") were deployed in a zone between Abkhazia and the rest of Georgia.

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<sup>27</sup> *Interfax*, May 12, 2009.

<sup>28</sup> OSCE. *Joint Statement by the Heads of Delegation of the Minsk Group Co-Chair Countries and the Foreign Ministers of Azerbaijan and Armenia*, December 1, 2009.

The U.S. Deputy Assistant Secretary of State worked with the Special Representative of the U.N. Secretary General and other “Friends of the Secretary General” (France, Germany, Russia, the United Kingdom, and Ukraine) to facilitate a settlement. Sticking points in talks included Georgia’s demand that displaced persons be allowed to return to Abkhazia, after which an agreement on autonomy for Abkhazia would be negotiated. The Abkhazians insisted on recognition of their independence as a precondition to large-scale repatriation.

In July 2006, a warlord in the Kodori Gorge area of northern Abkhazia, where many ethnic Svans reside, foreswore his nominal allegiance to the Georgian government. The Georgian government quickly sent forces to the area and defeated the warlord’s militia. Georgia claimed that only police were deployed in the Gorge, but Abkhazia asserted that military troops were present, in violation of the cease-fire agreement. Regular Georgia-Abkhazia peace talks were suspended in October 2006. Abkhazia called for Georgia to remove the government representatives and alleged military forces.

The United States and others in the international community raised concerns when the Russian foreign and defense ministries announced on April 29, 2008, that the number of “peacekeepers” in Abkhazia would be boosted up to the maximum permitted under ceasefire accords. The ministries claimed that the increases were necessary to counter a buildup of Georgian “military forces” and police in the Kodori Gorge, which they alleged were preparing to attack the de facto Abkhaz government. It was also troubling that 400 Russian paratroopers were deployed to Abkhazia that Russian officials reportedly stated would be fully armed in order to repulse possible Georgian attacks on Abkhazia.<sup>29</sup> In late May 2008, Russia announced that about 400 railway construction troops were being sent to Abkhazia for “humanitarian” work. These troops—whose role is to facilitate military positioning—reportedly left Abkhazia at the end of July 2008 after repairing tracks and bridges. According to former Deputy Assistant Secretary Bryza, the railway was used in August by Russia when its troops moved into Georgia.<sup>30</sup>

### *Developments in Georgia’s South Ossetia Region Before August 2008*

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. In June 1992, Russia brokered a cease-fire, and Russian, Georgian, and Ossetian “peacekeeping” units set up base camps in a security zone around Tskhinvali, South Ossetia. Reportedly, the units totaled around 1,100 troops, including about 530 Russians, a 300-member North Ossetian brigade (which actually was composed of South Ossetians and headed by a North Ossetian), and about 300 Georgians. OSCE monitors did most of the patrolling. According to one estimate, some 45,000 ethnic Ossetians and 17,500 ethnic Georgians resided in a region that, according to the 1989 Soviet census, at that time contained over 98,000 residents.<sup>31</sup>

In 2004, President Saakashvili increased pressure on South Ossetia by tightening border controls and by breaking up a large-scale smuggling operation in the region that allegedly involved Russian organized crime and corrupt Georgian officials. He also reportedly sent several hundred

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<sup>29</sup> ITAR-TASS, May 6, 2008.

<sup>30</sup> Pavel Felgenhauer, Eurasia Daily Monitor, June 12, 2008; U.S. Department of State. Foreign Press Center. Briefing: The Situation in the Republic of Georgia and its Implications for the Caucasus, August 19, 2008.

<sup>31</sup> *Georgia: a Toponymic Note Concerning South Ossetia*, The Permanent Committee on Geographic Names, January 2007.

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. Georgian guerrilla forces also reportedly entered the region. Allegedly, Russian officials likewise assisted several hundred paramilitary elements from Abkhazia, Transnistria, and Russia to enter. Following inconclusive clashes, both sides by late 2004 ostensibly had pulled back most undeclared forces. In November 2006, a popular referendum was held in South Ossetia to reaffirm its “independence” from Georgia. After October 2007, no more peace talks were held.

### *The August 2008 Russia-Georgia Conflict*

Simmering long-time tensions erupted on the evening of August 7, 2008, when South Ossetia accused Georgia of launching a “massive” artillery barrage against its capital, Tskhinvali, while Georgia reported intense bombing of some Georgian villages in the conflict zone by South Ossetian forces. Georgia claims that South Ossetian forces did not respond to a ceasefire appeal but intensified their shelling, “forcing” Georgia to send in troops that reportedly soon controlled Tskhinvali and other areas.<sup>32</sup>

On August 8, Russian President Dmitry Medvedev denounced Georgia’s incursion into South Ossetia, asserting that “women, children and the elderly are now dying in South Ossetia, and most of them are citizens of the Russian Federation” (Russia had granted citizenship to much of the population). He stated that “those who are responsible ... will be duly punished.” Russia launched large-scale air attacks across Georgia and dispatched seasoned troops to South Ossetia that engaged Georgian forces in Tskhinvali later in the day. President Bush stated on August 9 that “Georgia is a sovereign nation, and its territorial integrity must be respected. We have urged an immediate halt to the violence [and] the end of the Russian bombings.” Reportedly, Russian troops had retaken Tskhinvali, occupied the bulk of South Ossetia, reached its border with the rest of Georgia, and were shelling areas across the border by the morning of August 10. Russian warplanes bombed the Georgian town of Gori and the outskirts of the capital, Tbilisi, as well as other sites. Russian ships landed troops in Georgia’s breakaway Abkhazia region and took up positions off Georgia’s Black Sea coast.

On August 12, Medvedev declared that “the aim of Russia’s operation for coercing the Georgian side to peace had been achieved and it had been decided to conclude the operation.... The aggressor has been punished and suffered very heavy losses.”<sup>33</sup> Medvedev endorsed some elements of a European Union (EU) peace plan presented by visiting French President Nicolas Sarkozy. On August 15, the Georgian government accepted the French-brokered 6-point cease-fire that left Russian forces in control of South Ossetia, Abkhazia, and “security zones” in undisputed Georgian territory.<sup>34</sup> The six points include commitments not to use force, to halt hostilities, to provide full access for humanitarian aid, to withdraw Georgian forces to the places they were usually stationed prior to the conflict, to withdraw Russian forces to positions prior to the outbreak of hostilities (although they are permitted to implement security measures in the

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<sup>32</sup> See also CRS Report RL34618, *Russia-Georgia Conflict in August 2008: Context and Implications for U.S. Interests*, by Jim Nichol.

<sup>33</sup> *ITAR-TASS*, August 12, 2008. On September 11, Prime Minister Putin stated that Georgia’s aggression was answered by “a well-deserved mighty punch” by Russia. *ITAR-TASS*, September 11, 2008.

<sup>34</sup> See CRS Report RL34618, *Russia-Georgia Conflict in August 2008: Context and Implications for U.S. Interests*, by Jim Nichol, August 29, 2008.

zone of the conflict until international monitors are in place), and to open international discussions on ensuring security and stability in Abkhazia and South Ossetia.

Russia undertook a pullback of military forces on August 22. However, substantial forces remained in areas around South Ossetia's and Abkhazia's borders with the rest of Georgia and near the port of Poti, resulting in condemnation by the United States, NATO, and the EU that Russia was violating the ceasefire accord. Further condemnation by the international community occurred in the wake of President Medvedev's August 26 decree officially recognizing the independence of South Ossetia and Abkhazia.

On September 8, 2008, visiting French President Nicolas Sarkozy and Russian President Dmitriy Medvedev signed a follow-on ceasefire accord that fleshed out the provisions of the 6-point peace plan. It stipulated that Russian forces would withdraw from Georgia's port of Poti and adjacent areas by September 15; that Russian forces would withdraw from areas adjacent to the borders of Abkhazia and South Ossetia by October 11; that Georgian forces would return to their barracks by October 1; that international observers already in place from the U.N. and Organization for Security and Cooperation in Europe would remain; and that the number of international observers would be increased by October 1, to include at least 200 observers from the European Union (EU), and perhaps more later. The EU has called for Russia to permit these observers to patrol in Abkhazia and South Ossetia. Russia's position is that these observers cannot patrol in the regions without the approval of the regions, and the regional leaders have refused to permit such patrols.

In a press conference after signing the accord, President Medvedev asserted that Russia's recognition was "irrevocable." Although Sarkozy strongly implied that the international conference would examine the legal status of Georgia's breakaway Abkhazia and South Ossetia, Medvedev pointed out that the regions had been recognized as independent by Russia on August 26, 2008, and stated that disputing this recognition was a "fantasy."<sup>35</sup> The Russian defense minister called for retaining "around 3,800" Russian troops in Abkhazia and the same number in South Ossetia. These numbers differ from troop ceilings permitted under the early 1990s ceasefire agreements of up to 3,000 Russian "peacekeepers" in Abkhazia and about 1,000 in South Ossetia (including Russian troops and those ostensibly from Russia's North Ossetia region).<sup>36</sup> Russian military bases reportedly were being established in the regions, in violation of Russia's 1999 commitment under the CFE Treaty to close its military bases in Georgia (Russia had announced in mid-2007 that it was unilaterally suspending compliance with the Treaty).

The EU Monitoring Mission (EUMM) deployed over 200 monitors by October 1, 2008, and Russia announced on October 9 that its troops had withdrawn from buffer zones. Georgia has maintained that Russian troops have not pulled out of Akhalkalaki, a district that Russia asserts is within South Ossetia's Soviet-era borders, and the Kodori Gorge. In December 2008, Russia objected to continuing a mandate for about 200 OSCE observers in Georgia—including some observers authorized before the August 2008 conflict and some who were added after the August 2008 conflict—and they pulled out on June 30, 2009. Similarly, in June 2009 Russia vetoed a U.N. Security Council resolution that extended the UNOMIG mandate, and they pulled out of Abkhazia. The EUMM is now the sole international group of monitors. It reports that the number

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<sup>35</sup> Open Source Center. *Central Eurasia: Daily Report* (hereafter *CEDR*), September 28, 2008, Doc. No. CEP-950425; CEP-950440.

<sup>36</sup> Conor Humphries, "Russia Establishes Ties with Georgia Regions," *Agence France Presse*, September 9, 2008; "Russia to Base 7,600 Troops in Georgian Regions," *Deutsche Presse-Agentur*, September 9, 2008.

of staffers in 2010 is 320, that France and Germany are the largest contributors of monitors, and that the monitors are based in four field offices near the contested borders.<sup>37</sup>

According to Assistant Secretary of Defense Alexander Vershbow and Assistant Secretary of State Philip Gordon, the EUMM has been effective at debunking several allegations made by Russia and the separatist regions that ceasefire violations have been committed by Georgia. The United States and the EU continue to call for unrestricted access to Abkhazia and South Ossetia in order to monitor the ceasefire. Vershbow and Gordon have praised Georgia's cooperation with the EUMM, including Georgia's agreement with the EUMM at the beginning of 2009 to report all movements of its security forces near the administrative borders and to permit unannounced inspections of its military facilities. They contrast this cooperation to the refusal of Russia, Abkhazia, and South Ossetia to permit patrols in the regions.<sup>38</sup>

Assistant Secretary Gordon warned in August 2009 that "Moscow continues to strengthen its grip on [South Ossetia and Abkhazia]. Thousands of Russian forces remain in both regions, a significant increase from pre-war levels, and in April [2009] Russia signed an agreement with the separatists whereby Russia will guard the administrative boundaries for the next five years. South Ossetian and Abkhaz economic dependency on Russia also continues to grow."<sup>39</sup>

An international conference to discuss security, repatriation, and status issues related to the conflict held its inaugural session in Geneva on October 15, 2008. Facilitators at the talks include the U.N., the EU, and the United States. Russia has insisted at these meetings and elsewhere that Georgia sign a non-use of force agreement with the breakaway regions and that the international community impose an arms embargo on Georgia.

Among significant Geneva conference meetings:

- In February 2009, the sides agreed to set up an "incident prevention and response mechanism" along the South Ossetian border with the rest of Georgia in order to defuse tensions before they escalate. On April 23, the first meeting of the incident team was convened in the Georgian town of Ergneti, with the participation of the Georgian and South Ossetian sides, as well as representatives of the Russian Ministry of Defense, the OSCE and the EU. Meetings have been held sporadically since then.
- The May 2009 Geneva conference meeting almost broke up, with Russia delaying proceedings until a report was issued by the U.N. Secretary General on Abkhazia. The report, issued after the Russia walkout on May 19, was deemed suitable and proceedings resumed on May 20. At issue was a Russian demand that the acronym UNOMIG not appear in the report. Although dropping the acronym, the U.N. Secretary General nonetheless stressed that "the ceasefire

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<sup>37</sup> EUMM. *Mission Facts and Figures*, at [http://www.eumm.eu/en/about\\_eumm/facts\\_and\\_figures](http://www.eumm.eu/en/about_eumm/facts_and_figures).

<sup>38</sup> U.S. Senate. Committee on Foreign Relations. Subcommittee on Europe. Hearing on Georgia: One Year After the August War. *Testimony of Alexander Vershbow, Assistant Secretary of Defense for International Security Affairs*, and *Testimony of Philip H. Gordon, Assistant Secretary for European and Eurasian Affairs*, August 4, 2009.

<sup>39</sup> U.S. Senate. Committee on Foreign Relations. Subcommittee on Europe. Hearing on Georgia: One Year After the August War. *Testimony of Philip H. Gordon, Assistant Secretary for European and Eurasian Affairs*, August 4, 2009.

regime ... has continued to erode. Heavy military equipment and military personnel [from Russia] have remained in the Mission's area of responsibility."<sup>40</sup>

- At the July 2009 Geneva conference meeting, the sides discussed setting up an incident prevention office along Abkhazia's border with the rest of Georgia. A meeting in Gali to establish the office was held on July 14, 2009. Meetings are held at roughly 2-3 week intervals.

On September 30, 2009, a special EU fact-finding mission led by Swiss diplomat Heidi Tagliavini released a report on the origins and outcome of the August 2008 Russia-Georgia conflict. On the one hand, the mission concluded that "open hostilities began with a large-scale Georgian military operation against the town of Tskhinvali [in South Ossetia] and the surrounding areas, launched in the night of 7 to 8 August 2008. Operations started with a massive Georgian artillery attack." The mission also argued that the artillery attack was not justifiable under international law. However, it also argued that the artillery attack "was only the culminating point of a long period of increasing tensions, provocations and incidents" by the parties to the conflict. On the other hand, the mission suggested that "much of the Russian military action went far beyond the reasonable limits of defense," and that such "action outside South Ossetia was essentially conducted in violation of international law." In Abkhazia, actions by Russian-supported militias in the upper Kodori Valley "constituted an illegal use of force ... not justified under international law." The mission likewise asserted that actions by South Ossetian militias "against ethnic Georgians inside and outside South Ossetia, must be considered as having violated International humanitarian law and in many cases also human rights law."<sup>41</sup> Commenting on the release of the report, a U.S. State Department spokesman stated that "we recognize that all sides made mistakes and miscalculations through the conflict last year. But our focus is on the future...."<sup>42</sup>

## **Terrorist Activities**

South Caucasus states and breakaway regions have alleged the existence of various terrorist groups that pursue mixes of political, ethnic, and religious goals, with such allegations having increased greatly after September 11, 2001, and the intensification of international anti-terrorism efforts. Armenia and Azerbaijan accuse each other of sponsoring terrorism. Georgian militias reportedly were active in Georgia's efforts in 2004 to regain control over South Ossetia. In reaction, Russian defense and security officers allegedly assisted several hundred irregulars from Abkhazia, Transnistria, and Russia to enter the region. Such irregulars and Abkhazian and South Ossetian militias reportedly carried out widespread attacks against ethnic Georgians during and after the August 2008 Russia-Georgia conflict. South Caucasus governments sometimes have accused opposition political parties of terrorism and banned and jailed their followers. However, some of the so-called terrorist violence has been hard to attribute to specific groups or agents that aim to destabilize the governments. Other sources of violence, such as personal or clan grievances, economic-based crime, or mob actions, are also prominent.

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<sup>40</sup> U.N. Security Council. *Report of the Secretary-General Pursuant to Security Council Resolutions 1808 (2008), 1839 (2008) and 1866 (2009) S/2009/254*, May 18, 2009. See also Georgian Ministry of Foreign Affairs. *Information for the Press on the Issues Discussed During the Fifth Round of the Geneva Discussions*, May 19, 2009.

<sup>41</sup> *Report of the Independent International Fact-Finding Mission on the Conflict in Georgia*, Vol. 3.

<sup>42</sup> U.S. Department of State. *Daily Press Briefing*, September 30, 2009.

Islamic extremism has appeared a lesser threat in Azerbaijan than in the Central Asian states, although some Azerbaijani authorities warn that the threat is growing as unemployed young people are attracted to radical missionaries. The Azerbaijani government has moved against myriad indigenous terrorist groups, including Jayshullah, the Jamaat al-Muwahidun, the al Qaeda Caucasus international group, the Northern Mahdi Army, the Forest Brothers, the Islamic Party, and others (see below). In mid-2006, Azerbaijani officials raised concerns that Islamic extremists might target the country, after al Qaeda member Ayman al-Zawahiri stated that Azerbaijan and other Muslim countries should be punished for “aligning themselves with the infidels.”<sup>43</sup>

According to the State Department’s *Country Reports on Terrorism*, until Russia launched its incursion into Chechnya in August-September 1999, Azerbaijan had served as a conduit for international mujahidin, some of whom supported the separatist leadership in Chechnya. After Russian security forces attacked Chechnya, however, Azerbaijan reinforced border controls to discourage foreign mujahidin from operating within Azerbaijan. The State Department reports that Azerbaijan stepped up such interdiction efforts after September 11, 2001, and “had some success in suppressing these activities.”<sup>44</sup>

Reportedly, dozens of individuals have been convicted in Azerbaijan in recent years for supporting Chechen separatism. Several members of Jayshullah (Warriors of Islam; members had been trained in Chechnya and had set up a training camp in Azerbaijan) were arrested in 1999 and thirteen were convicted in 2001 for planning or carrying out various terrorist acts. Other young members of the group were let off. Azerbaijani authorities alleged that some Warriors of Islam were Lezgin separatists.

In December 2003, Azerbaijan sentenced the leaders of Revival of Islamic Heritage, a Kuwaiti humanitarian organization, on charges of recruiting Azerbaijanis and sending them to the Pankisi Gorge for paramilitary training to fight in Chechnya against Russia. In February 2005, six individuals who called themselves “Al Qaeda Kavkaz” received sentences of 3-14 years on charges of planning terrorist attacks in Baku. The group was apprehended with arms and propaganda materials and allegedly had attempted to recruit female suicide bombers. In December, the government extradited two members of the Kongra-Gel/PKK to Turkey.<sup>45</sup>

In April 2006, ten members of Jamaat al-Muwahidun were sentenced to prison on charges of planning training to attack Western interests in Azerbaijan, and sixteen members of al Qaeda Caucasus International—citizens of Azerbaijan, Russia, Turkey, and Yemen who had received training in the Pankisi Gorge for fighting in Chechnya—were sentenced to prison on charges of assassination, planned suicide bombings, and terrorism.<sup>46</sup> Azerbaijan’s head of the State Committee for Work with Religious Structures warned in mid-2006 that al Qaeda-linked Chechen rebels continued activities in Azerbaijan, that an Iranian Shiite extremist group named “72 Martyrs” was operating in southern Azerbaijan, and that increasing numbers of other Islamic

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<sup>43</sup> CEDR, June 30, 2006, Doc. No. CEP-950096.

<sup>44</sup> U.S. Department of State. *Country Reports on Terrorism 2008*, April 30, 2009. Azerbaijan also serves as a conduit for some terrorist financing, as evidenced by fund transfers to Azerbaijan by the bin Laden-associated organization Benevolence International. *Money Laundering Alert*, March 2003. Azerbaijan reportedly has had mixed results in combating terrorist financing. The Azerbaijani media have reported that Turkey is concerned that the Kurdistan Workers’ Party (PKK) receives some funds and arms via Azerbaijan. CEDR, June 30, 2006, Doc. No. CEP-950224.

<sup>45</sup> U.S. Department of State. *Country Reports on Terrorism 2005*, April 28, 2006, pp. 88-89.

<sup>46</sup> CEDR, April 19, 2006, Doc. No. CEP-950146; April 24, 2006, Doc. No. CEP-25008; April 25, 2006, Doc. No. CEP-950069; April 27, 2006, Doc. No. CEP-381001; *Middle East Quarterly*, Summer 2005.

extremists were entering the country to recruit members and set up cells.<sup>47</sup> An imam belonging to the Board of the Muslims of the Caucasus appeared to back some of these claims in early 2007 by asserting that Wahhabism was growing in northern areas of Azerbaijan bordering Chechnya and Russia's Dagestan republic (region). The National Security Ministry, however, claimed that there are no terrorist training camps in Azerbaijan.<sup>48</sup>

Azerbaijani authorities reported the arrest in January 2007 of fifteen members of the so-called Northern Mahdi Army who were convicted in December 2007 on charges of plotting a coup to establish Shariah rule and of working with Iran's Islamic Revolutionary Guards. Some of the members of the group allegedly received terrorist training in Iran, and were tasked by Iran with gathering information about the U.S. and Israel embassies, international firms, and Azerbaijan's pipelines to Turkey.<sup>49</sup>

In November 2007, 18 alleged members of the Salafi Forest Brothers, including Saudi Arabian citizen Nail Abdul Kerim Al-Bedevis, aka Abu Jafar (who had fought in Chechnya and elsewhere in the Caucasus and was affiliated with Al Qaeda) were arrested. They had crossed the border from Dagestan to set up terrorist jamaats in Sumgait (near Baku) and northern Azerbaijan. Thirteen more Forest Brother members were arrested in connection with the August 17, 2008, bombing of Baku's Abu Bekr Mosque. The Azerbaijani Ministry of National Security alleged that Ilgar Mollachiyev, an Azerbaijani citizen, and his brother-in-law, Samir Mehtiyev, had revived the Forest Brothers group in Sumgait after the earlier arrests and had led the group in bombing the mosque. The Ministry later reported that troops had raided the jamaat in northern Azerbaijan and killed three terrorists. Russian security forces reported in September 2008 that Mollachiyev had been killed in Dagestan, and Azerbaijani media alleged that Azerbaijani security forces were still fighting terrorists in northern Azerbaijan in late 2008. In November 2008, Nail Abdul Kerim Al-Bedevis and 17 other alleged Forest Brothers received prison terms. In mid-2009, two Forest Brothers allegedly had tried to cross the Azerbaijani border into Iran. In November 2009, 26 alleged Forest Brothers received prison sentences for the mosque bombing and other terrorism.<sup>50</sup>

In Georgia, Zviadists (supporters of former President Zviad Gamsakhurdia) in 1998 launched an assassination attempt against then-President Shevardnadze and an abortive military insurrection aimed at his overthrow, but a government reconciliation campaign since contributed to quiescence by this group. Georgian officials alleged that a supporter of ousted Ajarian leader Aslan Abashidze was behind an abortive hand-grenade attack during the May 2005 visit of then-President Bush to Tbilisi.

The State Department's *Patterns of Global Terrorism* for 2002 stated that Georgia also contended with "third-country terrorists with links to al Qaeda" who used Georgia as a conduit for financial and logistic support for the mujahidin and Chechen fighters." Georgia, however, appeared unwilling and unable to prevent mujahidin activities until prodded and supported by the United States and Russia after September 11, 2001.

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<sup>47</sup> CEDR, June 29, 2006, Doc. No. CEP-26001.

<sup>48</sup> CEDR, February 18, 2007, Doc. No. CEP-950047; January 24, 2007, Doc. No. CEP-950178.

<sup>49</sup> CEDR, December 17, 2007, Doc. No. CEP-950125.

<sup>50</sup> *Country Reports on Terrorism 2008*; CEDR, September 2, 2008, Doc. No. CEP-950443; September 8, 2008, Doc. No. CEP-950374; October 10, 2008, Doc. No. CEP-950309; November 14, 2008, Doc. No. CEP-950280; June 23, 2009, Doc. No. CEP-21032; July 11, 2009, Doc. No. CEP-950123; October 15, 2009, Doc. No. CEP-950241; November 5, 2009, Doc. No. CEP-950238.

U.S. concerns over the presence of international terrorists in Georgia's Pankisi Gorge were spurred when, reportedly during the September 11, 2001, attacks, a phone call was made from a bin Laden operative in Afghanistan to Georgia announcing the success of the first phase of attacks. President Bush in late February 2002 explained the U.S. decision to launch a military training program in Georgia (see below) by emphasizing that there were some al Qaeda in the Gorge.

Russian demands that Georgian forces combat international terrorists based in the Gorge led to the launch of Georgian police and security operations in the Gorge in August 2002. Concerns about the renewal of terrorist operations in the area in the springtime, however, led the Georgian government in March 2003 to send in extra military and police forces to prevent Chechen rebels from re-entering. In late 2004, Russia claimed that some terrorists remained in the gorge but still refused to agree to renew the mandate of OSCE personnel who had been monitoring the Georgian-Russian border area since early 2000. Although they had been effective in publicizing border violations and were viewed by many commentators as discouraging border incursions, Russia claimed that they had been ineffective. The OSCE subsequently launched a program to help train some Georgian border guards.

According to *Country Reports on Terrorism 2005*, Georgian police discovered and removed hidden weapon caches in the Pankisi Gorge during the year and otherwise better secured the area against terrorist acts or transit. However, Georgia continued to be used to a limited degree as a transit state for weapons and money, including because of corruption at border checkpoints, according to the State Department. In November 2007, Col. Andrey Sergeyev, Chief of the Border Directorate of the Federal Security Service for Chechnya, appeared to verify that the Gorge was no longer a terrorist transit route, stating that "none of our militarized structures have information indicating that bandit groups have crossed the state border recently in the segment of the Border Directorate for the Chechen Republic, either from the Pankisi Gorge of Georgia or in the opposite direction."<sup>51</sup> Just a few months later, however, the Russian Federal Security Service's First Deputy Director for the Border Guard Service, Lt. Gen. Anatoliy Zabrodin, stressed that there were some Chechen terrorists remaining in the Pankisi Gorge that might cross the border into Russia despite the construction of dozens of border guard posts and the training of rapid reaction border forces. The Georgian Border Police responded that there were no terrorists in the Gorge and retorted that "the Russian side has never raised the issue of the presence of rebels in the Pankisi Gorge at the meetings held regularly between representatives of the border services of Georgia and the Russian Federation."<sup>52</sup> Georgian media reported that some Islamic fundamentalists remained in the Gorge, not terrorists, who were influential in local business.

In early 2009, the Russian Federal Security Service claimed that 60 terrorists had received training in the Pankisi Gorge and had infiltrated Chechnya. A Georgian Foreign Ministry official termed the claim a "blatant lie and provocation which first of all aims at accusing Georgia of cooperating with terrorists."<sup>53</sup> In May 2009, however, a jihadist website alleged that Georgia was permitting, if not assisting, international terrorists to transit the Pankisi Gorge to enter Chechnya. Other routes were said to include South Ossetia and eastern Georgia. Deputy Internal Affairs Minister Arkadiy Yedeleev, other Russian officials, and the Russian media continued to make

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<sup>51</sup> CEDR, November 26, 2007, Doc. No. CEP-548002.

<sup>52</sup> U.S. Department of State. *Country Reports on Terrorism 2005*, April 2006; ITAR-TASS, February 7, 2008; CEDR, February 11, 2008, Doc. No. CEP-950123.

<sup>53</sup> CEDR, CEP20090427950168

allegations that terrorists were located in the Pankisi Gorge, including members of Al Qaeda. On October 13, 2009, these accusations reached a new level when Alexander Bortnikov, the head of Russia's Federal Security Service, claimed that Al Qaeda members and other terrorists were receiving training and transport from Georgia's security services for operations in Chechnya and Dagestan. Georgia was also transferring weaponry and money to the terrorists, he alleged. Georgia's Foreign Ministry termed the accusations a "blatant lie" that Russia had concocted in order to excuse its inability to deal with rising instability in the North Caucasus.

In late October 2009, a delegation consisting of members of Georgia's Christian Democratic Party, foreign diplomats, and journalists visited the Pankisi Gorge to investigate the Russian claims. Christian Democratic legislator Giorgi Targamadze and other delegation members reported that no signs of terrorists were found in the Gorge. Georgia's head of the Foreign Intelligence Service, Gela Bezhuashvili, and the head of the Border Police, Zaza Gogava, similarly reported to the legislature that no terrorists were entering Russia from Georgia.<sup>54</sup>

### **Crime and Corruption**

Crime and corruption are serious threats to democratization and economic growth in all the states. The increasing amount of foreign currency entering the states as the result of foreign oil and natural gas investments, drug trafficking, and other means, the low pay of most government bureaucrats, and inadequate laws and norms, are conducive to the growth of corruption. Also, the weakness of the rule of law permits the Soviet-era political patronage and spoils system to continue. Saakashvili has pledged to combat corruption, firing many policemen and emphasizing merit-based examinations for college entrance.

According to the World Bank:

- in Armenia, corruption decreased during the 1990s, but progress in combating corruption had slowed by the early 2000s. The country was at the 35<sup>th</sup> percentile in 2008 (that is, 138 out of 212 countries had better records in combating corruption);
- in Azerbaijan, there has been scant progress in combating corruption since 1996 (the earliest estimate by the World Bank). The country was at the 14<sup>th</sup> percentile in 2008 (that is, 182 out of 212 countries had better records in combating corruption);
- in Georgia, there has been substantial progress in combating corruption since 1996. The country was at the 51<sup>st</sup> percentile in 2008 (that is, 104 out of 212 countries had better records in combating corruption).<sup>55</sup>

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<sup>54</sup> *ITAR-TASS*, October 13, 2009; *CEDR*, October 13, 2009, Doc. No. CEP-950330; October 28, 2009, Doc. No. CEP-950249; October 29, 2009, Doc. No. CEP-950274.

<sup>55</sup> The World Bank. *Governance Matters 2009: Country Data Reports*, online at [http://info.worldbank.org/governance/wgi/sc\\_country.asp](http://info.worldbank.org/governance/wgi/sc_country.asp). See also Transparency International, *Corruption Perceptions Index*, online at <http://www.transparency.org/>.

## **Illegal Narcotics Production, Use, and Trafficking**

According to the State Department's *International Narcotics Control Strategy Report*, none of the South Caucasian states is a major drug producer, but Azerbaijan is an increasing conduit for drug trafficking from Afghanistan. The other regional states also are potentially significant drug trafficking routes, since they sit between the Black Sea and Caspian Sea linking Central Asia to Europe.<sup>56</sup> Armenia's borders with Azerbaijan and Turkey remain closed due to the NK conflict, but when these borders open, drug transiting could increase significantly, the State Department warns. Law enforcement officials in Armenia reported that drug trafficking increased in 2009. Of particular concern in Georgia are the separatist regions of South Ossetia and Abkhazia, which may already serve as conduits for drug smuggling. Drugs from Afghanistan that transit Georgia are smuggled out through land routes and Black Sea ports. Previously, Chechen and al Qaeda terrorists that were based in the Pankisi Gorge area of northeast Georgia at least partly financed their activities by drug-trafficking. Georgian counter-terrorism actions in the Gorge in recent years appear to have eliminated this trafficking. Georgia's border control police and customs officials state that they need more scanning equipment and canines trained in drug detection. Drug seizures have declined in 2009, perhaps at least in part because police and customs officials have focused on responding to separatism by Abkhazia and South Ossetia.

Azerbaijan is a transit route for Afghan opiates that enter from Iran or, to a lesser extent, from Central Asia, and are then smuggled to markets in Russia, Turkey, and Europe. About 95% of the illicit drugs enter from Iran. Drug seizures by the government increased in 2009, with most seizures occurring at the Azerbaijan-Iranian border. Drug consumption also is increasing in Azerbaijan.

## **Non-Proliferation of Weapons of Mass Destruction**

The South Caucasus states have only in recent years begun implementing effective export control regimes to prevent the proliferation of weapons of mass destruction and associated technologies.<sup>57</sup> There are not as many nuclear fuel cycle-related facilities in the South Caucasus as elsewhere in the former Soviet Union, but there are various nuclear research facilities and an operating nuclear power reactor in Armenia. Virtually all of the facilities lacked adequate security systems such as cameras and computerized accounting to safeguard medical and industrial nuclear materials and wastes. Some radioactive materials that were inadequately documented during the Soviet era have been discovered. Border and customs officials have halted some smuggling of WMD materials, and are receiving increasing levels of U.S. and other international training and other assistance to bolster their effectiveness (see also below, "U.S. Peace and Security Assistance").<sup>58</sup>

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<sup>56</sup> The State Department. Bureau for International Narcotics and Law Enforcement Affairs. *International Narcotics Control Strategy Report*, vol. 1, March 1, 2010.

<sup>57</sup> *NIS Nuclear Profiles Database*. Center for Nonproliferation Studies, Monterey Institute of International Studies. Armenia has the most developed export control system on paper. The State Department's *Country Reports on Terrorism 2004* states that Armenian border guards in 2004 seized 42 grams of non-weapons-grade radioactive material, demonstrating that "they are capable of detecting and interdicting nuclear material."

<sup>58</sup> *NIS Trafficking Database*. Center for Nonproliferation Studies, Monterey Institute of International Studies. Among prominent smuggling attempts, Azerbaijani border troops halted a shipment of Russian missile parts bound for Iran in March 1998 and about one kilogram of uranium 235 allegedly bound for Iran in April 2000. In early 2002, Russian and Georgian media reported that two of eight Soviet-era small nuclear generators containing strontium-90 were missing in Georgia. Georgian and Russian authorities on January 25, 2007, verified media reports that Georgian security in cooperation with U.S. agencies in early 2006 had apprehended a Russian citizen who was attempting to smuggle a tiny (continued...)

## **Economic and Defense Security**

The South Caucasus states have worked to bolster their economic and defense capabilities by seeking assistance from Western donors such as the United States, by seeking private investment, by joining international organizations, and by cooperating with each other to limited degrees. Georgia was the first state in the region to achieve World Trade Organization membership in June 2000, followed by Armenia in December 2002. Azerbaijan has encouraged foreign firms and governments to become involved in energy development to ensure the widest possible international interest in Azerbaijan's independence and to attempt to influence attitudes toward the NK conflict.

Georgia, as a major conduit for oil and gas pipelines,<sup>59</sup> and because of its economic and democratic reforms, has emerged as the key to regional stability and security, according to some observers. By the same token, instability in Georgia could threaten the whole region by providing greater opportunities for outside powers to meddle. Georgia has working relations with the other two states of the region and with Turkey, and is a member with Azerbaijan in GUAM (see below). Georgia and Azerbaijan have common interests that have encouraged limited cooperation. Both face separatism, are wary of Russian influence, seek revenues from oil and gas transport, and are pro-Western. Armenia seeks good relations with Georgia so that it may retain transport links to Russia, including for energy supplies. During and after the August 2008 Russia-Georgia conflict, President Sargsisyan carefully maneuvered to retain good relations with both Russia and Georgia. Georgia must balance its relations with the other two regional states to prevent one or the other from accusing it of favoritism regarding the NK conflict. Armenia has increasing links with Iran. Trade ties with Iran already permit Armenia to export electricity and import oil and gas from Iran and to receive products shipped via Iran.

*Gas Prices.* In early 2006, Russia charged all three states much more for gas. In May 2006, Armenia agreed to relinquish various energy assets to Russian firms as partial payment for this price increase. Some critics have alleged that Russia now has virtual control over Armenia's energy supplies.<sup>60</sup>

- In late 2006, Russia again requested price hikes for 2007. In the case of Georgia, Russia's state-controlled Gazprom gas firm announced in early November 2006 that it would cut off gas supplies to Georgia by the end of the year unless Georgia agreed to a 100% price hike or sold its main gas pipeline to Gazprom. Spurred by Russia's economic sanctions and this announcement, Georgia negotiated an agreement to receive some Azerbaijani gas via the new South Caucasus Pipeline

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(...continued)

amount of highly-enriched uranium into Georgia. *CEDR*, April 27, 1998, Doc. No. FTS-558; February 4, 1999, Doc. No. FTS-1112; May 3, 2000, Doc. No. CEP-9; January 24, 2002, Doc. No. CEP-55; January 25, 2007, Doc. No. CEP-950026.

<sup>59</sup> The oil pipeline from Baku, Azerbaijan, through Tbilisi, Georgia, to Ceyhan, Turkey (the BTC pipeline) and an associated South Caucasus Pipeline (SCP) for gas from Azerbaijan's offshore Shah Deniz fields to Turkey's gas pipeline network.

<sup>60</sup> Despite earlier denials, Armenian officials announced in late October 2006 that Gazprom would assume effective management control of an Iranian-Armenian gas pipeline under construction. According to analyst Vladimir Socor, this acquisition may have provided Gazprom with another source of inexpensive foreign gas so that it could boost sales of its own gas to Europe. Also, this acquisition may have signaled Russia's intent to block use of Armenia as a pipeline route independent of Russian control. *Eurasian Daily Monitor*, November 3, 2006. See also RFE/RL, *Armenia Report*, October 31, 2006.

(SCP; see below) and another small existing pipeline. It also agreed to continue to purchase some higher-priced gas from Gazprom. In the case of Azerbaijan, Russia's requests for higher prices and reductions in the amounts of gas and electricity supplies led President Aliyev to announce that as of 2007, the country would no longer purchase Russian gas (however, agreement was reached to provide Russian electricity, but at a higher price).

- During the winter of 2007-2008, Gazprom demanded even higher prices, and Georgia was forced to continue to purchase some gas from Gazprom to meet its energy needs.
- During the winter of 2008-2009, Gazprom continued to supply some gas to Georgia despite the extremely poor relations between Russia and Georgia in the wake of the August 2008 conflict. Russia has an incentive to work out a continued supply arrangement with Georgia because some of the Russian gas transits Georgia to Armenia.
- During the winter of 2009-2010, Gazprom continued to supply gas to Georgia and Armenia. The pipeline was closed for one day in December 2009 when a bomb was discovered near the pipeline in Russia's Ingushetia region. Gazprom announced that gas prices in Armenia would be increased 17% in April 2010. A separate gas pipeline from Russia to South Ossetia went into service in August 2009, replacing a trunk line through territory controlled by the Tbilisi government that South Ossetia feared could be cut off. Gazprom charged more for the gas supplied to South Ossetia than it charged for that supplied to Armenia during the winter, although the prices will become closer in April 2010.

The activities of Russia's state-controlled United Energy Systems (UES) in Armenia and Georgia also have raised concerns among some observers. UES in mid-2005 gained management control or ownership over virtually all of Armenia's electric power system, including the Metsamor nuclear power plant. In Georgia, UES in late 2003 bought controlling interests in the Tbilisi electrical grid and several hydro- and thermal power generation facilities.

All three states have been faced with constructing military forces to address regional conflicts and low-intensity threats. Poverty and the need for know-how and equipment have forced them to seek outside assistance. Armenia has proceeded the farthest. It suppressed most paramilitary forces potentially dangerous to civil order in the early 1990s. The Yerevan-based Soviet 7<sup>th</sup> Army, disbanded in 1992, provided a ready-made model for Armenia's armed forces. Russia provides officer training and military equipment, including regional air defenses, including under the aegis of the CSTO. Azerbaijan's rejection of many ties with the Russian military stymied its early military development. Azerbaijan's and Georgia's reliance until the mid-1990s on paramilitary forces to combat regional separatism contributed to wide civil disorder in both states.

### *Partnership for Peace*

All three of the South Caucasus states have joined NATO's Partnership for Peace (PFP) to facilitate the modernization of their armed forces and to increase ties with Europe. PFP status seeks to assure the South Caucasus states that they are not in a "power vacuum" or completely vulnerable to neighboring powers. Georgia has looked to links with PFP as the road to eventual NATO membership that will provide security guarantees against possible Russian revanchism. In

2004-2005, all three states agreed with NATO to participate in Individual Partnership Action Plans (IPAPs) for military and civil-military reforms.

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. While including the South Caucasus states in NATO activities, NATO endeavored to reassure Russia—by including it as a member of PFP and by establishing a NATO-Russia Council—that it was not excluding Russia from a regional role as long as Moscow supported regional stability, democratization, and the creation of free markets.

*Georgia.* On September 21, 2006, NATO approved Georgia's application for "Intensified Dialogue" with the alliance, ostensibly because of Georgia's military reform progress, although NATO also emphasized that much more reform work needed to be done before Georgia might be considered for NATO membership. Although the United States urged that Georgia be considered for a Membership Action Plan (MAP; preparatory to membership), NATO's Riga Summit in November 2006 reaffirmed support for an intensified dialogue to assist Georgia in implementing reforms.<sup>61</sup> The NATO Freedom Consolidation Act of 2007 (P.L. 110-17), signed into law in April 2007, urged NATO to extend a MAP for Georgia and designated Georgia as eligible to receive security assistance under the program established by the NATO Participation Act of 1994 (P.L. 103-447).

At a meeting with NATO Secretary General Jaap de Hoop Scheffer on February 14, 2008, the head of Georgia's mission to NATO transmitted a note from President Saakashvili formally requesting the alliance to invite Georgia to participate in a Membership Action Plan (MAP). On February 14, 2008, the Senate approved S.Res. 439 (sponsored by Senator Lugar), which urged NATO to award a MAP to Georgia and Ukraine as soon as possible. A NATO MAP for Georgia was a matter of contention at the April 2008 NATO Summit. Although Georgia was not offered a MAP, the Alliance pledged that Georgia would eventually become a member of NATO. After the Russia-Georgia conflict, a NATO-Georgia Commission was set up to further systematize NATO reform guidance. At the December 2008 NATO foreign ministerial meeting, the United States reportedly agreed with a British proposal to not push for a MAP for Georgia, and instead to formulate Annual Action Programs for Ukraine and Georgia to assist them in the "significant work left to do" in meeting the requirements for NATO membership. The United States took the position that the two countries might work toward Alliance membership without formally undertaking MAPs but still carrying out the requirements of MAPs.<sup>62</sup>

Illustrating support for PFP, Georgian troops served as NATO peacekeepers in Kosovo as part of the Turkish battalion in the U.S. sector.

*Azerbaijan.* Illustrating support for PFP, Azerbaijani troops served as NATO peacekeepers in Kosovo as part of the Turkish battalion in the German sector. Azerbaijani troops also serve in ISAF in Afghanistan. Azerbaijan's cooperation with NATO allegedly may have cooled in recent

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<sup>61</sup> NATO. North Atlantic Council. *Riga Summit Declaration*, November 29, 2006. Then-President Bush stated that the United States supported Georgia's NATO membership. Remarks By President Bush In Riga, Latvia, *PR Newswire*, November 28, 2006. Sen. Richard Lugar urged soon granting Georgia a MAP and suggested that NATO's energy security would be facilitated by eventually offering NATO membership to Azerbaijan and Kazakhstan. Senator Lugar Delivers Remarks at the Riga Summit, Latvia, *Congressional Quarterly Transcripts*, November 27, 2006.

<sup>62</sup> U.S. Department of State. *Remarks on the NATO Foreign Ministers Meeting*, November 26, 2008.

months. It reportedly joined Turkmenistan in denying overflights for AWACS aircraft bound for Afghanistan, and declined sending more troops to Afghanistan.<sup>63</sup>

*Armenia.* Armenia announced in July 2000 that it aimed to increase activities with PFP. Its Foreign Ministry argued that Armenia was falling behind Azerbaijan and Georgia in such activities and wished to ensure its security by developing the widest possible international ties, especially with the world's "most influential" security body. The Foreign Ministry explained that Armenia had been reluctant to increase ties with NATO because of possible Russian reactions but that Russia itself had developed such ties. Armenia's officials also stressed that participation in PFP kept the country abreast of PFP training and aid provided to Azerbaijan.<sup>64</sup>

To support NATO, Armenia began to send peacekeepers to Kosovo in 2003 as part of the Greek battalion, and 70 Armenian peacekeepers continue to serve there. Armenia decided in December 2005 to further advance its relationship with NATO by adopting an Individual Partnership Action Plan, but then-President Kocharyan stated that Armenia was not seeking NATO membership.

## **CSTO**

In 1992, Armenia, Russia, and most of the Central Asian states signed a Collective Security Treaty that stated that the members would mutually defend against security threats and would not join other security alliances. At an October 2002 CIS summit, Armenia, Russia, Belarus, Kazakhstan, Kyrgyzstan, and Tajikistan signed a charter to create a Collective Security Treaty Organization (CSTO) with a permanent secretariat for operational military planning and budget coordination (Uzbekistan joined in 2006).<sup>65</sup> It was stated that this secretariat would permit a quicker response to threats to internal or external security. On internal security, Russian Gen. Nikolay Bordyuzha, the secretary general of CSTO, has pledged that the organization would not intervene in political conflicts, but only intervene by consensus "to resolve military, local and border conflicts, as well as to prevent ... terror acts of armed groups and to stop drug trafficking.... In addition, they will be used to fulfill special tasks such as protection of pipelines," or disaster relief.<sup>66</sup> On external security, Russia's national security strategy, approved by President Medvedev in May 2009, has proclaimed the CSTO as "the main instrument designed to counter ... challenges and threats of a military-political and military-strategic nature" emanating from outside the member-states.<sup>67</sup> Many observers have viewed the CSTO as a mainly Russian initiative to increase security influence over member-states and to counter U.S. and other outside influence.<sup>68</sup>

Soviet successor states that are not members of the CSTO—Azerbaijan, Georgia, Turkmenistan, and Ukraine—have raised concerns about the organization's potential role in their regions. Russia

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<sup>63</sup> Open Source Center. *Europe: Daily Report*, November 17, 2009, Doc. No. EUP-85004.

<sup>64</sup> *CEDR*, July 26, 2000, Doc. No. CEP-63; January 18, 2003, Doc. No. CEP-166; February 12, 2003, Doc. No. CEP-174; February 16, 2003, Doc. No. CEP-66; May 19, 2003, Doc. No. CEP-213.

<sup>65</sup> Open Source Center. *Central Eurasia: Daily Report* (hereafter *CEDR*), April 29, 2003, Doc. No. CEP-96; April 29, 2003, Doc. No. CEP-132.

<sup>66</sup> *ITAR-TASS*, March 2, 2009.

<sup>67</sup> *CEDR*, May 13, 2009, Doc. No. CEP-557001. The Russian military doctrine similarly highlights the role of the CSTO in deterring and preventing conflict. The Kremlin. President of Russia. *The Military Doctrine of the Russian Federation*, February 5, 2010.

<sup>68</sup> Ibragim Alibekov and Sergei Blagov, *Eurasia Insight*, April 29, 2003.

did not invoke the treaty during the Russia-Georgia conflict, and the CSTO members have resisted Bordyuzha's call to recognize the independence of Georgia's breakaway Abkhazia and South Ossetia regions. Turkmenistan has eschewed membership in the CSTO in order to protect its neutral status, while Ukraine, until recently, pursued closer ties with NATO. In the case of the Armenia-Azerbaijan conflict, Armenia's former Foreign Minister Vartan Oskanyan suggested in 2006 that the collective defense provision of the CSTO pertained to aggression from outside the CIS, so would not pertain to the Armenia-Azerbaijan conflict (since Azerbaijan is a member of the CIS).<sup>69</sup> In 2008, however, Armenia requested a clarification of this issue. In late 2009, Armenian Defense Minister Seyran Ohanyan was asked if the CSTO would support Armenia if Azerbaijan attacked, and responded that "if hostilities against Armenia resume, the CSTO is obliged to help us according to its treaty."<sup>70</sup> The issue of the area of responsibility of the CSTO remains ambiguous, according to some observers.

In July-August 2008, Armenia hosted the largest-scale CSTO military exercise that has been held by the organization (4,000 personnel from all seven member-states reportedly took part, but most troops were from Armenia and Russia, and a few from Tajikistan). The exercise focused on coordination between the Armenian and Russian armed forces in repelling an invasion of Armenia. Part of the exercise took place in Armenia and part at the CSTO headquarters in Moscow. Azerbaijan, Turkey, and Georgia voiced misgivings about the intent of the exercise. Russian troops participating in the exercise were boosted in Armenia just after the outbreak of the Russia-Georgia conflict, perhaps complicating Georgian security considerations.

In early 2009, the CSTO announced that an air-assault Collective Operational Reaction Force (CORF) would be set up. However, Uzbekistan raised concerns about the vague character of the force and balked at contributing troops. President Medvedev stated that the force was needed to deal with rising tensions along CSTO borders and boasted that the force would "be as good as that of NATO."<sup>71</sup> The main participants in CORF are Russia and Kazakhstan.

Although most members of the CSTO have bilateral ties to NATO under the Partnership for Peace program, the CSTO long has called for NATO to cooperate with it as an organization on counter-narcotics, anti-terrorism, and other issues. However, the real purpose of such cooperative overtures is to receive recognition by NATO of a Russian sphere of influence in Soviet successor states, according to many observers. Bordyuzha excoriated NATO as early as 2003 for increasing its ties with Georgia, and asserted that the CSTO should play the leading role in security cooperation with Georgia.<sup>72</sup> Bordyuzha claimed that he sent a letter to NATO in 2004 proposing cooperation, but NATO reportedly did not respond. Attempts by the CSTO to encourage NATO to establish formal ties were set back in mid-2009 when Russia urged Partnership for Peace members Armenia and Kazakhstan to boycott NATO's Partnership for Peace military exercises in Georgia. In October 2009, Foreign Minister Lavrov urged Secretary Clinton to support NATO cooperation with the CSTO as an element of the "reset" of U.S.-Russia relations.<sup>73</sup>

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<sup>69</sup> CRS interview, October 26, 2006.

<sup>70</sup> *ITAR-TASS*, August 21, 2008; *CEDR*, December 16, 2009, Doc. No. CEP-950231.

<sup>71</sup> *ITAR-TASS*, February 4, 2009.

<sup>72</sup> *CEDR*, May 26, 2003, Doc. No. CEP-134. Criticizing NATO actions to boost Georgia's defenses, Bordyuzha reportedly "indignantly" queried "Is there any danger of a military invasion [of Georgia]?"

<sup>73</sup> *CEDR*, October 15, 2009, Doc. No. CEP-379001.

The CSTO also has attempted to play a role in global security analogous to that of NATO. Since it became an observer organization at the U.N. General Assembly in December 2004, the CSTO has urged the specialized U.N. agencies such as UNODC and the Terrorism Committee and its Executive Directorate to cooperate more with it. In March 2010, the U.N. General Assembly approved a resolution drawn up by Russia that called for greater U.N. cooperation with the CSTO in “regional cooperation in such areas as strengthening regional security and stability, peacekeeping, counterterrorism, and combating illicit trafficking in drugs and weapons, combating transnational organized crime, human trafficking, the fight against natural and man-made catastrophes.”<sup>74</sup>

President Medvedev stated in early 2009 that the CSTO would combat terrorism and offer other support benefiting ISAF operations in Afghanistan. The CSTO has claimed credit for agreements by its member-states on the transit of supplies to Afghanistan. However, the CSTO has stressed that it will not send troops to Afghanistan.

### *Caucasus Security Pact Proposals*

At the November 1999 OSCE Summit and other forums, former President Kocharyan, former Turkish President Suleyman Demirel, and former presidents Shevardnadze and Aliyev called for the creation of a South Caucasus security system that would provide regional states and external powers with shared stakes in regional stability. Kocharyan explained that his “Round Table on Stability” proposal was prompted by the withdrawal of Azerbaijan and Georgia from the CIS Collective Security Pact. He called for the creation of a sub-CIS system whereby the three regional states, buttressed by their neighbors, and aided by the EU and the United States, would guarantee regional stability. Iran endorsed the creation of such a pact, though calling for it to initially exclude external powers.<sup>75</sup>

Seeking to play a leading role in forming such a pact, Putin convened side meetings with the leaders of the three Caucasus states during CIS summits in 2000 (meetings of lower-level officials of the four states had begun in 1997), but the region’s leaders appeared to disagree with Putin that Russia and other “Caucasus countries must alone shape the region’s fate,” excluding outside interests. The last meeting of the so-called “Caucasus Four” took place in Moscow in September 2003 among the region’s legislative speakers. A meeting planned for early 2004 in Tbilisi was apparently sidelined by Georgia’s “rose revolution.” Although Russia and Armenia called for the resumption of “Caucasus Four” meetings, the Saakashvili government balked at participating in the Russia-led grouping, rendering it moribund.<sup>76</sup>

Soon after the breakout of conflict between Russia and Georgia in August 2008, Turkish Prime Minister Recep Tayyip Erdogan proposed creating a “Caucasus Stability and Cooperation Platform” or forum to pursue regional peace, security, and economic development. He proposed

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<sup>74</sup> United Nations General Assembly. 64<sup>th</sup> Session. Plenary Meeting. *Cooperation between the United Nations and the Collective Security Treaty Organization*, A/RES/64/256, March 2, 2010.

<sup>75</sup> Gerald Libaridian, reported in *RFE/RL Caucasus Report*, June 15, 2000; Wayne Murray, reported in *Caucasus Reporting Service*, no. 38, June 30, 2000.

<sup>76</sup> *Nezavisimaya gazeta*, May 17, 2000, p. 1; *Caucasus Stability Pact - Iran Counters Russian Expansion*, May 25, 2000; *CEDR*, September 30, 2003, Doc. No. CEP-386. A planned “Caucasus Four” meeting of legislative speakers planned for November 2006 on the sidelines of a CIS speakers summit in St. Petersburg apparently was not held. At the CIS speakers’ meeting, Russian Duma Speaker Boris Gрызлов reportedly refused to meet with Georgian Speaker Nino Burjanadze. *CEDR*, November 16, 2006, Doc. No. CEP-950221.

that members include the three South Caucasian states, Turkey, and Russia (but not the United States or others). Erdogan traveled to Azerbaijan later in August 2008, where President Aliyev endorsed the proposal, and then-Turkish Foreign Minister Ali Babajan visited Moscow in September 2008, where Russian Foreign Minister Lavrov endorsed the proposal. Armenia also welcomed the proposed regional talks, and Turkish President Abdullah Gul discussed it with President Sarkisyan when he visited Yerevan in September 2008. According to one Turkish media report, “the process of normalization of Turkish-Armenian relations is the inevitable consequence of the new Caucasus vision Turkey has adopted. In order to implement this vision, Turkey started a process for normalizing its relations with Yerevan, on the one hand, and another process for the peaceful settlement of the NK issue through talks between Yerevan and Baku, on the other.”<sup>77</sup> In a speech in Nakhichevan in October 2009, President Gul stated that Turkey’s efforts to facilitate regional engagement as part of the Caucasus Stability and Cooperation Platform would continue.

## **GUAM**

In another area of regional cooperation, the GUAM states (formed from the initials of the member-states: Georgia, Ukraine, Azerbaijan and Moldova)<sup>78</sup> share common interests in resisting Russian domination and in securing energy transport and supply that is outside Russian control. Formed in 1997, Azerbaijan, Georgia, and Ukraine in early 1999 held joint military exercises aimed at protecting the Georgian oil pipeline. Russia has opposed GUAM as usurping CIS functions, but also called for GUAM to admit Moscow as a member. In 2000, the members agreed to convene regular summits and ministerial-level conclaves.<sup>79</sup> At the July 2002 meeting in Yalta, GUAM countries signed an “Agreement on Cooperation in the Battle against Terrorism, Organized Crime and Other Dangerous Types of Crime.” At a Georgia-Ukraine presidential summit in May 2003, the two leaders called for naming military coordinators to work out security cooperation within GUAM, with Georgian officials arguing that such cooperation could help prepare the members for NATO membership.<sup>80</sup>

The “rose revolution” in Georgia in late 2003, the “orange revolution” in Ukraine in late 2004, and political reforms in Moldova gave GUAM a democratic orientation. At a meeting in April 2005, the members and invited guests (including Lithuania and Romania) proclaimed the goal of consolidating democracy in the Black Sea region and beyond, called for ending regional “frozen conflicts,” and discussed energy transport cooperation. Ukrainian President Viktor Yushchenko suggested that GUAM focus on integration with NATO and the EU. All these subjects had concerns about Russian behavior at their core. The first GUAM-sponsored Virtual Center for Fighting Against Terrorism, Organized Crime, Drug Trafficking and Other Dangerous Crimes opened in Azerbaijan in July 2005 and the second in Kyiv, Ukraine, in May 2006. These centers in member-states are supposed to exchange data, but reportedly such cooperation still was below par in early 2010.

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<sup>77</sup> *Today’s Zaman*, June 5, 2009.

<sup>78</sup> The group admitted Uzbekistan as a member in April 1999, but Uzbekistan stopped participating in most activities in 2002 and formally withdrew in May 2005. In a letter announcing the withdrawal, Karimov reportedly stated that Uzbekistan disliked “the organization’s emphasis on the resolution of frozen conflicts, the formation of joint armed blocs, and the review of existing security systems,” outside its geographical area of interests. *CEDR*, May 9, 2005, Doc. No. CEP-23004.

<sup>79</sup> *CEDR*, March 17, 2000, June 19, 2000, and September 9, 2000.

<sup>80</sup> *CEDR*, May 7, 2003, Doc. No. CEP-224.

In May 2006, the heads of state of the GUAM countries signed a charter renaming the organization “GUAM: The Organization for Democracy and Economic Development” and proclaiming the goal of economic and security integration with the West. Combating crime, terrorism, and separatism were highlighted. In September 2006, the GUAM delegations to the U.N. General Assembly succeeded in getting their proposal for a discussion of “protracted conflicts” in the GUAM states placed on the agenda. In October 2006, GUAM foreign ministers issued a statement calling on Russia to refrain from “unilateral actions” against Georgia and supporting Georgia’s call for Russian-Georgian talks on introducing international forces in the separatist areas. In December 2006, Colonel-General Sergiy Kirichenko, chief of the General Staff of Ukraine’s armed forces, reportedly announced plans to form a GUAM peacekeeping force to serve in U.N. peacekeeping operations.<sup>81</sup>

At the July 2007 Summit of the Heads of State of GUAM, held in Baku, Azerbaijan, the presidents (Moldova’s president did not attend) agreed to form a permanent secretariat and eight committees handling economic, trade, security and cultural issues.

At the July 2008 Summit of the Heads of State of GUAM, held in Batumi, Georgia, energy security was a primary topic. Guests included the Presidents of Poland and Lithuania and emissaries from the United States, the EU, and other countries. The presidents of the member-states (Moldova’s president did not attend, but the interior minister and deputy foreign minister attended) called for the further development of east-west rail and other transport links and endorsed the delivery of oil from Baku to Poti, and across the Black Sea to Kerch, Ukraine, and thence to the Odessa-Brody-Plotsk-Gdansk pipeline. They also proclaimed adherence to the territorial integrity of the member-states and the peaceful resolution of the “frozen conflicts.” Moldova’s emissaries continued to oppose proposals to create a GUAM peacekeeping force and urged that the organization focus on economic cooperation.<sup>82</sup>

The GUAM secretariat facility in Kiev was inaugurated in February 2009 during a meeting of the ministers of foreign affairs (Moldova was represented by its ambassador to Ukraine). Two more meetings of member ministers of foreign affairs took place during the year on the sidelines of other conclaves, but a summit of heads of state was not convened.

Ukraine held the GUAM presidency in 2010. In early February 2010, an official from the State Department’s Bureau of International Narcotics and Law Enforcement Affairs visited the GUAM secretariat in Kiev to discuss combating trafficking in persons and drugs, money laundering, counter-terrorism, and progress in modernizing the GUAM Virtual Law Enforcement System. In mid-February 2010, the GUAM secretariat in Kiev hosted a workshop with the U.N. Office on Drugs and Crime on improving legal cooperation for combating terrorism. The inauguration of Viktor Yanukovych as Ukraine’s president in late February 2010 led some observers to question the future of GUAM.

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<sup>81</sup> CEDR, April 22, 2005, Doc. No. CEP-238; April 25, 2005, Doc. No. EUP-87; April 25, 2005, Doc. No. CEP-102; May 25, 2006, Doc. No. CEP-4002; October 16, 2006, Doc. No. CEP-950116; October 17, 2006, Doc. No. CEP-950149; December 13, 2006, Doc. No. CEP-358001; March 2, 2007, Doc. No. CEP-950315. According to Georgian analysts Pikria Asanishvili and Avtandil Tukvadze, GUAM will not meet its full potential until Armenia is admitted—making GUAM a true regional organization—and the people of the South Caucasus realize that regional integration will benefit them. *Central Asia and the Caucasus*, no. 3, June 30, 2005.

<sup>82</sup> Ministry of Foreign Affairs of Georgia. *Official Documents of the GUAM Batumi Summit*, at [http://mfa.gov.ge/index.php?lang\\_id=ENG&sec\\_id=542](http://mfa.gov.ge/index.php?lang_id=ENG&sec_id=542).

GUAM has received significant encouragement from the United States, including a Congressional authorization for funding (The Security Assistance Act of 2000; P.L. 106-280),<sup>83</sup> that some observers have viewed as sustaining the group. In December 2002, then-Assistant Secretary Jones and the GUAM ambassadors adopted a framework program of projects to facilitate regional trade and transport, the improvement of border and customs services, and the fight against terrorism, organized crime and drug-trafficking.<sup>84</sup> Under the accord, the United States funded pilot programs of customs and border training and GUAM law enforcement offices, with rotating meetings in each of the GUAM capitals of expert level working groups. The United States voted for putting the discussion of “protracted conflicts” in GUAM member-states on the agenda of the 2006-2007 session of the U.N. General Assembly, against the objections of Armenia and Russia.<sup>85</sup> The budget requests for FY2005 and FY2006 called for FREEDOM Support Act (FSA) funds to be used to bolster Moldova’s and Ukraine’s participation in GUAM, and the budget request for FY2007 called for some FSA regional funding to be used for GUAM activities. In the FY2009 and FY2010 budget requests, the Administration called for aid to GUAM to help set up a coordination mechanism for customs and border service personnel to combat trans-border criminal activities. The FY2011 budget request called for support for training law enforcement personnel in the GUAM member-states.

### *Energy and Transport*

Issues of regional security and the balance of regional power, as well as of economic advantage, have increasingly come to be wrapped up with the issue of pipeline politics. The discovery of major new oil and gas resources in the Caspian Sea in recent years has contributed to the strategic significance of the South Caucasus region as an energy producer and transport corridor. The *World Factbook* reports 7 billion barrels of proven oil reserves and 70.6 trillion cubic feet of proven natural gas reserves in Azerbaijan.<sup>86</sup> Russia and Kazakhstan have reported finding energy reserves in the Caspian Sea rivaling those of Azerbaijan. Azerbaijan faced many obstacles to fully exploit and market its energy resources, including project financing, political instability, ethnic and regional conflict, and pipeline security.

U.S. companies were shareholders in about one-half of about twenty international production-sharing consortiums formed in the 1990s to carry out oil and gas exploration, appraisal, development, and production. Many of these consortiums were dissolved after the firms did not find commercially significant resources. The first was the Azerbaijan International Oil Corporation (AIOC), formed to exploit the Azeri-Chirag-deepwater Gunashli (ACG) oil and gas fields. In 1995, Heydar Aliyev and the AIOC decided to transport “early oil” (the first and lower volume of oil from AIOC fields, along with other Azerbaijani oil) through two Soviet-era pipelines in Georgia and Russia to ports on Russia’s Black Sea coast. The capacity of each of these pipelines is around 100,000-115,000 barrels per day (bpd).

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<sup>83</sup> P.L. 106-280 authorized assistance to GUAM and Armenia for International Military Education and Training (IMET), Foreign Military Financing (FMF), nonproliferation and export control, and antiterrorism assistance for FY2001-FY2002. Section 907 provisions blocking FMF and IMET aid to Azerbaijan remained in place until FY2002.

<sup>84</sup> U.S. Department of State. Office of the Spokesman. Joint Statement of the United States, Azerbaijan, Georgia, Moldova, Ukraine, and Uzbekistan, December 23, 2002.

<sup>85</sup> CEDR, September 14, 2006, Doc. No. CEP-950244. U.N. General Assembly. Sixty-First Session. General Committee. *Summary Record of the 1<sup>st</sup> Meeting on 12 September 2006*, A/BUR/61/SR.1, October 13, 2006; U.N. General Assembly. Sixty-First Session. 2<sup>nd</sup> Plenary Meeting, A/61/PV.2, September 13, 2006.

<sup>86</sup> Central Intelligence Agency. *The World Factbook*. Data as of January 2009.

A “main oil” pipeline—with a capacity of one million bpd—began delivering oil from Baku through Georgia to Turkey’s Mediterranean port near Ceyhan in June 2006. The Clinton Administration launched a major campaign in late 1997 stressing the strategic importance and suitability of this route as part of a “Eurasian Transport Corridor,” including possible trans-Caspian links to Central Asia. Volatile oil prices and questions about the amount of oil in the Caspian region raised concerns among oil firms about financial risks of the route.

Political endorsement of the Baku-Tbilisi-Ceyhan (BTC) route was provided by a 1998 meeting of the presidents of Turkey, Georgia, Azerbaijan, Kazakhstan, and Uzbekistan, and then-U.S. Energy Secretary Bill Richardson, where they pledged to cooperate to ensure the commercial viability of the route. An even more important “Istanbul Protocol” on construction of the BTC oil pipeline was signed in November 1999 by Azerbaijan, Georgia, Turkey, and Kazakhstan (with then-President Clinton in attendance). It is reported that the pipeline cost \$4 billion to build. Kazakhstan has agreed to barge some oil across the Caspian Sea for transport through the pipeline, helping to address under-utilization of the pipeline until oil production increases in Azerbaijan. A gas pipeline to Erzurum, Turkey was built parallel to the oil pipeline (the South Caucasus Pipeline or SCP), and was inaugurated in March 2007. The SCP section in Azerbaijan and Georgia, completed earlier, was pressed into service in the winter of 2006-2007 to deliver some gas from Azerbaijan’s offshore Shah Deniz gas fields to Azerbaijani and Georgian customers (another small pipeline also delivered Azerbaijani gas to Georgia). Azerbaijan had balked at paying substantially increased prices for Russian gas, and Georgia had reduced its own purchases of Russian gas after the price increase.

Some analysts argue that the opening of the BTC pipeline and associated SCP, along with the re-opening of the region’s roads, railways, and other transport, may well transform the economies of the region by bringing substantial energy transit fees, energy revenues, and trade. Others are less optimistic, warning that the states still maintain several transport blockades and barriers. Many in Armenia are concerned that Azerbaijan is channeling substantial revenues from oil and gas exports into a military buildup aimed against NK. However, former Foreign Minister Oskanyan and others have suggested that the completion of the pipelines could make Azerbaijan reticent to launch a conflict that could result in the destruction of the pipelines.<sup>87</sup>

## **U.S. Policy and Issues**

In congressional testimony in March 2008, Gen. Brantz Craddock, then-Commander of the U.S. European Command, stated that “the Caucasus’ geostrategic location makes the region an important area for the United States and its Allies. Caucasus nations actively support Iraqi Freedom and ISAF. They provide alternative hydrocarbon sources from the Caspian Sea and alternative routes of access to Central Asian hydrocarbon reserves. It is an important region for European energy diversification.” He stressed that to counteract the harm to regional stability posed by corruption, ethnic conflicts, and Russian meddling, “the Caucasus require sustained and coordinated interagency efforts.”<sup>88</sup> Former Assistant Secretary of State Elizabeth Jones stated in

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<sup>87</sup> Edmund Herzig, *The New Caucasus*. London, Royal Institute of International Affairs, 1999, p. 93; Amy Myers Jaffe and Robert Manning, *Survival*, Winter 1998-1999, p. 115; *CEDR*, January 14, 2004, Doc. No. CEP-153.

<sup>88</sup> U.S. Senate. Committee on Armed Services. *Statement of General Bantz J. Craddock*, March 13, 2008. In congressional testimony in March 2005, Gen. James Jones, then the head of USEUCOM, stated that “the Caucasus is increasingly important to our interests. Its air corridor has become a crucial lifeline between coalition forces in Afghanistan and our bases in Europe. Caspian oil, carried through the Caucasus, may constitute as much as 25 percent (continued...) ”

2003 that, thanks to U.S. security assistance, “as each day passes, the countries of Central Asia and the Caucasus are becoming better equipped, better trained and better coordinated with one another to deal with transnational threats.” She also stated that such U.S. security assistance was “integrated” with programs to enhance human rights and political and economic reforms.<sup>89</sup>

Conflict resolution is part of U.S. policy to enhance stability in the region. Among the early foreign policy acts of the Obama Administration, U.S. Secretary of State Clinton supported the signing of the Armenia-Turkey protocols in October 2009. In yearly appropriations for foreign operations, Congress has called on the Administration to pursue conflict mitigation in the region.

In some respects, U.S. policy has tended to view the South Caucasian countries (and those of Central Asia) as part of the Caspian Sea-Black Sea region, to include the Black Sea littoral states in the west and Afghanistan in the east. This view is partly the result of the air transit of U.S. and NATO forces and supplies based in Europe across these countries to the Afghan military theater. Also, U.S. policy has tended to focus on westward oil and gas transit routes from Caspian regional states. On the other hand, the U.S. State Department in 2005 implemented a persistent congressional call to re-assign responsibility for the Central Asian states to the Bureau for South Asian Affairs, leaving responsibility for the South Caucasus to the Bureau for European and Eurasian Affairs.<sup>90</sup> U.S. military operational planning also separated these regions. In 1999, the Central Asian states were reassigned to USCENTCOM’s area of responsibility, covering Horn of Africa countries and many Middle Eastern and South Asian states, leaving the South Caucasus states (and the Caspian Sea) in USEUCOM’s area of responsibility, covering Europe.

As reflected in the *Congressional Budget Justification for Foreign Operations (for FY2007, FY2008, FY2009, FY2010, and FY2011)*:

- U.S. national interests in Armenia have included cooperation in the war on terrorism and combating arms and other illicit trafficking. A durable and peaceful resolution of the Armenia-Azerbaijan conflict acceptable to both parties is key to U.S. interests that include stability in the South Caucasus, regional economic cooperation that ends Armenia’s isolation, and improved Armenian-Turkish relations. Armenia’s shift away from a war footing would also further U.S. interests in Armenia’s economic development and improved standards of living.
- U.S. national interests in Azerbaijan have included cooperation in the war on terrorism, the advancement of U.S. energy security, and progress in democratic and economic reforms, which enhance internal stability. Such stability will reduce tendencies for Azerbaijani conflict with Iran and Armenia. Azerbaijan’s creation of a transparent and corruption-free market economy is deemed essential to its role as a vital link in the trans-Caspian energy corridor, and it has the “potential to play a significant role in the diversification of American and global

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(...continued)

of the world’s growth in oil production over the next five years ... This region is a geographical pivot point in the spread of democracy and free market economies to the states of Central and Southwest Asia.” U.S. Congress. Senate. Committee on Armed Services. Testimony by Gen. James Jones, March 1, 2005.

<sup>89</sup> Elizabeth Jones, Speech at the University of Montana, April 10, 2003.

<sup>90</sup> Jaroslaw Skonieczka, A Black Sea strategy, according to some observers, would “de-link” the South Caucasus countries from the Central Asian states, so that the former might be more clearly viewed as European countries and included in European institutions. *The Black Sea Region*, NATO International Staff, 2004.

energy supplies.” Azerbaijan’s conflict with Armenia over Azerbaijan’s Nagorno Karabakh area, and its tensions with Iran upset stability in the critical South Caucasus region.

- “Georgia plays a key role in furthering U.S. interests” and has been a “premier partner” in the global war on terrorism by providing troops for military operations in Iraq and Afghanistan and other support. Georgia is becoming “a key conduit through which Caspian Basin energy resources will flow to the West, facilitating diversification of energy sources for the United States and Europe.” The U.S. Government will continue to encourage democratization, promote integration with NATO, support law enforcement and institutions that uphold the rule of law, support stable economic growth, and support “the sustainable resolution of conflicts with the separatist regions based on Georgia’s territorial integrity. The U.S.-Georgia Charter on Strategic Partnership offers a framework for meeting these goals” (see below).

## **Contributions to Operation Enduring Freedom in Afghanistan**

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 U.S. and coalition efforts in Afghanistan, including overflight rights and Azerbaijan’s and Georgia’s offers of airbase and other support. The State Department’s *Country Reports on Global Terrorism* has 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.

### **Georgia**

Then-President Shevardnadze immediately condemned the “scum” who attacked the United States on September 11, 2001, and one week later offered Georgian “airspace and territory” for use by U.S. troops. During his U.S. visit with President Bush in October 2001, he reiterated Georgia’s “full cooperation and solidarity” with the U.S. and coalition actions in Afghanistan, and the full use of Georgia’s airspace and airbases. He also reportedly asked for U.S. training assistance for Georgia’s security forces to help them reassert control in the Pankisi Gorge.<sup>91</sup> On February 11, 2002, the U.S. Embassy in Georgia declared that the United States was ready to help Georgia combat several dozen al Qaeda and other terrorists who had fled to the Caucasus from Afghanistan. Some had relocated to Georgia’s Pankisi Gorge area bordering Chechnya, where they maintained links with Chechen terrorists. On February 27, 2002, then-President Bush announced that the United States would provide equipment and training to help Georgia rout al Qaeda influences. The next day, the U.S. Defense Department announced plans for a “Georgia Train and Equip Program” (GTEP), as part of the global war on terrorism (see also below “U.S. Peace and Security Assistance”).

Russia initially reacted critically to the U.S. announcement of the GTEP, but then-President Vladimir Putin on March 1, 2002, stated that he had received assurances from then-President Shevardnadze that the United States was not seeking permanent bases. He stressed that “we

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<sup>91</sup> According to *Patterns of Global Terrorism 2002*, p. 29, the United States strongly urged Georgia to “regain control of the Pankisi Gorge,” where terrorists with links to al Qaeda threatened the security of both Georgia and Russia.

support this fight [in the Pankisi Gorge] no matter who takes part in it,” although he called for Russia’s participation. Then-National Security Advisor Condoleezza Rice on May 11, 2002, stated that Russia was a “stalwart asset and friend” in viewing the GTEP as “helpful to Russian interests.”

Georgia contributed about 50 troops for peacekeeping in Afghanistan during Afghan elections in late 2004-early 2005. In early 2007, President Saakashvili announced that Georgia intended to eventually send 200-400 troops to support NATO in Afghanistan. Reportedly, before the August 2008 Russia-Georgia conflict, the United States had urged Georgia not to end its military support for coalition actions in Iraq upon sending its troops to Afghanistan.

In November 2009, the first Georgian troops left for training in Germany prior to deployment to Afghanistan. Georgia plans a total deployment of 730 troops.

## **Azerbaijan**

The day after the terrorist attacks on the United States, Azerbaijan’s then-President Heydar Aliyev averred that Azerbaijan was a “strategic partner” of the United States and would join the United States in operations against terrorism. Azerbaijan granted blanket overflight rights and intelligence support and offered the use of its bases. After the commencement of air operations in Afghanistan on October 6, 2001, Heydar Aliyev endorsed coalition actions in a phone conversation with then-Secretary Powell on October 9 and with President Bush on October 30, 2001. NK Armenians and U.S. diplomats have censured statements by Azerbaijani officials calling for international “counter-terrorism” actions against NK. Azerbaijan in November 2002 deployed 30 troops to assist the U.S.-led coalition in Afghanistan.

Azerbaijan’s cooperation with NATO allegedly may have cooled in recent months. The country allegedly has declined to boost the number of its troops (90) currently serving in Afghanistan.<sup>92</sup> It reportedly joined Turkmenistan in denying overflights for AWACS aircraft bound for Afghanistan.<sup>93</sup>

## **Armenia**

Immediately after September 11, 2001, Armenia’s President Kocharyan offered condolences and Armenia’s Department for Emergencies proffered rescue aid. On September 19, Armenian Defense Minister Serzh Sarkisyan stated that Armenia would contribute to U.S.-led counter-terrorism efforts, and Kocharyan the next day offered Armenia’s support for international counter-terrorism efforts during a meeting with the U.S. Ambassador to Armenia. On September 27, the presidential press service reported that this support included military overflight rights, and other reports mentioned intelligence sharing. While supporting diplomatic efforts to convince the Taliban to extradite those responsible for the September 11, 2001, attacks, after the start of coalition actions in Afghanistan on October 6, Armenia expressed support for the “consistent and decisive” military actions to safeguard the “global community” from international terrorism. Armenia explained that this support was consistent with its foreign policy of complementarity, which calls for good relations with both Russia, the United States, and Middle Eastern countries

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<sup>92</sup> CEDR, December 9, 2009, Doc. No. CEP-950188.

<sup>93</sup> Open Source Center. *Europe: Daily Report*, November 17, 2009, Doc. No. EUP-85004.

such as Iran in order to buttress the country's independence, gain support for NK Armenians, and protect the interests of Armenians living in the Middle East and elsewhere.<sup>94</sup>

In January 2010, Armenia sent 40 troops for four weeks of training in Germany before their deployment in mid-February to Afghanistan to serve under the command of the German-led provincial reconstruction team in Kunduz, where the troops will assist in airbase security.

## **Section 907**

In the U.S. Congress, the events of September 11, 2001, altered attitudes toward Sec.907, causing the Members to permit the lifting of aid sanctions on Azerbaijan to facilitate regional cooperation on anti-terrorism, conflict resolution, and energy development. Permanent Presidential waiver authority was added to the Senate version of Foreign Operations Appropriations for FY2002 (H.R. 2506) and retained by the conference managers. 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 peace talks between Armenia and Azerbaijan or be used for offensive purposes against Armenia. The waiver may be renewed annually on or after December 31, 2002, 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), then-President Bush on January 25, 2002, exercised the waiver. The most recent waiver was exercised in March 2008. The Bush Administration maintained that the waiver was necessary to support U.S. counter-terrorism and the operational readiness of U.S. Forces and coalition partners. It also stressed that the waiver permitted U.S. border security aid for Azerbaijan and did not hamper efforts to settle the NK conflict.

## **Support for Iraqi Freedom Operations**

Azerbaijan and Georgia are among the countries that openly pledged to support the U.S.-led Operation Iraqi Freedom. Both offered to make their airfields available and to assist the United States in re-building Iraq. Azerbaijan's foreign minister on March 14, 2003, indicated Azerbaijan's preference for a peaceful solution, but stated that Azerbaijan would support U.S. action in Iraq. Azerbaijan has raised concerns about the welfare of some 300-900,000 Turkic speakers in Iraq. In August 2003, both Azerbaijan (150 troops) and Georgia (69 troops) dispatched forces to Iraq. U.S. officials reportedly asked Azerbaijan and Georgia in April 2004 to bolster their troop contributions in the face of Spain's troop pullout.

Georgia boosted its deployment to 850 troops in 2005, at that time matching the contributions by Australia and Ukraine. Azerbaijan's troops helped U.S. Marines guard the Haditha dam.<sup>95</sup>

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<sup>94</sup> *Armenian Agency Praises Foreign Policy*, BBC Worldwide Monitoring, September 24, 2001.

<sup>95</sup> The U.S. and Azerbaijani troops allegedly do not fraternize, ostensibly because of "language and culture" barriers. Tony Perry, *CENTCOM NEWS*, June 21, 2005; *CEDR*, May 20, 2005, Doc. No. CEP-27036; May 23, 2005, Doc. No. CEP-20005. One of the Azerbaijani officers has alleged mistreatment by Azerbaijani commanders. *CEDR*, March 28, (continued...)

Georgia's troops guarded military and other facilities, helped patrol around the town of Ba'qubah, and also helped protect U.N. and coalition offices in Baghdad's "Green zone." In March 2007, President Saakashvili announced that Georgia intended to boost its troop deployment from 850 to up to 2,000, which made Georgia the second-largest non-U.S. contributor (after the United Kingdom). The bulk of the 2,000 troops pulled out in August 2008 at Georgia's request in connection with the Russia-Georgia conflict, and the rest pulled out by the end of November 2008. Azerbaijan's troops also pulled out in November 2008.

Armenia initially did not support military intervention in Iraq, citing its concerns about the safety of 15,000 ethnic Armenians residing in Iraq and 200,000 in the Middle East, concerns about Turkish expansionism into Kurdish areas of Iraq, and affinities with the views of France, Germany, and Russia. 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. The Armenian legislature approved the planned deployment, and 46 personnel left for Iraq in January 2005. Armenia's troops pulled out of Iraq in late 2008.

Azerbaijan and Georgia reportedly suffered some economic losses associated with the active phase of the Iraq conflict. BTC pipeline construction was reportedly temporarily delayed because of material delivery problems, and Azerbaijan reported that its support for the United States led several Islamic banks and investors to curtail operations or negotiations.<sup>96</sup> Some Azerbaijanis objected to support for coalition actions in an Islamic country.

## **After the August 2008 Russia-Georgia Conflict**

In the wake of the Russia-Georgia conflict, Vice President Cheney visited Georgia and Azerbaijan in early September 2008. In Georgia, he stated that "[President Mikheil Saakashvili] and his democratically elected government can count on the continued support and assistance of the United States." He pledged U.S. aid to help Georgians "to overcome an invasion of your sovereign territory, and an illegitimate, unilateral attempt to change your country's borders by force.... We will help [you] to heal this nation's wounds, to rebuild this economy, and to ensure Georgia's democracy, independence, and further integration with the West."<sup>97</sup>

In Azerbaijan, he stated that "the United States has deep and abiding interests in [Azerbaijan's] well being and security." He averred that the United States is "committed to achieving a negotiated solution to the NK conflict, a solution that starts with the principle of territorial integrity, and takes into account other international principles. Achieving a solution is more important now than ever before; that outcome will enhance peace and stability in the region, and Azerbaijan's security, as well." He praised Azerbaijan's cooperation with Western countries in the energy sphere and thanked Azerbaijan for its contribution to the global war against terrorism. He also voiced U.S. support for "the people of Azerbaijan in their efforts, often in the face of great

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(...continued)

2007, Doc. No. CEP-950314.

<sup>96</sup> CEDR, March 25, 2003, Doc. No. CEP-226.

<sup>97</sup> The White House. Office of the Vice President. Remarks by Vice President Cheney and President Saakashvili of Georgia After Meeting, September 4, 2008.

challenges, to strengthen democracy, the rule of law, and respect for human rights, and to build a prosperous, modern, independent country.”<sup>98</sup>

## **The U.S.-Georgia Charter**

On January 9, 2009, Secretary of State Rice and visiting Georgian Foreign Minister Grigol Vashadze signed a U.S.-Georgia Charter on Strategic Partnership. Similar to the U.S.-Ukraine Charter signed in December 2008 and the U.S.-Baltic Charter signed in 1998 with Estonia, Latvia, and Lithuania, the accord states that the countries plan to “strengthen our relationship across the economic, energy, diplomatic, scientific, cultural and security fields.”

- In the security realm, the Charter affirms that “a strong, independent, sovereign and democratic Georgia, capable of responsible self-defense, contributes to the security and prosperity not only of all Georgians, but of a Europe whole, free and at peace.” The two sides “declare that their shared goal is the full integration of Georgia into European and transatlantic political, economic, security, and defense institutions,” and that “the United States and Georgia intend to expand the scope of their ongoing defense and security cooperation programs to defeat [threats to global peace and stability] and to promote peace and stability.” Such cooperation will “increase Georgian capabilities and ... strengthen Georgia’s candidacy for NATO membership.” The accord highlights ties through the NATO-Georgia Commission.
- In the economic realm, the two countries “intend to pursue an Enhanced Bilateral Investment Treaty, to expand Georgian access to the General System of Preferences, and to explore the possibility of a Free-Trade Agreement.” Energy security goals include “increasing Georgia’s energy production, enhanc[ing] energy efficiency, and increas[ing] the physical security of energy transit through Georgia to European markets. We intend to ... develop a new Southern Corridor to help Georgia and the rest of Europe diversify their supplies of natural gas by securing imports from Azerbaijan and Central Asia.”
- In the realm of democratization, the two countries “pledge cooperation to bolster independent media, freedom of expression, and access to objective news and information,” and to further strengthen the rule of law. The United States pledged to train judges, prosecutors, defense lawyers, and police officers.<sup>99</sup>
- Before the signing, Vashadze hailed the accord as a “stepping stone which will bring Georgia to Euro-Atlantic structures, to membership within NATO, and to [the] family of Western and civilized nations.”<sup>100</sup> Deputy Assistant Secretary Bryza stressed that the charter does not provide security guarantees to Georgia. He also stated that U.S.-Georgian defense cooperation programs were still being

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<sup>98</sup> The White House. Office of the Vice President. Remarks by Vice President Cheney and President Aliyev of the Republic of Azerbaijan After Meeting, September 3, 2008.

<sup>99</sup> U.S. Department of State. *U.S.-Georgia Charter on Strategic Partnership*, January 9, 2009.

<sup>100</sup> U.S. Department of State. Signing Ceremony for the United States and Georgia Charter on Strategic Partnership: Secretary Condoleezza Rice Remarks With Georgian Foreign Affairs Minister Grigol Vashadze in the Treaty Room, January 9, 2009.

developed.<sup>101</sup> Vashadze later claimed that the U.S. support in the Charter for Georgia's territorial integrity would help convince Russia eventually to rescind its recognition of the independence of Abkhazia and South Ossetia.<sup>102</sup> According to some observers, the Charter aimed to reaffirm the United States' high strategic interest in Georgia's fate, after it had appeared that the United States (and the West) in recent months had acquiesced to increased Russian dominance in the South Caucasus.<sup>103</sup>

## **U.S. Peace and Security Assistance**

The United States has provided some security assistance to the region and bolstered such aid after September 11, 2001. Cumulative budgeted funding for FY1992-FY2008 for peace and security programs (including law enforcement) was \$188 million for Armenia, \$240 million for Azerbaijan, and \$542 million for Georgia (see **Table 1** and

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<sup>101</sup> CEDR, January 7, 2009, Doc. No. CEP-950092.

<sup>102</sup> CEDR, January 12, 2009, Doc. No. CEP-950240; Doc. No. CEP-21003.

<sup>103</sup> David J. Smith, "US-Georgia Charter is Historic," Potomac Institute for Policy Studies, January 12, 2009.

**Table 2).** The total funding of \$1.13 billion for this region for peace and security programs amounted to about 24% of cumulative budgeted funding for all South Caucasus programs and about 10% of the security assistance provided to all twelve Soviet successor states. If such aid had been distributed equally to all twelve countries, the South Caucasus would have received 25%. The relative dearth of such aid distributed to the South Caucasus mainly reflects the historical U.S. emphasis on Global Threat Reduction in Russia, Ukraine, and Kazakhstan and an emphasis on humanitarian, democratic, and economic assistance to the South Caucasus states.

Also, until waived, Sec. 907 had prohibited much U.S. security aid to Azerbaijan, and by U.S. policy, similar aid had not been provided to Azerbaijan's fellow combatant Armenia. The waiver permitted an increase in U.S. Peace and Security aid to Armenia from a budgeted \$5.96 million in FY2001 to an estimated \$11.53 million in FY2002, and to Azerbaijan from \$3.23 million to \$11.33 million. 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 assisting U.S. nongovernmental organizations in training troops in Azerbaijan in de-mining. In April 2002, President Bush issued Presidential Determination 2002-15, making Armenia, Azerbaijan, and Tajikistan eligible to receive U.S. arms exports and services in order to "strengthen the security of the United States."

A U.S.-Azerbaijan Security Dialogue working group has met nearly yearly since 1996 to discuss mutual security concerns. According to Deputy Foreign Minister Araz Azimov, a March 2006 meeting discussed anti-terrorism, non-proliferation, and energy security cooperation, Azerbaijan's relations with NATO and the OSCE, the settlement of the NK conflict, and the military situation in the Caspian region. In February 2007, Assistant Secretary of Defense Peter Rodman visited Azerbaijan and met with Aliyev and other top officials. Reportedly, discussions were held on energy security, cooperation with NATO, and anti-terrorism assistance, among other issues, and were termed part of an "expanded dialogue" in the wake of President Aliyev's April 2006 U.S. visit. Marking a U.S. emphasis on encouraging the diversity of energy supplies in Europe, then-Secretary of State Rice and Foreign Minister Elmar Mamedyarov signed a memorandum of understanding in March 2007 on convening annual meetings to discuss energy security.<sup>104</sup> In July 2007, the U.S.-Azerbaijan Security Dialogue working group met and discussed "security cooperation, energy cooperation, and promoting democracy through political and economic reform," with emphasis on "counterterrorism cooperation, maritime and border security programs, nonproliferation concerns, missile defense, critical energy infrastructure protection, Azerbaijan's relations with NATO and related security sector reforms, and Azerbaijan's current chairmanship of ... GUAM."<sup>105</sup>

In November 2009, Assistant Secretary of State Andrew J. Shapiro met in Washington, D.C. with Azerbaijani Deputy Foreign Minister Araz Azimov for the 11<sup>th</sup> U.S.-Azerbaijan Security Dialogue. According to Azimov, the sides discussed bilateral defense cooperation, Nagorno-Karabakh negotiations, Azerbaijan-NATO cooperation, contributing to Afghan stabilization efforts, Caspian Sea security, and the future of Russia's Gabala radar site in Azerbaijan. He stated

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<sup>104</sup> CEDR, April 2, 2006, Doc. No. CEP-950041; April 4, 2007, Doc. No. CEP-950285; February 12, 2007, Doc. No. CEP-950333; February 13, 2007, Doc. No. CEP-950116; U.S. Department of State. *U.S.-Azerbaijan Memorandum of Understanding on Energy Security Cooperation in the Caspian Region*, March 22, 2007.

<sup>105</sup> U.S. Department of State. Office of the Spokesman. Joint Statement Between the Government of the United States and the Government of the Republic of Azerbaijan for the 10<sup>th</sup> Annual Bilateral Security Dialogue, July 9, 2007.

that Azerbaijan had proposed a long list of cooperative initiatives, and that working groups would convene to discuss the initiatives.<sup>106</sup>

**Table I. Armenia, Azerbaijan, and Georgia: Basic Facts**

| South Caucasian State                                                        | Armenia | Azerbaijan | Georgia | Total         |
|------------------------------------------------------------------------------|---------|------------|---------|---------------|
| Territory (square miles)                                                     | 11,620  | 33,774     | 26,872  | 72,266        |
| Population (mid-2009 est.; millions)                                         | 2.97    | 8.24       | 4.62    | 15.83         |
| Gross Domestic Product (billion dollars, 2009 est., purchasing power parity) | 16.18   | 81.25      | 20.75   | 118.18        |
| GDP per capita (dollars)                                                     | 5,900   | 9,900      | 4,500   | 7,500 (Avg.)  |
| Proven Oil Reserves (billions of barrels)                                    | 0       | 7 to 13    | 0.3     | 7.3 to 13.3   |
| Proven Natural Gas Reserves (trillion cubic feet)                            | 0       | 30         | 0.3     | 30.3          |
| Size of Security Forces (Military and Police/Border Troops)                  | 51,432  | 81,940     | 32,850  | 55,400 (Avg.) |
| Cumulative U.S. Aid Budgeted, FY1992-FY2008 (millions of \$) <sup>a</sup>    | 1,821   | 832        | 2,108   | 4,761         |
| —Peace and Security Assistance (millions of \$) <sup>a</sup>                 | 188     | 240        | 704     | 1,132         |
| FY2009 Budgeted Aid (millions of \$) <sup>b</sup>                            | 52.36   | 25.84      | 311.82  | 390.02        |
| —Peace and Security Assistance (millions of \$)                              | 12.58   | 5.64       | 41.45   | 59.67         |
| FY2010 Estimated Aid (millions of \$) <sup>b</sup>                           | 45.6    | 28.12      | 78.95   | 152.67        |
| —Peace and Security Assistance (millions of \$)                              | 8.92    | 5.41       | 24.38   | 38.71         |
| FY2011 Requested Aid (millions of \$) <sup>b</sup>                           | 45.2    | 29.29      | 90.09   | 164.58        |
| —Peace and Security Assistance (millions of \$)                              | 9.39    | 8.46       | 25.69   | 43.54         |

**Sources:** Central Intelligence Agency. *The World Factbook*; Department of Energy. U.S. Energy Information Administration. *Caspian Sea Region and Country Analysis Briefs*; International Institute of Strategic Studies, *The Military Balance*, February 2010; Department of State. *Office of the Coordinator of U.S. Assistance to Europe and Eurasia*, data as of March 2010; The Secretary of State. *Congressional Budget Justification for Foreign Operations, FY2011*.

a. FREEDOM Support Act and Agency budgets.

b. FREEDOM Support Act and other Function 150 funds (does not include Defense or Energy Department funding or food aid).

<sup>106</sup> N. Bogdanova, "Azerbaijan, U.S. Develop Package of Proposals During Security Dialogue," *Trend News*, November 5, 2009.

**Table 2. Security Funds Budgeted for Armenia, Azerbaijan, and Georgia, FY1992-FY2008**  
(millions of \$)

| Approp           | Program                                                                                   | Armenia        | Azerbaijan     | Georgia        | Total           |
|------------------|-------------------------------------------------------------------------------------------|----------------|----------------|----------------|-----------------|
| DOD/DOS/DOE/HHS  | Global Threat Reduction                                                                   | 12.82          | 110.54         | 206.5          | 329.86          |
| DOD              | Warsaw Initiative<br>(Partnership for Peace)                                              | 2.51           | 3.09           | 4.51           | 10.11           |
| DOD              | Counternarcotics                                                                          | 0              | 3.07           | 0              | 3.07            |
| DOD              | Sec. 1206: Counter-Terrorism &<br>Train & Equip                                           | 0              | 1.744          | 11.447         | 13.191          |
| DOD              | Sec. 1207: Law Enforcement, Border<br>Security, Shelter Winterization,<br>Technical Asst. | 0              | 0              | 50.0           | 50.0            |
| DOE              | Material Protection, Controls &<br>Accounting                                             | 9.5            | 15.1           | 23.9           | 48.5            |
| DOE              | Non-Proliferation and International<br>Sec. Programs                                      | 1.65           | 0.07           | 3.162          | 4.882           |
| DOE/DOS/NRC      | Nuclear Reactor Safety                                                                    | 65.27          | 0              | 3.54           | 68.81           |
| DOS/DHS/CUS/DOJ  | Law Enforcement Assistance                                                                | 19.86          | 12.878         | 48.125         | 80.863          |
| DOS/DHS/CUST     | Export Control & Border Security<br>(EXBS)                                                | 11.2           | 21.92          | 149.61         | 182.73          |
| DOS/HHS/EPA/USDA | Non-Proliferation of WMD Expertise<br>& Disarmament                                       | 6.55           | 0.01           | 10.41          | 16.97           |
| DOS              | Foreign Military Financing                                                                | 30.236         | 30.236         | 113.87         | 174.342         |
| DOS              | International Military Exchanges and<br>Training                                          | 4.692          | 5.902          | 10.409         | 21.003          |
| DOS              | Peacekeeping Operations                                                                   | 0              | 5.0            | 15.54          | 20.54           |
| DOS              | Anti-Terrorism Assistance (ATA)                                                           | 3.68           | 5.067          | 12.84          | 21.587          |
| DOS/NIH/NSF      | Civilian R&D Foundation (CRDF)                                                            | 12.4           | 4.9            | 10.48          | 27.78           |
| DOS/DOD          | Humanitarian Demining                                                                     | 4.45           | 19.84          | 12.67          | 36.96           |
| DOS/USAID        | Conflict Mitigation & Reconciliation                                                      | 1.0            | 0.49           | 5.07           | 6.56            |
| DOS              | Russian Military Relocation                                                               | 0              | 0              | 5.0            | 5.0             |
| DOS              | Small Arms & Light Weapons<br>Destruction                                                 | 0              | 0.4            | 6.73           | 7.13            |
| DOS              | OSCE                                                                                      | 1.82           | 0              | 0              | 1.82            |
| <b>TOTAL</b>     |                                                                                           | <b>187.638</b> | <b>240.257</b> | <b>703.813</b> | <b>1131.708</b> |

**Source:** State Department. Office of the Coordinator of U.S. Assistance to Europe and Eurasia.

Georgia became eligible for security-related International Military Education and Training (IMET) and Foreign Military Financing (FMF) programs in FY1997. In 1999, the United States provided grant aid of ten UH-1H unarmed combat helicopters, six of which were operational, while the others were for spare parts. In FY1999, USEUCOM launched a U.S.-Georgian

Peacetime Military Engagement Program after the South Caucasus states were included in USEUCOM's area of responsibility.

The Georgia Train and Equip Program (GTEP) grew out of a request made by former Georgian President Eduard Shevardnadze during his U.S. meeting with then-President Bush in October 2001 for help to resist Russia's request that it be allowed to pursue or attack Chechen rebels in Georgia, to combat terrorists who were hiding in Georgia's Pankisi Gorge area, and otherwise to keep terrorists from entering Georgia. Some of these terrorists allegedly had fled U.S.-led coalition operations in Afghanistan, so the U.S. Administration initially linked GTEP to OEF. Other reported U.S. aims included enhancing military reform by helping Georgia set up a National Command Center and bolstering Georgia's ability to guard its energy pipelines and ensure internal stability.<sup>107</sup>

The \$64 million Georgia Train and Equip Program (GTEP) began in April-May 2002.<sup>108</sup> USEUCOM coordinated training in light infantry airmobile, mechanized, and mountain tactics, and medical and logistical methods by personnel from U.S. Special Operations Command Europe and from U.S. Marine Forces Europe, which took over training in late 2002. Four battalions of over 2,000 troops, a 270-member mechanized armor company, about 200 military, security, and border officers, and a small number of Interior (police) Ministry troops and border guards were trained. Equipment provided included small arms, communications and medical gear, uniforms, and construction materials for base refurbishment. The program formally ended in April 2004. U.S. officials deemed GTEP a model for programs planned for other countries and praised its contribution to Georgia's deployment of a 550-member infantry battalion to Iraq in March 2005, which boosted the number of its troops there from about 300 to about 850. Other GTEP-trained troops have been deployed to Afghanistan and Kosovo.<sup>109</sup>

In 2004, USEUCOM developed a follow-on program to GTEP termed the Georgian Sustainment and Stability Operations Program (SSOP), for reasons that included helping Georgia sustain increased troop deployments to Iraq.<sup>110</sup> Funded at \$60 million, the 16-month program began in January 2005 to bolster military reforms and to train four battalions of 2,000 troops.<sup>111</sup> The

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<sup>107</sup> Department of Defense. Press Release: Georgia "Train and Equip" Program Begins, April 29, 2002. See also Department of State. Embassy of the United States in Georgia. Press Briefing on the Georgia Train and Equip Program at the Georgian Ministry of Defense, May 7, 2002. Besides GTEP and its follow-on program (see below), the United States supports multilateral security efforts that aid Georgia, such as GUAM (named for its members, Georgia, Ukraine, Azerbaijan, and Moldova) and NATO's Partnership for Peace.

<sup>108</sup> GTEP was funded from a variety of sources, including Foreign Military Financing, International Military Education and Training, Peacekeeping Operations, border security and other foreign operations appropriations for FY2002 through FY2004; FMF in the 2002 Supplemental Appropriations Act (P.L. 107-38); and Defense Department drawdown funds.

<sup>109</sup> The 113<sup>th</sup> Shavnbada battalion (550 troops) was deployed to supplement a 300-member group which had been deployed in November 2004. On the end of GTEP, see Embassy of the United States in Georgia. *Embassy News: GTEP Program Graduates Last Group of Georgian Soldiers*, April 24, 2004. See also U.S. Embassy in Georgia. *U.S. Ambassador Thanks Marines, GTEP Cadre*, April 21, 2004. Hamlin Tallent, the Director of EUCOM's European Plans and Operations Center, praised training that supported Georgia's troop deployment to Iraq. See House International Relations Committee. Subcommittee on International Terrorism and Nonproliferation. *Written Statement*, March 10, 2005.

<sup>110</sup> Deputy Assistant Defense Secretary James MacDougall, quoted by The Jewish Institute for National Security Affairs, *JINSA Online*, January 12, 2005, <http://www.jinsa.org>. According to some reports, then-Defense Secretary Donald Rumsfeld had pledged added military assistance to Georgia—in return for an increased deployment—at an October 2004 meeting in Bahrain with coalition defense ministers. *ITAR-TASS*, October 11, 2004.

<sup>111</sup> According to testimony by Rear Admiral Hamlin Tallent, funding for SSOP is provided for FY2005-FY2006 under (continued...)

majority of training took place near Tbilisi at the Krtsanisi Training Area, where \$6.5 million of SSOP funds were used to build barracks, classrooms, a dining hall, and other infrastructure. By the end of March 2006, the 21<sup>st</sup>, 22<sup>nd</sup>, and 23<sup>rd</sup> battalions had finished seventeen weeks of training and had been rotated to Iraq. Other training and equipping involved the reconnaissance, engineer, and signal companies of the 1<sup>st</sup> Brigade; the military staffs and the logistics battalions of the 1<sup>st</sup> and 2<sup>nd</sup> Brigades; the general staff command and control elements, and the Operational Headquarters staff.<sup>112</sup>

In July 2006, following President Saakashvili's U.S. visit, the United States announced that the SSOP would be extended another year and funded at \$30 million, including \$6.5 million in Section 1206 funds to help Georgia with equipment and operations in Iraq.<sup>113</sup>

The 2006 National Security Concept of Georgia stated that the country's defense capabilities "have significantly increased as a result of [U.S.] assistance programs" and that troops trained under GTEP and SSOP "constitute the core of the Georgian Army." GTEP and SSOP provided training to a major portion of Georgia's armed forces. Some observers claimed that the successes of the programs included the encouragement of democratic values in the armed forces.<sup>114</sup>

SSOP was again extended in FY2008 and funded at \$71 million, including \$11.5 million in Section 1206 funds for special forces training and equipment. Prior to the Russia-Georgia conflict, the U.S. was providing initial military training to Georgia's 4<sup>th</sup> Brigade for its eventual deployment to Iraq in Winter 2008.<sup>115</sup> U.S. training for troops for deployment to Afghanistan was launched in late August 2009 using \$24 million in Coalition Readiness Support Program (CRSP) funds, and included an October 2009 bilateral training exercise termed "Immediate Response." The first 173 Georgian troops left for training in Germany for four weeks and were deployed in Afghanistan in December 2009, where they serve under French command. Over 700 more Georgian troops will be deployed with U.S. Marines to Afghanistan's Helmand province.

Georgian and international media provided some information on possible problems associated with GTEP and SSOP. Russia's relations with the United States appeared strained at times by concerns by some Russian officials about U.S. military training in what they considered a traditional sphere of Russian influence. Then-President Putin, however, acknowledged the useful role played by U.S.-trained Georgian troops in counter-terrorism efforts in the Pankisi Gorge. Sensitive to Russian concerns, U.S. and Georgian officials gave assurances to Russia in 2002 that

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(...continued)

U.S. Code Title 10 (covering armed forces, \$27.1million), U.S. Code Title 22 (covering foreign affairs, \$17.33 million), and other authorities and sources (including Excess Defense Articles and donor nation aid, \$16.5million). *Written Statement*, March 10, 2005.

<sup>112</sup> Gen. James Jones, then-Commander of USEUCOM and the Supreme Allied Commander, Europe, testified in early 2006 that the United States at that time had trained over 1,000 Georgian troops who had been deployed on rotation to Iraq. U.S. Senate. Committee on Armed Services, March 7, 2006.

<sup>113</sup> "U.S. Allocates \$30 mln for SSOP Army Training Program," *Civil Georgia*, July 17, 2006.

<sup>114</sup> According to Charles Western, Commander of Task Force GTEP, during Georgia's late 2003 "rose revolution," "the GTEP battalions told us that they did not want to use their troops against their own people," and this "may have had an influence on the Defense Minister's decision not to use force." *Leatherneck*, February 2004, pp. 26-28. For an argument that GTEP enhanced regional stability, see Peter Forster, *The Paradox of Policy: American Interests in the Post-9/11 Caucasus*, National Defense Academy and Bureau for Security Policy, Vienna, February 2004.

<sup>115</sup> Senate Armed Services Committee. Hearing on the Georgia-Russia Crisis: Implications and U.S. Response. *Testimony of Eric S. Edelman, Under Secretary of Defense for Policy*, September 9, 2008.

U.S. military trainers would not enter the Pankisi Gorge to assist GTEP-trained and other Georgian troops to eliminate alleged terrorists based there. In contrast to Putin's earlier stance, Russia formally protested to the United States in mid-2004 about the alleged involvement of some U.S.-trained troops in Georgia's actions in its breakaway South Ossetia region.<sup>116</sup>

Some problems were reported in finalizing applicants for the first phase of SSOP training in early 2005, particularly in recruiting some technically-skilled personnel, which allegedly caused some delay in beginning the program.<sup>117</sup> One Georgian report alleged that there was a lack of discipline in some U.S.-trained units.<sup>118</sup> According to another Georgian report, SSOP training and associated construction of facilities at the Krtsanisi Training Center did not meet expectations.<sup>119</sup> Some Georgian legislators and others alleged that many troops trained under GTEP did not re-enlist when their service contracts ended in 2005, resulting in a loss of expertise among active duty personnel. They also questioned whether some military officials were resisting SSOP and other U.S. and NATO-backed military reforms.<sup>120</sup> Some Georgian observers have cautioned that Georgia's relatively large-scale involvement in SSOP and deployments to Iraq and Afghanistan divert Georgia from other vital national security concerns, but most Georgian officials view these efforts as boosting the professionalism of the armed forces and moving Georgia toward NATO membership.<sup>121</sup> U.S. analyst Paul Saunders urged the Obama Administration not to support the deployment of Georgian troops to Afghanistan, since Saakashvili might still not understand that "the United States has no military commitment of any kind to Georgia, and especially no commitment to the armed return of South Ossetia and Abkhazia to his control."<sup>122</sup>

Besides SSOP, USEUCOM initiatives in the region have included the South Caucasus Clearinghouse and the Caspian Regional Maritime Security Cooperation program. The Clearinghouse aims to facilitate cooperation by sharing data on security assistance among both donor and recipient countries. Gen. Bantz John Craddock, then-Commander of USEUCOM, testified in March 2008 that the Caspian Regional Maritime Security Cooperation program aims to "coordinate and complement U.S. government security cooperation activities in Azerbaijan and Kazakhstan. U.S. Naval Forces Europe continues to promote Maritime Safety and Security and Maritime Domain Awareness in the Caspian Sea through routine engagement with Azerbaijan. These efforts are targeted to create an organic ability within Azerbaijan to 'observe, evaluate, and respond' to events in their maritime domain."<sup>123</sup> (This program appears to combine elements of the former Caspian Guard and Hydrocarbons programs.)<sup>124</sup> In FY2008, \$1.7 million in Section

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<sup>116</sup> *New York Times*, March 2, 2002, p. 9; Jim Heintz, *Associated Press*, June 11, 2004.

<sup>117</sup> U.S. European Command, *SSOP Signing Ceremony and Press Briefing Transcript*, March 29, 2005; CEDR, February 2, 2005, Doc. No. CEP-249.

<sup>118</sup> CEDR, May 17, 2005, Doc. No. CEP-20001.

<sup>119</sup> Koba Liklikadze, as reported in Foreign Broadcast Information Service (CEDR). *Central Eurasia: Daily Report*, January 18, 2006, Doc. No. CEP-20003.

<sup>120</sup> CEDR, October 27, 2005, Doc. No. CEP-27165; January 3, 2007, Doc. No. CEP-21002.

<sup>121</sup> CEDR, November 15, 2004, Doc. No. CEP-59.

<sup>122</sup> Paul J. Saunders, "Help Has Strings Attached," *Washington Times*, December 17, 2009.

<sup>123</sup> U.S. Senate. Committee on Armed Services. *Statement of General Bantz J. Craddock*, March 13, 2008.

<sup>124</sup> Gen. James Jones testified that the Caspian Guard program, launched in 2003, aimed to enhance and coordinate security assistance provided by U.S. agencies to establish an "integrated airspace, maritime and border control regime" for the littoral states of Azerbaijan and Kazakhstan. The Hydrocarbons initiative aimed to provide maritime security and crisis response and consequence management assistance to help the regional states protect their pipelines and other energy transport to the West. U.S. Senate. Committee on Armed Services. *Testimony by Gen. James Jones*, March 1, 2005.

1206 funds were supplied for naval counter-terrorism training for Azerbaijan. The United States acknowledged in late 2005 that it had supplied two maritime surveillance radars to Azerbaijan to help detect and direct interdiction of illicit weapons of mass destruction and other trafficking in the Caspian Sea.<sup>125</sup>

In the wake of the August 2008 Russia-Georgia conflict that severely damaged Georgia's military capabilities, Gen. Craddock visited Georgia on August 21 to survey the destruction of infrastructure and military assets. According to Assistant Secretary of Defense Vershbow, EUCOM carried out a "comprehensive multi-month assessment of Georgia's Armed Forces." In October 2008, the Defense Department also held yearly bilateral defense consultations with Georgia. Vershbow testified that as a result of these assessments, "many previously unrecognized or neglected deficiencies in the various required capacities of the Georgian Armed Forces and Ministry of Defense [came to light]. In practically all areas, defense institutions, strategies, doctrine, and professional military education were found to be seriously lacking."<sup>126</sup>

In March 2009, Gen. James Cartwright, the Vice Chairman of the Joint Chiefs of Staff, visited Georgia to further assess its defense needs. He stated that "the United States remains committed to the U.S.-Georgia charter on strategic partnership and to provide training and other assistance to the Georgian military in support of their reform efforts and continued independence." He pledged added training that would be "focused on the defense of Georgia, on its self and internal defense," and equipment transfers that would be based on "what equipment needs to be upgraded and then what new types of equipment that are necessary for their homeland defense."<sup>127</sup> Assistant Secretary Vershbow similarly testified in August 2009 that "we are focusing on building defense institutions, assisting defense sector reform, and building the strategic and educational foundations that will facilitate necessary training, education, and rational force structure design and procurement. We are assisting Georgia to move along the path to having modern, western-oriented, NATO-interoperable armed forces capable of territorial defense and coalition contributions."<sup>128</sup> He stressed, however, that "the United States has not 'rearmed' Georgia as some have claimed. There has been no lethal military assistance to Georgia since the August [2008] conflict. No part of the \$1 billion U.S. assistance package went to the Ministry of Defense."<sup>129</sup> In addition, no FMF, IMET, Section 1206, or Section 1207 assistance has been provided. Some in Congress and elsewhere have criticized this dearth of lethal security assistance to bolster Georgia's territorial defense capabilities.<sup>130</sup>

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<sup>125</sup> "Two Radar Stations Become Operational in Azerbaijan under the U.S.-Funded Caspian Guard Initiative," *International Export Control Observer*, Center for Non-proliferation Studies, Monterey Institute of International Studies, November 2005.

<sup>126</sup> U.S. Senate. Committee on Foreign Relations. Subcommittee on Europe. Hearing on Georgia: One Year After the August War. *Testimony of Alexander Vershbow, Assistant Secretary of Defense for International Security Affairs*, August 4, 2009.

<sup>127</sup> Air Force Master Sgt. Adam Stump, "U.S., Georgia to Continue Strategic Partnership," *American Forces Press Service*, March 31, 2009; *CEDR*, March 30, 2009, Doc. No. CEP-950352; Giorgi Lomsadze, "Georgia: Pentagon to Start Military Training Program," *Eurasia Insight*, March 30, 2009.

<sup>128</sup> Vershbow, August 4, 2009.

<sup>129</sup> U.S. Senate. Committee on Foreign Relations. Subcommittee on Europe. Hearing on Georgia: One Year After the August War. *Testimony of Alexander Vershbow, Assistant Secretary of Defense for International Security Affairs*, August 4, 2009.

<sup>130</sup> U.S. Senate. Committee on Foreign Relations. *Striking The Balance: U.S. Policy And Stability In Georgia, a Report to the Committee on Foreign Relations*, S. PRT. 111-37, December 22, 2009; Joshua Kucera, "Georgia: Senate Staff Report Stokes Unease in the Caucasus," *Eurasia Insight*, January 5, 2010.

## **Nonproliferation Aid**

The United States has gained greater support in the region for combating the proliferation of weapons of mass destruction (WMD) by emphasizing how this goal enhances the security interests of the states. The United States has been the largest aid donor for such efforts. The Departments of Defense (DOD), Energy (DOE), and State (DOS) have been the main agencies providing training and equipment to help prevent nuclear smuggling and other proliferation threats in the South Caucasus states.<sup>131</sup> DOS funds the Export Control and Related Border Security Program (EXBS), which improves export control capabilities in the Soviet successor states to prevent proliferation of WMD and related components. The Commerce Department, DOE, Customs and Border Protection Service, and Coast Guard help implement EXBS. DOE's Second Line of Defense Program places radiation detection systems at ports of entry. DOD's Proliferation Prevention Program (PPP; launched in FY2003) was designed to upgrade the abilities of non-Russian Soviet successor states to deter and interdict smuggling of WMD and related materials. PPP coordinates with these and other DOD programs, including the International Counter-proliferation Program (ICP; launched in FY1997) that conducts activities with the FBI and the Customs and Border Protection Service.<sup>132</sup>

An ICP was launched in Armenia in FY1999, which included WMD detection and interdiction training. Also in FY1999, DOS provided \$1.9 million for Armenia and Azerbaijan to expand the Tracker Automated Licensing System to help them track exports of proliferation concern. EXBS aid helped Armenia establish an interagency export-control coordinating commission and has provided training and equipment. Through FY2005, DOE and other agencies have provided more than \$55 million to enhance the safety and security of Armenia's Metamor nuclear reactor.<sup>133</sup>

Beginning in FY1999, an ICP in Azerbaijan has provided training courses on crime scene investigation, criminal investigation, radiation detection and response, and other courses relevant to WMD counter-proliferation.<sup>134</sup> In January 2004, the United States and Azerbaijan signed an agreement implementing a five-year PPP in Azerbaijan to enhance the country's ability to detect and interdict WMD on vessels transiting the Caspian Sea. The \$68 million was used to provide and improve maritime radar surveillance equipment and procedures, repair and upgrade boats, provide WMD detection and other equipment for boarding crews, and construct or upgrade command and control, maintenance, and logistics facilities to expand the patrol areas of the Border Service-Coast Guard. In November 2006, DOD completed construction of a boat basin for the Border Service-Coast Guard to extend their range of patrols. A follow-on FY2009-FY2013 PPP is projected to cost \$33 million. This project aims to "develop a comprehensive capability for WMD surveillance and interdiction on Azerbaijan's Caspian Sea border." Plans include the installation of an upgraded maritime surveillance radar on Chilov Island for use by the Navy and

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<sup>131</sup> Government Accountability Office. Nuclear Non-proliferation: U.S. Efforts to Help Other Countries Combat Nuclear Smuggling Need Strengthened Coordination and Planning, May 16, 2002; Combating Nuclear Smuggling: Corruption, Maintenance, and Coordination Problems Challenge U.S. Efforts to Provide Radiation Detection Equipment to Other Countries, March 14, 2006.

<sup>132</sup> Department of Defense. *Comprehensive Threat Reduction Annual Report to Congress*, 2004, 2005, 2006, 2007, 2008, 2009.

<sup>133</sup> In May 2002, the United States imposed sanctions on the Armenian firm Lysine Open Joint Stock Co. and its former owner, Armen Sarkisyan, for transferring WMD technology to Iran, specifically, transfer of biochemical equipment. *Federal Register*, May 16, 2002, pp. 32983-32984; *RFE/RL Newswire*, May 17, 2002.

<sup>134</sup> Defense Threat Reduction Agency. International Counter-Proliferation Program Conducts Field Exercise in Azerbaijan, June 8, 2006.

the State Border Service-Coast Guard, ongoing repairs and upgrades for some naval vessels, the transfer of WMD detection equipment, and training on boarding for State Border Service-Coast Guard personnel.

The United States and Georgia signed a CTR umbrella agreement in 1997 (and extended in 2002) for proliferation prevention and the promotion of defense and military contacts to encourage demilitarization, defense reform, proliferation prevention, and regional stability and cooperation. In 1998, the two sides signed an export control systems implementing agreement (extended in 2002). At Georgia's behest, the United States used emergency CTR funds to remove 8.8 lbs. of highly enriched uranium and 1.8 lbs of spent fuel from an Institute of Physics research reactor near Tbilisi in April 1998. The United States had earlier provided security assistance to safeguard the material prior to removal, after two criminal attacks on the reactor facility.<sup>135</sup> In 1998-1999, DOD provided two CTR-funded patrol boats to enhance export controls. Some CTR funding reportedly was used to support the SSOP. CTR funding was used to remove and destroy dual-use equipment at the Soviet-built Biokombinat animal vaccine production plant near Tbilisi, Georgia. The plant's conversion into a feed mill was completed in mid-2007. The United States provided \$469 million in cumulative DOD, DOS, and DOE aid over the period FY1992-FY2008 (if EXBS aid is included, the total would be \$652 million) to help Georgia prevent the proliferation of WMD (see Table 2).<sup>136</sup>

### **Counter-Narcotics Aid**

There is rising U.S. concern that drugs transiting the South Caucasus may eventually reach the United States in major quantities, since Latin American and other international organized groups have become involved in the wider regional drug trade. Despite efforts to eliminate them, terrorist groups still in the region may be using drug trafficking to help finance their operations, so counter-drug activities may support counter-terrorism.<sup>137</sup> U.S. policy also recognizes the problems of rising crime, corruption, and instability posed by illegal narcotics production, use, and trafficking in the region. These problems are increasingly emphasized by regional governments that urge the United States to take the lead in combating rising drug trafficking from Afghanistan. Dissatisfaction with U.S. actions in this area eventually could harm U.S. relations with the governments.

Among U.S. efforts, the FBI, Department of Justice, U.S. Customs Service, the Drug Enforcement Administration, and the State Department's Bureau of International Narcotics and Law Enforcement Affairs have provided training in counter-narcotics to police, customs, and border control personnel in the region. The waiver of Sec.907 of the Freedom Support Act has permitted U.S. government-to-government aid for counter-narcotics programs in Azerbaijan since 2002. Significant U.S. assistance to Azerbaijan was reported for FY2006, including the provision of trucks for Customs Contraband Teams, an assessment of security along the Iranian border for the Border Guards, the contribution of fencing and construction materials to rebuild watchtowers along the Iranian border, a USEUCOM assessment of the capabilities of the Border Guard's Air

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<sup>135</sup> *NIS Nuclear Profiles Database*. Center for Nonproliferation Studies, Monterey Institute of International Studies.

<sup>136</sup> The United States in early 2003 raised concerns that unemployed Georgian technicians were servicing military aircraft or assisting in nuclear programs in Iran. Then-President Shevardnadze verified that Georgian citizens had illicitly aided Iran. *CEDR*, January 12, 2003, Doc. No. CEP-23; January 13, 2003, Doc. No. 167; January 15, 2003, Doc. No. 282; *Agence France-Presse*, January 14, 2003.

<sup>137</sup> U.S. Senate. Judiciary Committee. *Narco-Terrorism*. Testimony of Raphael Perl, May 20, 2003.

Wing, and the equipping of a maritime base near Astara. A U.S.-supplied short-range radar near Astara was upgraded to monitor and patrol the southern Caspian Sea and maritime boundaries. In 2007, Four patrol and fast response boats were delivered to the base, and Customs personnel were given added training and search equipment. During 2009, however, INL-funded law enforcement assistance programs were canceled after the Azerbaijani government failed to cooperate with the required vetting process covering human rights,<sup>138</sup> and as a result, the Justice Department's International Criminal Investigative Training Assistance Program funding could not go forward to train law enforcement or military personnel. Other State Department and U.S. Coast Guard training programs continued to be implemented to enhance border controls.<sup>139</sup>

## **Safety of U.S. Citizens and Investments**

U.S. firms are the largest cumulative investors in Azerbaijan, investing about \$7.1 billion through 2008, or about one-third of all foreign investment.<sup>140</sup> The U.S. Commerce Department warned in 2009 that corruption impedes the ability of many companies to do business and even has driven some major Western firms to leave Azerbaijan, particularly those involved in the non-energy sector. Businesses indicate that some regulatory and tax officials and some contract dispute arbitrators may be corrupt. In an effort to improve the investment climate, Azerbaijan's Tax Ministry set up an expedited business registration process that reportedly has reduced the "time, cost, and number of procedures to start up a business." Nonetheless, some officials at the Ministry of Justice reportedly still demand bribes to register businesses, so that "Azerbaijan remains a challenging market in which to do business."<sup>141</sup>

Foreign direct investment in Georgia has increased since its "rose revolution," mainly involving investment by BP in oil and gas pipeline infrastructure. Many medium and small investors allegedly remain wary.<sup>142</sup> The U.S. Embassy in Georgia reports conditions similar to those in Azerbaijan, warning that many U.S. and foreign firms have suffered from official corruption. The embassy also warns that there are a few criminalized sectors of the economy, such as gasoline and cigarette distribution, that foreign investors should avoid. Foreign direct investment (FDI) in Georgia fell off sharply after the August 2008 Russia-Georgia conflict, from about \$605 million in 2008 (mostly before the conflict), to \$226 million in the first half of 2009.<sup>143</sup>

U.S. government facilities worldwide were on a heightened state of alert after September 11, 2001, and U.S. embassies were subject to temporary closure for security reasons. In March 2003,

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<sup>138</sup> After being included for several years in appropriations language, the Consolidated Appropriations Act for 2008 (P.L. 110-161) amended Chapter 1 of part III of the Foreign Assistance Act of 1961 by adding Sec. 620J, Limitation on Assistance to Security Forces. Under this language, "no assistance shall be furnished under this Act or the Arms Export Control Act to any unit of the security forces of a foreign country if the Secretary of State has credible evidence that such unit has committed gross violations of human rights.... The prohibition ... shall not apply if the Secretary determines and reports ... that the government of such country is taking effective measures to bring the responsible members of the security forces unit to justice."

<sup>139</sup> *International Narcotics Control Strategy Report*, Vol. I, Drug and Chemical Control, March 1, 2010.

<sup>140</sup> U.S. Department of Commerce. Bureau of Economic Analysis. *U.S. Direct Investment Abroad: Azerbaijan*, data tables at <http://www.bea.gov/international/di1usdbal.htm>.

<sup>141</sup> U.S. Department of Commerce. International Trade Administration. U.S. Commercial Service. *Azerbaijan: Investment Climate Statement 2008*, and *Azerbaijan: Investment Climate Statement 2009*.

<sup>142</sup> U.S. Department of Commerce. Bureau of Economic Analysis. *U.S. Direct Investment Abroad: Georgia*, data tables at <http://www.bea.gov>.

<sup>143</sup> Economist Intelligence Unit. *Country Report: Georgia*, December 1, 2009.

U.S. embassies in the region issued Warden's Messages warning that U.S. citizens and interests worldwide were at risk of terrorist attacks. There were some anti-U.S. demonstrations in early 2003 in the region related to the Iraq conflict, but the State Department reported no significant violence against U.S. interests.

In Georgia, the State Department has advised U.S. citizens to avoid travel to Abkhazia and South Ossetia because of gunfire and crime and the extremely limited U.S. diplomatic access to these breakaway regions. The State Department also has warned Americans that travel to areas near Abkhazia's and South Ossetia's borders with the rest of Georgia is ill-advised, as well as to the Pankisi Gorge and to other border areas near Russia's Chechnya and Dagestan regions.<sup>144</sup>

Despite Georgia's efforts to combat corruption and increase the caliber of law enforcement personnel, crime continues to be a "very serious problem" in Tbilisi. The U.S. Embassy in Tbilisi warns that high rates of poverty have contributed to an increase in crimes against Americans and other foreigners who are viewed as wealthy and are therefore targeted for economic- and property-based crimes. Most of the crimes against Americans involve residential break-ins, car-jackings, car theft, petty theft, and armed robbery. However, the rate of violent crime against foreigners also is increasing. The State Department warns that the level of crime in Tbilisi is higher than in many European and U.S. cities.<sup>145</sup> During then-President Bush's visit to Georgia on May 10, 2005, a hand grenade was thrown toward a podium containing Presidents Bush and Saakashvili. It failed to explode. A suspect possibly linked to former Ajarian politician Aslan Abashidze was sentenced for the crime.

A more secure U.S. Embassy building opened in Tbilisi in December 2005. During the August 2008 Russia-Georgia conflict, U.S. Embassy dependents and Peace Corps volunteers were evacuated to Armenia. The U.S. Embassy also restricted travel outside of Tbilisi by staff and family members.

Several U.S. investors in Armenia have reported being victims of financial scams and of being involved in disputes over property ownership. The State Department reports that these latter investors "have had to seek legal recourse through a long, and in the majority of cases, unsuccessful court proceeding." The State Department has assessed crime against foreigners as relatively rare in Armenia, mainly involving break-ins and theft. There are some instances of violent assaults and robberies, but the general level of violent crime is less in Yerevan than in most U.S. cities. There is "a considerably large organized crime network" in Armenia, but organized crime violence usually is not aimed against foreigners. U.S. citizens are unlikely to be the targets of political violence, according to the State and Commerce Departments. There have been instances where young men with dual citizenship have been conscripted into the armed forces upon visiting Armenia. The U.S. Embassy has designated a section of highway near NK as off limits to U.S. government travelers because of the danger of ceasefire violations. A more secure U.S. Embassy building opened in Yerevan in May 2005.<sup>146</sup>

In Azerbaijan, the State Department reports that "there have been no acts of political violence against U.S. businesses or assets, nor against any foreign-owned entity. The risk of political

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<sup>144</sup> U.S. Department of State. Bureau of Consular Affairs. *Georgia: Travel Warning*, April 9, 2009.

<sup>145</sup> U.S. Department of State. *Consular Information Sheet, Georgia*, November 27, 2009.

<sup>146</sup> U.S. Department of State. Armenia: 2009 Crime and Safety Report, June 23, 2009; Consular Information Sheet, Armenia, January 9, 2009.

violence affecting foreign investors remains minimal.”<sup>147</sup> However, Azerbaijani authorities have reported an increase in Islamic extremism and terrorist plots against Western interests in the country. Members of the indigenous terrorist group Jayshullah were convicted in 2001 for planning an attack against the US Embassy and other terrorism. In July 2005, the Azerbaijani government arrested a group on charges of planning terrorist training to attack the U.S., Israeli, and Russian embassies.<sup>148</sup> In late October 2007, the Azerbaijani National Security Ministry warned the U.S. Embassy and other Western interests that a terrorist group was planning attacks, and the embassy limited its operations for two days while the Ministry continued to investigate and make arrests.<sup>149</sup>

U.S. citizens traveling to Azerbaijan are advised that the occupied areas around NK are dangerous because of ceasefire violations and the presence of minefields and that travel into NK is not possible from Azerbaijan. U.S. travelers were warned in July 2006 to be on guard against violent acts and possible terrorist attacks against Americans in the face of Israeli military actions in Lebanon. The Warden’s Report for January 2007 warned U.S. citizens that petty crime such as pick-pocketing and taxi shakedowns (charging onerous fares) remained prevalent and that police harassment occurred throughout the country. The State Department warned in early 2009 that the trend was away from such petty crime and toward violent attacks against foreigners, several of which have resulted in injuries. It also warned Americans of Armenian ancestry traveling to Azerbaijan that the Azerbaijani government has “claimed that it is unable to guarantee their safety.”<sup>150</sup>

## **Issues for the 111<sup>th</sup> Congress**

### **Should the United States Play a Prominent Role in the South Caucasus?**

While a consensus appears to exist among most U.S. policymakers on the desirability of fostering democratization, the creation of free markets, trade and investment, integration with the West, and responsible security policies in the South Caucasus states, others urge different emphases or levels of U.S. involvement. Some consider the United States as being the “indispensable power,” leading the way in fostering peace, stability, security, and development in the region.

Critics assert that the United States has historically had few interests in this region, and argue that developments there are largely marginal to U.S. interests.<sup>151</sup> In any event, they argue, EU expansion is bringing the South Caucasus into closer proximity to Europe, making the region a higher priority interest of Europe than of the United States. They advocate limited U.S. involvement to ensure general U.S. goals of ameliorating strife and instability, fostering democratization and regional cooperation, and improving human rights and the quality of life.

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<sup>147</sup> U.S. Department of Commerce. International Trade Administration. U.S. Commercial Service. *Azerbaijan: Investment Climate Statement 2008*.

<sup>148</sup> CEDR, April 24, 2006, Doc. No. CEP-25008.

<sup>149</sup> U.S. Embassy in Baku. *Warden’s Messages*, October 29 and 30, 2007; “Azerbaijani Security Forces Announce Arrest Of Key Figure In Alleged Terror Plot,” *Associated Press*, November 10, 2007.

<sup>150</sup> U.S. Department of State. *Consular Information Sheet, Azerbaijan*, January 27, 2009.

<sup>151</sup> Joe Barnes, U.S. National Interests, in *Energy in the Caspian Region*, ed. by Yelena Kalyuzhnova, Amy Jaffe, Dov Lynch, and Robin Sickles, New York: Palgrave, 2002, pp. 212-233.

## **What are U.S. Interests in the South Caucasus?**

One view holds that greater U.S. assistance for the region to bring stability could have a positive effect on North Caucasian areas of Russia and on Turkey, as well as on European security. 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. More U.S. ties with the region might serve to “contain” or modify Iranian influences. Some also argue that improved U.S. ties with Azerbaijan would benefit U.S. relations with other Islamic countries, particularly Turkey and the Central Asian states. Many add that U.S. encouragement of Caspian region oil and natural gas development and pipelines to the West that do not traverse Russia or Iran would expand world supplies, making the West somewhat less vulnerable to supply cutoffs in the Middle East or Russia. The Administration also has pursued close ties with Armenia and Georgia because of their professions of democratic principles, concerns by Armenian-Americans and others over Armenia’s fate, and appreciation among U.S. policymakers for Georgia’s pro-Western policies. They also point to the prompt cooperation offered to the United States by Armenia, Azerbaijan, and Georgia in the aftermath of September 11, 2001, and their military support for stabilization efforts in Iraq and Afghanistan.

Other observers argue that U.S. aid for humanitarian and counter-proliferation purposes should continue in the region, but other aid should be curtailed, particularly since these states continue to fall short of U.S. goals for democratization, human rights, and peace settlements. Great caution is in order in adopting policies and actions that will heavily involve the United States in a region beset by ethnic and civil conflicts, according to this view.<sup>152</sup> Some observers question whether U.S. interests are threatened by alleged Al Qaeda or other international terrorists in the region. They also question whether the United States should play the lead role in advocating diverse routes for the export of oil and gas from the Caspian region. Many in Congress and elsewhere object to any substantial U.S. assistance to Azerbaijan until the country moves toward peace with Armenia and NK.

## **What Roles Should Outside Powers Play in the Region?**

The United States has advocated that neighboring states respect the sovereignty, independence, and territorial integrity of the South Caucasian states, and resolve border and other disputes peacefully. The U.S. policy of engagement with both Russia and the South Caucasus states has suffered substantially in the wake of Russia’s August 2008 invasion of Georgia. Some observers who view Russia as taking disproportionate actions in Georgia urge stronger Western sanctions against Russia, while EU and Obama Administration policymakers have appeared to stress continued cooperation with Russia on arms control, non-proliferation, anti-terrorism, and other important shared security interests. At the same time, these policymakers have demanded that Russia reverse its recognition of the independence of Abkhazia and South Ossetia and its basing of troops in these regions. Some observers advocate a major role for Turkey to counter undue influence by Iran and Russia, including by calling for closer EU-Turkish cooperation.<sup>153</sup>

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<sup>152</sup> Zbigniew Brzezinski warned that the South Caucasus and Central Asian regions were the “Eurasian Balkans.” See *The Grand Chessboard*. New York, Basic Books, 1997. Similarly, a group of analysts in 2000 assessed the South Caucasus as potentially more dangerous than the Balkans as a “theater of conflict, human suffering, and escalating geopolitical instability in the wider European area.” *A Stability Pact for the Caucasus*, Brussels, Belgium, Centre for European Policy Studies, January 2000.

<sup>153</sup> Stephen Blank, *Problems of Post-Communism*, January-February 2003, pp. 8-21; Olga Oliker and Tanya Charlick- (continued...)

## How Significant Are Regional Energy Resources to U.S. Interests?

Caspian regional oil exports from Azerbaijan, Kazakhstan, Turkmenistan, and Uzbekistan (excluding Russia) might have constituted about 3% of world oil exports and gas exports might have constituted about 8%, according to 2007-2008 data in *The World Factbook*.<sup>154</sup> (Azerbaijan's oil exports were about 0.8% of world oil exports and gas exports were about 0.6% of world gas exports.) Oil and gas exports from these countries are projected to increase in coming years, making these countries of incremental significance as world suppliers, according to this view. The May and November 2002 U.S.-Russia summit statements on energy cooperation appeared to mark a U.S. policy of cooperation with Russia in the development of Caspian oil resources. However, the United States backed the construction of the BTC oil pipeline and the SCP for gas in part as hedges against a possibly uncooperative Russia. Successive U.S. Administrations have argued that the economic benefits gained by the region by developing its energy resources would be accompanied by contractual and other rule of law developments, which could foster regional stability and conflict resolution.<sup>155</sup>

In January 2010, Richard Morningstar, the State Department's Special Envoy for Eurasian Energy, stressed that the three main goals of the Administration's Eurasian energy strategy are to encourage the development of oil and gas resources in the Caspian region; to support energy security in Europe by advocating the development of multiple sources of energy supplies and multiple routes to market; and to assist the Caspian countries in expanding their export routes. He averred that the United States plays "a supporting, not leading, role" in implementing these goals by "listen[ing], identify[ing] common interests and priorities and play[ing] a facilitating role where we can." Such efforts include the creation of a ministerial-level consultative U.S.-EU Energy Council and an Energy Working Group within the U.S.-Russia Bi-national Presidential Commission. To diversify supply routes to Europe, the Administration supports the completion of the Turkey-Greece-Italy (TGI) gas pipeline, the building of the Nabucco gas pipeline, and Kazakhstan's expansion of oil shipments through the South Caucasus. He urged that Turkey and Azerbaijan agree on the transit of the latter's gas to Europe and that Turkmenistan and Iraq (but not Iran) also agree to supply gas through "South Corridor" pipelines. The United States also calls for European energy integration and the development of other sources of supply for Europe, such as gas from North Africa and LNG from Qatar and Nigeria. He stated that the Administration's focus on diversified sources and routes means that it is not opposed to Russia's pipeline projects, such as Nord Stream or South Stream—since Europe must decide which pipeline routes best serve their interests—or Russia's decision to expand the capacity of the Caspian Pipeline Consortium's oil pipeline.<sup>156</sup>

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(...continued)

Paley, *Assessing Russia's Decline*, Santa Monica, CA: RAND, 2002, p. 120. Analyst Martha Olcott has argued that the United States should recognize that Russia has important economic and security interests in the Caspian region, and place greater stress on cooperating with Russia on regional energy projects, particularly since we also want access to Russian energy. Testimony. Senate Foreign Relations Committee. Subcommittee on International Economic Policy, April 8, 2003.

<sup>154</sup> CIA. *The World Factbook*. Data on oil and gas exports for 2008; both extra-regional and intra-regional exports are included in *The World Factbook* data.

<sup>155</sup> Thomas Waelde, Sergey Vinogradov, and Armando Zamora, *Caucasian Regional Studies*, <http://poli.vub.ac.be/publi/crs/eng/Vol5/>.

<sup>156</sup> "Remarks by Ambassador Morningstar," Forum on the 2010 Outlook for Eurasian Energy, Center for American Progress, January 28, 2010.

Critics of U.S. policy raise concerns about regional stability, ownership of Caspian Sea fields, and the comparative size of regional reserves.<sup>157</sup> They question whether the oil and gas and other natural resources in these new states are vital to U.S. security. Some observers also reject the argument that energy and pipeline development may boost economic development—rather than merely the wealth of regional elites—and thereby foster the settlement of ethnic and civil conflicts in the region. Instead, they urge greater attention to conflict resolution and broader-based economic and democratic reforms that would better serve the people of the region.<sup>158</sup>

### **What U.S. Security Involvement is Appropriate?**

Observers who urge greater emphasis on U.S. security assistance to the South Caucasus states argue that such aid serves crucial U.S. interests. Without greater assistance, these states may not consolidate their independence. The states remain vulnerable to international terrorist groups and to coercion from neighboring countries.<sup>159</sup> These observers emphasize that U.S. customs and border training and equipment and other nonproliferation aid prevent WMD technologies, materials, and personnel from falling prey to terrorist states or groups and from being smuggled through the region. They also argue that the states may not be able to adequately safeguard their energy pipelines from terrorists or criminals.

They urge greater U.S. military-to-military assistance, including for military institution-building, basic soldier life support, and military education and training programs that bolster human rights. Such aid, in this view, will foster the creation of a professional, Western-style military that is better able to resist external security threats, and will foster democratic civil-military relations that reduces the chance of military coups. Greater U.S. support for PFP training—involving cooperation among regional militaries—could spur these states to work together. These observers also argue that as Iran increases its military capabilities, including missiles and possibly nuclear weapons, the South Caucasus states may necessarily seek closer countervailing ties with the United States. Alternatively, the region might feel pressured to seek greater accommodation with Iran, including by distancing itself from the United States. Georgia's integration into Western institutions, including NATO, bolsters security in the Black Sea-Caspian Sea regions.

Critics question whether the region is a vital U.S. interest necessitating enhanced U.S. security commitments and aid. They warn that the stepped-up U.S. security training and arms transfers has added to arms races in the region and tensions with other outside powers. They argue that the United States should primarily seek to encourage conflict resolution and regional cooperation in demilitarization. They oppose providing formal security guarantees or establishing military bases

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<sup>157</sup> Eric Rasizade, *Comparative Studies of South Asia*, nos. 1-2, 2002; Anush Begoyan, *Iran and the Caucasus*, vol. 8 issue 1, 2004, pp. 141-155. At least until the increase in crude oil prices, critics of Administration policy also questioned the economic viability of Ceyhan and trans-Caspian pipeline routes compared to routes through Russia or Iran.

<sup>158</sup> Jaffe and Manning, pp. 113, 118; Michael Evans, *Strategic Review*, Spring 1999, pp. 4-10; Peter Rutland, *Russia and Eurasian Review*, May 13, 2003. Analyst Edward Chow has argued that “by focusing too much on energy relationships ... we give the impression that we care less about improvement in fundamental conditions like the rule of law, transparency, and more political openness .... Russia, Central Asia, and the Caucasus are important to U.S. foreign policy interests whether these countries have oil or not.” Testimony. Senate Foreign Relations Committee. Subcommittee on International Economic Policy, April 30, 2003.

<sup>159</sup> Prior to the August 2008 Russia-Georgia conflict, Oliker and Charlick-Paley suggested that the United States should increase its cooperation with Russia in South Caucasian affairs to reduce the likelihood of a clash between Georgian and Russian troops in Georgia that might necessitate a U.S. military intervention. (pp. 107-120).

in the region, and endorse making it plain that any U.S. security assistance provided implies no defense “umbrella.”<sup>160</sup>

In the wake of the August 2008 Russia-Georgia conflict, these contrasting arguments were at the forefront of debate over future U.S. military-to-military assistance to Georgia. Advocates of boosted U.S. security assistance to Georgia argued that the U.S. military training provided to Georgian troops was designed for counter-terrorism, including to support coalition actions in Iraq, rather than for conventional military operations. They suggested that more robust U.S. security assistance—along with assistance that would have been in the works if NATO had offered a MAP to Georgia in April 2008—might have deterred Russia from its disproportionate military actions in Georgia. Some critics of this view asserted that U.S. and NATO assistance to Georgia’s military emboldened the country’s leadership to launch an action in South Ossetia, whether or not the action was provoked by Russia. They also pointed to Russian President Medvedev’s opposition to a NATO MAP for Georgia as destabilizing and a threat to Russia, and his assertion that he would have ordered Russian troops to invade Georgia even if Georgia had been granted a MAP. The U.S.-Georgia Charter on Strategic Partnership, signed in January 2009, appears to support the former viewpoint by stating that “our two countries share a vital interest in a strong, independent, sovereign, unified, and democratic Georgia.... We plan to undertake a program of enhanced security cooperation intended to increase Georgian capabilities and to strengthen Georgia’s candidacy for NATO membership.... The United States and Georgia intend to expand the scope of their ongoing defense and security cooperation programs to defeat [threats to global peace and stability] and to promote peace and stability. A defense and security cooperation partnership between the United States and Georgia is of benefit to both nations and the region.... the United States supports the efforts of Georgia to provide for its legitimate security and defense needs.”<sup>161</sup> At the same time, U.S. authorities appear to be carefully assessing how best to carry out these provisions of the Charter.

### **Should the United States Try to Foster Democratization?**

Some observers argue that the major security problems faced by the South Caucasus states are largely the result of inadequate or fragile democratization. The illegitimacy of the governments in the eyes of significant numbers of citizens endangers civil and ethnic peace and sustainable development and invites foreign meddling, in this view. Some observers recommend greater U.S. and Western attention to bolstering social programs so that public demands that are unleashed by liberalization do not destabilize fragile democratic institutions.<sup>162</sup> After the “rose revolution” in Georgia and a relatively free and fair presidential election in early 2004, political instability increased in 2007, resulting in President Saakashvili’s resignation in order to hold a snap presidential election (which he won). His stated intention in holding the snap election was to restore stability by pledging a more open and responsive political system that would better address quality of life concerns. However, progress in democratization has been slow and political instability still appears to be a substantial problem in 2010.

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<sup>160</sup> These views were more prevalent prior to September 11, 2001. John Kreul argued against a U.S. “strategy that entails deeper defense relationships and hints of security guarantees” to Caspian regional states. *National Security Watch*, Association of the U.S. Army, Institute of Land Warfare, June 15, 2000. On the unintended consequences of U.S. security assistance, see Jamestown Foundation, *Russia and Eurasia Review*, May 13, 2003.

<sup>161</sup> U.S. Department of State. United States-Georgia Charter on Strategic Partnership, January 9, 2009.

<sup>162</sup> S. Neil McFarlane, *Government and Opposition*, no. 3, 1997, pp. 399-420; S. Neil McFarlane, *Western Engagement in the Caucasus and Central Asia*, London, Royal Institute of International Affairs, 1999, pp. 48, 60.

The United States has provided most assistance for democratization to Armenia, and somewhat less for Georgia. U.S. aid for democratization in Azerbaijan was explicitly permitted by Congress in FY1998 and thereafter. Armenia's May 2007 legislative elections "demonstrated improvement and were conducted largely in accordance with ... international standards for democratic elections," according to the conclusions made by observers from the OSCE, COE, and the EU. However, these observers still raised some concerns over pro-government party domination of electoral commissions, the low number of candidates in constituency races, and inaccurate campaign finance disclosures.<sup>163</sup> Election observers from the OSCE, COE, and the EU stated that Armenia's February 2008 presidential election "mostly met OSCE commitments ... in the pre-election period and during voting hours," but that "serious challenges to some commitments did emerge, especially after election day. This displayed an insufficient regard for standards essential to democratic elections and devalued the overall election process. In particular, the vote count demonstrated deficiencies of accountability and transparency..."<sup>164</sup>

In the case of Azerbaijan, OSCE monitors reported large-scale irregularities during the 2005 legislative election, particularly in vote-counting, but the U.S. Administration viewed the race as indicating the Azerbaijani government's commitment to democratization.<sup>165</sup> Election observers from the OSCE, COE, and the EU stated that Azerbaijan's October 2008 presidential election "marked considerable progress toward meeting OSCE and Council of Europe commitments and other international standards but did not meet all ... the principles of a meaningful and pluralistic democratic election." The observers commended a peaceful voting process that was "well organized and efficient," but were critical of a "lack of robust competition and of vibrant political discourse facilitated by media."<sup>166</sup>

Critics of U.S. democratization aid have suggested that the Administration's stress on gradual and peaceful political change in the South Caucasus connotes U.S. support for the current ruling elites. They contend that U.S. support may unwittingly assist these elites in staying in power, making peaceful democratic transitions from these entrenched groups to others more problematic, and encouraging the countervailing rise of extremist parties and groups as alternative channels of dissent. These critics urge greater adherence to the policy that "aid follows reform," so that U.S. assistance is reduced to regimes that fail to democratize and continue to violate human rights.

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<sup>163</sup> OSCE. ODIHR. Parliamentary Elections, Republic of Armenia, 12 May 2007: Statement of Preliminary Findings and Conclusions, May 13, 2007; Post-Election Interim Report, No. 1, May 22, 2007. PACE. Ad Hoc Committee of the Bureau of the Assembly. Report: Observation of the Parliamentary Elections in Armenia, Doc. 11312, June 20, 2007. According to this report, "the shortcomings and irregularities, some of which were serious, observed during the crucial vote count and tabulation processes stain the positive preliminary assessment.... [T]hey could undermine the transparency and public confidence in the conduct and results of these elections. In addition, they raise questions with regard to the robustness of the electoral process...." See also CRS Report RS22675, *Armenia's Legislative Election: Outcome and Implications for U.S. Interests*, by Jim Nichol.

<sup>164</sup> OSCE. International Election Observation Mission. Presidential Election, Republic of Armenia, 19 February 2008: Final Report of the OSCE/ODIHR Election Observation Mission, May 30, 2008.

<sup>165</sup> U.S. Department of State. Press Statement: Azerbaijan Parliamentary Elections, November 7, 2005.

<sup>166</sup> EU. *Statement of the Presidency of the EU on the Presidential Election in Azerbaijan*, October 17, 2008; CEDR, October 22, 2008, Doc. No. CEP-950288. See also CRS Report RS22977, *Azerbaijan's October 2008 Presidential Election: Outcome and Implications*, by Jim Nichol.

## Appendix. Selected Players

### Russia

According to many observers, Russia—the former colonial power—is the most serious potential threat to the security and independence of the South Caucasian states. Russia has appeared to place a greater strategic importance on maintaining influence in the South Caucasus region than in much of Central Asia (except Kazakhstan). Its early determination to remain closely involved in the region included its pressure on Azerbaijan and Georgia in 1993 to get them to join the CIS and sign the Collective Security Treaty, and on Georgia to acquiesce to Russian military bases on its soil.<sup>167</sup>

The elevation of Vladimir Putin to Russia's presidency marked a more coordinated and activist Russian stance toward the region. Then-Acting President Putin approved a "national security concept" in January 2000 that termed foreign efforts to "weaken" Russia's "position" in the South Caucasus, or to thwart "integrative processes" in the CIS, as security threats. It also called for protecting Russia's economic interests in routes for energy flows from the Caspian and elsewhere. A new military doctrine approved by Putin also stressed these threats, including warnings that NATO might intervene in conflicts in the CIS, such as the NK or Abkhaz conflicts, as it did in the Kosovo region of Yugoslavia.<sup>168</sup>

During Medvedev's presidency, a new national security strategy promulgated in May 2009 and a new military doctrine released in February 2010 stated that the main national security threats facing Russia included NATO's "plans to advance the Alliance's military infrastructure to Russia's borders and attempts to impart global functions to it." The military doctrine also stressed that one of the tasks of the armed forces is to protect Russian citizens outside of Russia.<sup>169</sup> According to some observers, Russia's 1999-2005 Chechnya campaign and 2008 invasion and effective occupation of parts of Georgia appear to demonstrate the determination of the Putin/Medvedev leadership to grasp for regional influence over the South Caucasus. Other observers argue that such Russian intentions, however, may in fact be unattainable because of Russia's strategic weakness.

During his presidency, Putin launched new regional initiatives, including an agreement in July 2000 to hold regular biannual "Caucasus Four" summits focusing on deepening Russia's influence through dispute mediation and security cooperation (only a few ever were held). Another agreement in September 2000 between Russia, Iran, and India called for creating a North-South International Transport Corridor (NSTC).<sup>170</sup> According to Russian media, major

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<sup>167</sup> The Russian military reportedly provided assistance for overthrowing the Azerbaijani government, opening up Heydar Aliyev's return to power, after which Azerbaijan joined the CIS. Similarly, the Russian military assisted then-President Shevardnadze in defeating insurgency, after which Georgia joined the CIS.

<sup>168</sup> In contrast, a 1997 draft of the national security concept emphasized the importance of a democratizing CIS, rather than a militarized CIS protecting against outside threats. Herzig, p. 49. See also Stephen Blank, *Threats to Russian Security*, U.S. Army War College, July 2000, pp. 18-19.

<sup>169</sup> "Russian Federation National Security Strategy Until 2020," *CEDR*, May 13, 2009, Doc. No. CEP-557001; "The Military Doctrine of the Russian Federation," *Open Source Feature*, February 9, 2010, Doc. No. FEA- 1280.

<sup>170</sup> Russian and Iranian transport ministers discussed setting up such a transport corridor at a meeting in September 1999. India was interested in sending an experimental cargo shipment to Scandinavia along this corridor. *Interfax*, September 14, 1999.

reasons for pursuing a Russian-oriented NSTC included counteracting the regional development of routes bypassing Russia, such as the BTC oil pipeline and SCP, and the Russian strategic concept's call for protecting Russia's interests in the Caspian region.<sup>171</sup> In May 2002, an inter-ministerial agreement was signed between Russia, Iran, and India inaugurating the NSTC with termini at Bombay and St. Petersburg. Shipments along the route began in July 2004, and at a meeting in late 2004, representatives from Russia, Kazakhstan, India, Iran, Azerbaijan and Oman discussed measures to expedite shipping. The opening of the BTC pipeline and the SCP, however, have been a blow to Russia's rationales for the NSTC.

Armenia has been concerned about proposals to build regional railroads that would bypass the country, which it argues will further isolate it from transport routes. Accords were signed in 2004-2005 between the state-controlled Russian Railways Company and Azerbaijani and Iranian railway officials to form a consortium to build a 250-mile railway from Azerbaijan's town of Astara to Iran's towns of Resht and Kazvin. This proposed railway would link with others to the north and south, permitting land-based transport of cargo from Europe to the Persian Gulf, and would supplement existing transport by ferry from Russian and Iranian Caspian Sea ports.<sup>172</sup> A memorandum of understanding was signed in March 2010 by the Iran-Russia Joint Transportation Working Group to form a joint company to fund the building the railway. Iran also is planning to build a railway to Armenia. The presidents of Turkey, Azerbaijan, and Georgia signed a declaration of intent in May 2005 to build a railway linking Kars in Turkey to Baku in Azerbaijan. Financing of the railway was agreed upon by the parties in January 2007 and construction began in late 2007. Building continued in early 2010. Armenia objected that this project bypasses Armenia (an existing but unused railway links Armenia to Kars).<sup>173</sup>

Successive U.S. Administrations hoped that Russia would progress in democratization and could play a stabilizing role in the South Caucasus, but these hopes largely lapsed in recent years as Russia became more authoritarian. Congressional concerns over Russia's motives in the Eurasian states have been reflected in provisions in every Foreign Operations Appropriations Act since FY1994 prohibiting aid to any Eurasian state that violates the territorial integrity or national sovereignty of another (a presidential waiver is included; the waiver has been used to provide aid to Armenia).

Russia has appeared to place the greatest strategic importance on exercising influence in the military-strategic sphere, less on influence in the economic sphere, and a minimum on influence in the domestic political sphere, except for obtaining assurances on the treatment of ethnic Russians. Russia has tried to stop terrorism, ethnic "undesirables," drugs, weapons, and other contraband from entering its borders, and to contain or manipulate separatist ideologies in the North and South Caucasus. Russia has averred that these concerns have caused it to maintain

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<sup>171</sup> CEDR, January 15, 2000, Doc. No. CEP-162; April 26, 2000, Doc. No. CEP-15; September 15, 2000, Doc. No. CEP-193; November 10, 2000, Doc. No. CEP-58; April 2, 2002, Doc. No. CEP-201; May 23, 2002, Doc. No. CEP-150; August 5, 2002, Doc. No. CEP-309; May 5, 2003, Doc. No. CEP-204.

<sup>172</sup> CEDR, May 20, 2004, Doc. No. CEP-302; February 10, 2005, Doc. No. CEP-109; *ITAR-TASS*, May 3, 2005; May 5, 2005; President of OAO RZHD Vladimir Yakunin visited the Islamic Republic of Iran, *International Congress of Industrialists and Entrepreneurs News*, November 6, 2006.

<sup>173</sup> In the 109<sup>th</sup> Congress, H.R. 3361, introduced on July 20, 2005, and S. 2461, introduced on March 28, 2006, prohibited U.S. assistance to build any rail connections or railway-related connections that traverse or connect Baku, Azerbaijan; Tbilisi, Georgia; and Kars, Turkey, and that specifically exclude cities in Armenia. S. 3938, the Export-Import Bank Re-authorization Act of 2006—prohibiting Eximbank credits or guarantees for the railway—was signed into law on December 20, 2006 (P.L. 109-438).

military bases in Armenia and Georgia and a relatively large Caspian Flotilla. The states variously have responded to Putin's policies. Armenia has been interested in close security ties with Russia—given that it is almost surrounded by Islamic states that support Azerbaijan's sovereignty over NK—and it views Russia as a traditional protector against the Turks. Azerbaijan has been concerned about Russia's ties with Armenia. Georgia long pressed for the closure of all Russian military bases in the country and the removal of Russian "peacekeepers" (or their inclusion in a larger international force) in Abkhazia and South Ossetia, but failed in August 2008 to advance this goal.

Several developments since Georgia's late 2003 "rose revolution" appeared to mark Russia's declining influence in the South Caucasus. These included NATO's increased ties with all the states of the region, the completion of the BTC oil pipeline and the SCP for gas, Russia's agreement to close its remaining military bases in Georgia, and decisions by Azerbaijan and Georgia to end or reduce their Russian gas imports. These developments appeared to be strengthening the region's pro-Western and pro-U.S. orientation. Russia's invasion of Georgia in August 2008, its recognition of the independence of Abkhazia and South Ossetia, and its establishment of military bases in these regions mark a substantial reassertion of Russian influence in the South Caucasus, according to some observers.

### *Military-Strategic Interests*

Russia's armed presence in Armenia and Georgia—including military base personnel, "peacekeepers," and border troops—was significant during most of the 1990s, but temporarily declined in recent years in Georgia. The first step by Russia in maintaining a military presence in the region was the signing of the CIS Collective Security Treaty by Armenia, Russia, and others in 1992, which calls for mutual defense consultations. Russia prevailed on Georgia and Azerbaijan to join the CIS and also sign the treaty, but they withdrew from the treaty in early 1999. Russia secured permission for two military bases in Armenia and four in Georgia, and Russian forces help guard the Armenian-Turkish border. In 1993, Azerbaijan was the first Eurasian state to pressure Russia to withdraw its troops, except at the Gabala radar site in northern Azerbaijan. (Giving up on closing the site, in January 2002 Azerbaijan signed a 10-year lease with Russia to permit up to 1,500 personnel to man the radar.) In 1999, Georgia assumed full control over guarding its land and sea borders, except for some liaison officers.

At the November 1999 OSCE Summit, the South Caucasus states joined 27 others in agreeing to adapt the Conventional Armed Forces in Europe (CFE) Treaty. The Treaty adaptation process gave Georgia a forum to push for a reduced Russian military presence in Georgia, and when fully implemented also will provide for a reduced Russian military presence in the North Caucasus. To comply with new weapons limits under the Treaty, Russia agreed to reduce weaponry at its bases in Georgia, to close its 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 remained unratified by NATO signatories until Russia satisfied 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. At its December 2002 ministerial meeting, the OSCE hailed the Gudauta closure—over Georgia's objections that the base was not under its control—and appeared unwilling to press Russia on terminating the other bases. At the meeting, the United States voiced "hope" that Russia would make progress in meeting its CFE

commitments. A more determined stance was taken by the OSCE in subsequent fora. Russia asserted that it needed \$300 million to \$1 billion and three to ten years to close the other two bases. Russian Defense Minister Sergey Ivanov stated in June 2005 that about 2,500 Russian troops were at the bases.

Putting pressure on Russia to abide by its commitments, the Georgian legislature in March 2005 passed a resolution calling for Russia to come to an agreement by mid-May on closing the bases by January 2006 or face various restrictions on base operations. This pressure, and perhaps a May 2005 U.S. presidential visit, spurred Russia to come to an agreement with Georgia announced on May 30, 2005, setting 2008 as the deadline for closing the bases. Paving the way for this agreement, President Putin on May 23, 2005, stated that Georgia had the sovereign right to request the base closures and that his military General Staff had assured him that the Cold War-era bases were not of strategic importance to Russia. On June 27, 2007, Russia formally handed over the Akhalkalaki base to Georgia's control. On November 21, 2007, the Russian Foreign Ministry proclaimed that the Batumi base had been closed and that Russia had "fully" accomplished its obligations to Georgia on the withdrawal of military facilities. Georgia continued to protest that the Gudauta base retained some Russian forces and equipment and had not been handed over to Georgia's control. It also continued to call for either the removal of Russian "peacekeepers" from Abkhazia and South Ossetia or their incorporation into a larger international peacekeeping force.

Russia's military force withdrawals from Georgia temporarily made its presence in Armenia more significant in terms of regional influence. Armenia has argued that the Russian bases provide for regional stability by protecting it from attack. The total number of Russian troops in Armenia has been estimated at about 3,500. Russia has supplied many weapons to Armenia—including S-300 missiles, Mig-29 fighters, and some of the equipment relocated from Georgia as part of the base-closure process—which Azerbaijan views as destabilizing. In addition to this military influence in the region, Russia has about 90,000 troops in the North Caucasus area that it can use to intimidate the region. Other Russian forces along the region's borders include the Black Sea Fleet and the Caspian Flotilla. The latter has been expanded in recent years while the former faced dwindling funding until 2003. Armenia is the base for a regional air defense system. Russian military forces from the North Caucasus and the Black Sea Fleet invaded Georgia in August 2008. After the conflict, Russia substantially enlarged its military presence in the South Caucasus with its establishment of military bases in Abkhazia and South Ossetia, each reportedly containing about 3,500 troops.

Russia long has attempted to develop closer security ties with Azerbaijan to counter U.S. influence. Russia has been concerned about possible U.S. plans to seek a greater security presence and has feared that U.S. assistance would permit Azerbaijan to bolster its Caspian Sea navy, challenging Russian naval predominance. In February 2003, a framework agreement on Azerbaijan-Russia military cooperation accord was signed, opening the possibility of Russian military training and arms sales to Azerbaijani forces. However, such cooperation has appeared minor, perhaps because Azerbaijan's aim in signing the agreement was to persuade the United States to offer more security assistance. Among other Russia-Azerbaijan security cooperation, in May 2005, the Interior (police) Ministers of the two countries signed an accord to cooperate on anti-terrorism and announced that cooperation in 2004 had resulted in the extradition of dozens of suspected criminals by both sides.<sup>174</sup> In March 2006, visiting then-President Putin called for

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<sup>174</sup> Igor Torbakov, *Eurasia Insight*, April 9, 2003; *CEDR*, April 15, 2005, Doc. No. CEP-78; April 25, 2005, Doc. No. (continued...)

enhanced bilateral economic and security cooperation, but Aliyev reportedly would not agree to support the creation of a Russia-led Caspian Sea naval security alliance or commit to greater Azerbaijani use of Russian oil export pipelines. After late 2006, Azerbaijani-Russian relations appeared to worsen over demands by Russia's Gazprom for substantial gas price hikes, which led Azerbaijan to cease importing from Gazprom.

Azerbaijan's relations with Russia appeared to greatly improve in 2009-2010 with the beginning of gas sales from Azerbaijan to Russia in the face of Azeri disputes with Turkey over gas prices and transit fees and questioning by Azerbaijan about the Western commitment to the Nabucco gas pipeline (see below).

After September 11, 2001, Russia stepped up its claims that Georgia's Pankisi Gorge harbored Chechen terrorists with links to bin Laden, who used the Gorge as a staging ground for attacks into Chechnya. Some Russian officials in 2002 initially condemned U.S. plans to provide military training and equipment to Georgia to help it deal with terrorism in the Gorge and elsewhere. The United States in turn expressed "unequivocal opposition" to some Russian assertions of a right to military intervention within Georgia to combat terrorism. 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. Russian officials appeared somewhat satisfied in recent years that Georgia had controlled terrorism in the Gorge. Since the 2008 Russia-Georgia conflict, however, Russian authorities again have raised heightened concerns about alleged terrorist bases in the Gorge that threaten the North Caucasus. Georgia has termed such concerns baseless.

### *Caspian Energy Resources*

In recent years, Russian energy firms have played more prominent roles in the Caspian Sea region. As part of such efforts, 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 changed its stance by agreeing on seabed delineation with Kazakhstan (1998 and 2002) and Azerbaijan (2002), prompting objections from Iran and Turkmenistan. Before September 11, 2001, Putin criticized Western private investment in energy development in the Caspian region, and appointed a special energy emissary to lobby the region to encourage energy ties with Russia. After September 11, 2001, 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 BTC oil pipeline and an associated gas pipeline. In March 2004, however, a Russian official stated that Putin wanted to ensure that the greatest volume of Caspian energy continued to flow through Russian pipelines. A U.S.-Russia Strategic Framework Declaration, issued in April 2008, reaffirmed the goal of enhancing the "diversity of energy supplies through economically viable routes and means of transport."<sup>175</sup>

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CEP-122; May 20, 2005, Doc. No. CEP-39062.

<sup>175</sup> The White House. Office of the Press Secretary. *US-Russia Strategic Framework Declaration*, April 6, 2008.

In the South Caucasus region, Russian energy firms have moved aggressively to purchase or otherwise gain influence over energy development and distribution. In Armenia, Russia reportedly lobbied to limit the capacity of the Iran-Armenia gas pipeline (the first phase of which opened in March 2007) and a consortium controlled by Gazprom succeeded in becoming the operator. In January 2010, Azerbaijan agreed to permit Gazprom to import up to 35.3 billion cubic feet of gas per year in 2010 and 70.6 billion cubic feet in 2011. Gazprom stated that it was ready to purchase as much gas in the future as Azerbaijan was willing to sell, perhaps a bid to become the predominant customer for Azerbaijani gas. Some observers suggest that Russia's growing military presence in Georgia's breakaway Abkhazia and South Ossetia, as well as Russia's continuing poor relations with Georgia, could make Georgia less attractive to investors as a transit route for new east-west oil and gas pipelines.<sup>176</sup>

### *The Protection of Ethnic Russians*

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 most recent censuses in the three countries, ethnic Russians constituted less than 4% of the region's population. 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 had facilitated granting citizenship and passports to most Abkhazians and South Ossetians by the time of the 2008 Russia-Georgia conflict, so that Russia could claim that its military incursion was aimed at protecting its citizenry. Many observers argue that this justification for the incursion proves that the issue of protecting the human rights of ethnic Russians and pro-Russian groups is a front for Russia's military-strategic and economic interests. Pro-Russian fellow-travelers and agents in place are used to boost Russian influence and to oppose U.S. interests.

### **Turkey**

Successive U.S. Administrations have generally viewed Turkey as able to foster pro-Western policies and to discourage Iranian interference in the South Caucasus states. According to these policymakers and others, Turkey can play an important role in the region, and provide a model of a non-authoritarian, non-theocratic Islamic state. Critics of an over-reliance on Turkey's role in the region point to the Turkish tilt toward Azerbaijan in the NK conflict and Turkey's less than full support for U.S.-led coalition actions in Iraq in March-April 2003 in cautioning that the United States and NATO might be drawn by their ties with Turkey into policy imbroglios.

Some in Turkey have envisaged Azerbaijan and Central Asia as part of a pan-Turanic (Turkic peoples) bloc. Turkey seeks good relations with Azerbaijan and Georgia and some contacts with Armenia, while trying to limit Russian and Iranian influence. While Turkey has gained some influence in the region, it has been constrained by its own economic problems, poor relations with Armenia, and countervailing Russian influence. Armenia is a member of the Black Sea Economic Cooperation zone, initiated by Turkey, and the two states have established consular relations. Roadblocks to better Armenian-Turkish relations include Turkey's rejection of Armenians' claims that Turkey perpetuated a genocide against them in 1915 and its support for Azerbaijan in the NK conflict. Turkey's 2008 proposal of a "Caucasus Stability and Cooperation Platform" (members

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<sup>176</sup> "Armenia/Iran: Pipeline Admits in Rival Gas Supplier," *Oxford Analytica*, March 19, 2007.

are envisaged as including the South Caucasus states, Turkey, and Russia) aims for the discussion and amelioration of regional problems and the development of cooperation.

Turkey's increased influence in Azerbaijan has included Azerbaijan's adoption of a Latin alphabet and the construction of the BTC oil and associated gas pipelines. However, relations were harmed in 2009-2010 as the sides argued over the price Turkey would pay for Azerbaijani gas. Azerbaijan also has objected to Turkey's offer to open its border with Armenia (see above), and has insisted that Turkey continue to make such a move contingent upon the settlement of the NK conflict. Turkey has appeared to assuage this concern by reiterating its support for Azerbaijan in the NK conflict and linking the opening of the border to progress in settling the NK conflict. The Azerbaijani-Turkish dispute over the gas price reportedly was resolved in late February 2010.

Georgia has an ongoing 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. Russia has been able to establish military bases in Armenia and Georgia to buoy up its regional influence. Turkey views the Russian bases in Armenia and Georgia as potential security threats. However, Turkey and Russia have improved their ties in recent months, particularly in energy cooperation, which could make Turkey less interested in supporting the building of more pipelines transiting the South Caucasus.

## **Iran**

Many in Iran initially viewed the breakup of the Soviet Union as creating a "new Middle East" centered on Iran, and including Afghanistan, Armenia, Azerbaijan, the Central Asian states, Pakistan, and Turkey, but poor relations with Afghanistan's Taliban group and others caused this idea to fade. Iran's interests in the South Caucasus have appeared moderate and not focused on dominating the region through subversion. Azerbaijani officials at times have alleged that elements in Iran have fostered Islamic fundamentalism or sponsored terrorism, and Georgian officials have reported Islamic missionary activities in areas of Georgia with Islamic populations, including Kvemo Kartli (in which about one-half of the population is ethnic Azerbaijani) and Kakheti (in which about one-tenth of the population is ethnic Azerbaijani or Kist).

Iran's interests in the South Caucasus include building economic ties and discouraging Western powers such as Turkey and the United States from gaining influence and from working to end regional instability that might threaten its own territorial integrity. Iran and Russia cooperated during most of the 1990s in trying to block Western energy development in the Caspian by demanding that the legal status of resources first be determined. Russia has broken with Iran on this stance by signing bilateral and trilateral border agreements with Azerbaijan and Kazakhstan. In the wake of growing international criticism of its nuclear programs in recent years, Iran has intensified its attempts to involve itself in South Caucasus economic and security issues, to dissuade the states from bolstering security ties with the United States, including by signing agreements to host U.S. military assets, which Iran fears the United States would use to attack it. High-level Iranians have visited each regional state, have hosted high-level return visits, and have met with regional leaders in international forums to make their case.

A major proportion of the world's Azerbaijanis (estimates range from 6-12 million), and about 200,000 Armenians reside in Iran. Ethnic Azerbaijanis are Iran's largest ethnic minority, constituting almost one-third of its population. Iran has limited trans-Azerbaijani contacts to discourage the spread of ethnic consciousness among its "Southern Azerbaijanis," and has heavily

criticized politicians in Azerbaijan who advocate separatism in Iran. The example of the assertion of Kurdish ethnic rights in post-Saddam Iraq in 2003 has galvanized some Azerbaijanis who propagandize for greater rights for “Southern Azerbaijanis.” Alternatively, Azerbaijani elites fear Iranian-supported Islamic fundamentalism and question the degree of Iran’s support for an independent Azerbaijan.<sup>177</sup>

Iran has growing trade ties with Armenia and Georgia, but its trade with Azerbaijan has declined. Iran has argued for some time that Azerbaijan would most benefit financially by cooperating in building energy pipelines to Iran. Islamic Shiite fundamentalists in Iran have urged Iran’s government to forego its official policy of neutrality in the NK conflict and embrace solidarity with Shiites in Azerbaijan.<sup>178</sup>

A major thaw in Azerbaijani-Iranian relations took place in 2004-2005 with an exchange of visits by the heads of government. Iran’s then-President Mohammad Khatami visited Azerbaijan in August 2004, during which the two presidents agreed to open an Azerbaijani consulate in Tabriz. In January 2005, Ilkham Aliyev visited Iran. However, on major issues such as border delineation in the Caspian Sea and Iran’s objections to Azerbaijani security ties with the United States, the two sides did not come to agreement. In March 2005, Iranian Air began weekly flights from Tabriz to Baku. Some observers suggested that Iran’s increased acrimony with the United States may have been a spur to its improved relations with Azerbaijan, in order either to encourage Azerbaijan to be a mediator or to urge it not to permit U.S. basing.<sup>179</sup> Since 2006, many in Azerbaijan increasingly have been concerned about Iran’s arrests of ethnic Azerbaijani civil rights advocates and alleged separatists, including Abbas Lisani.<sup>180</sup> Azerbaijani-Iranian relations were roiled at the end of 2007 by the conviction in Azerbaijan of fifteen individuals on charges of collaborating with the Islamic Revolution Guards Corps to plan a coup and carry out terror operations. After the Azerbaijani National Security Ministry released details of the case, the Iranian Foreign Ministry denied any Iranian involvement and termed the case a scheme by Israel and the United States to harm Azerbaijani-Iranian relations.<sup>181</sup>

U.S. policy aims at containing Iran’s threats to U.S. interests in the region (See CRS Report RL32048, *Iran: U.S. Concerns and Policy Responses*, by Kenneth Katzman). Some critics argue that if the South Caucasus states are discouraged from dealing with Iran, particularly in building pipelines through Iran, they would face greater pressure to accommodate Russian interests.

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<sup>177</sup> Cameron Brown, *The Middle East Journal*, Autumn 2004, pp. 576-597; Brenda Shaffer, *Borders and Brethren: Iran and the Challenge of Azerbaijani Identity*, Cambridge, Mass., MIT Press, 2002.

<sup>178</sup> Analyst Brenda Shaffer argues that Iran tacitly supports the continuation of the NK conflict by assisting Armenia, since the conflict constrains Azerbaijan’s ability to foster ethnic nationalism among Azerbaijanis in Iran and makes war-torn and poverty-stricken Azerbaijan appear less inviting as a homeland. *Borders and Brethren*, pp. 136-140.

<sup>179</sup> BBC Monitoring International Reports, *New Iranian Leader Might Improve Ties with Azerbaijan*, June 29, 2005.

<sup>180</sup> CEDR, January 8, 2008, Doc. No. CEP-950009; August 15, 2007, Doc. No. CEP-950239; January 31, 2007, Doc. No. CEP-950234; November 1, 2006, Doc. No. CEP-950311; August 11, 2006, Doc. No. CEP-950113. Amnesty International terms Lisani a “prisoner of conscience.” *Iran: Further Information on Incommunicado Detention/Fear of Torture/Medical Concern, Abbas Lisani*, September 19, 2006; and *Iran: Further information on Incommunicado Detention/Fear of Torture/Medical Concern, Prisoner of Conscience. New Concern: Fear of Flogging*, January 19, 2007.

<sup>181</sup> CEDR, December 14, 2007, Doc. No. CEP-950356; December 16, 2007, Doc. No. CEP-950073; December 17, 2007, Doc. No. CEP-950308.

## **Others**

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. Major programs have been pursued by the European Union, NATO's Partnership for Peace, OSCE, European Bank for Reconstruction and Development, and European-based non-governmental organizations.<sup>182</sup>

U.S. and EU policies toward the region have sometimes differed, primarily on the greater willingness of the EU to cooperate with Russia and Iran in regional projects. U.S. and European energy firms also have vied to develop Caspian region resources. In 2004, EU foreign ministers invited the South Caucasus states and others to participate in a "European Neighborhood Policy" of enhanced aid, trade, and political ties. In 2009, a subset of participants in the "European Neighborhood Policy"—the South Caucasus states, Belarus, Moldova, and Ukraine—were singled out to take part in an "Eastern Partnership" program to enhance their ties with and aid from the EU. To carry out the program, 600 million euros were allocated for the period 2010-2013.

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, Kazakhstan, and Turkmenistan. Various Central Asian states have common interests with Azerbaijan, including some linguistic and religious ties and concerns about some common bordering powers (Iran and Russia). Both the South Caucasus and Central Asia face terrorist threats and drug trafficking from Afghanistan. Energy producers Kazakhstan and Turkmenistan are using or considering trans-Caspian transport as a means to get their oil and gas to Western markets. As Central Asia's trade and transport links to the South Caucasus become more significant, it will become more dependent on stability in the region.

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<sup>182</sup> Herzig, pp. 114-117.

**Figure A-I. Armenia, Azerbaijan, and Georgia**



Source: Map Resources. Adapted by CRS. (06/02 M. Chin)

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