



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

Jim Nichol
Specialist in Russian and Eurasian Affairs

October 27, 2011

Congressional Research Service

7-5700

www.crs.gov

RL33453

Summary

The United States recognized the independence of Armenia, Azerbaijan, and Georgia when the former Soviet Union broke up at the end of 1991. The United States has fostered these states' ties with the West in part to end their dependence on Russia for trade, security, and other relations. The United States has pursued close ties with Armenia to encourage its democratization and because of concerns by Armenian Americans and others over its fate. Close ties with Georgia have evolved from U.S. contacts with its pro-Western leadership. Successive Administrations have supported U.S. private investment in Azerbaijan's energy sector as a means of increasing the diversity of world energy suppliers. The United States has been active in diplomatic efforts to resolve regional conflicts in the region. As part of the U.S. global counter-terrorism efforts, the U.S. military in 2002 began providing equipment and training for Georgia's military and security forces. Troops from all three regional states have participated in stabilization efforts in Afghanistan and Iraq. The South Caucasian troops serving in Iraq departed in late 2008. The regional states also have granted transit privileges for U.S. military personnel and equipment bound for Afghanistan.

Beginning on August 7, 2008, Russia and Georgia warred over Georgia's breakaway regions of Abkhazia and South Ossetia. Russian troops quickly swept into Georgia, destroyed infrastructure, and tightened their de facto control over the breakaway regions before a ceasefire was concluded on August 15. The conflict has had long-term effects on security dynamics in the region and beyond. Russia recognized the independence of Abkhazia and South Ossetia, but the United States and nearly all other nations have refused to follow suit. Russia established bases in Abkhazia and South Ossetia—in violation of the ceasefire accords—that buttress its long-time military presence in Armenia. Although there were some concerns that the South Caucasus had become less stable as a source and transit area for oil and gas, Kazakhstan and Turkmenistan are barging oil across the Caspian Sea for transit westward, and the European Union still plans to build the so-called Nabucco pipeline to bring Azerbaijani and other gas to Austria.

Key issues in the 112th Congress regarding the South Caucasus may include Armenia's independence and economic development; Azerbaijan's energy development; and Georgia's recovery from Russia's August 2008 military incursion. At the same time, concerns may include the status of human rights and democratization in the countries; the ongoing Armenia-Azerbaijan conflict over the breakaway Nagorno Karabakh region; and ongoing threats posed to Georgia and the international order by Russia's 2008 incursion and its diplomatic recognition of South Ossetia and Abkhazia. Congress may continue to oversee the region's role as part of the Northern Distribution Network for the transit of military supplies to support U.S. and NATO operations in Afghanistan. Some Members of Congress and other policymakers believe that the United States should provide greater support for the region's increasing role as an east-west trade and security corridor linking the Black Sea and Caspian Sea regions, and for Armenia's inclusion in such links. They urge greater U.S. aid and conflict resolution efforts to contain warfare, crime, smuggling, and terrorism, and to bolster the independence of the states. Others urge caution in adopting policies that will increase U.S. involvement in a region beset by ethnic and civil conflicts.

Contents

Most Recent Developments	1
Background.....	1
Overview of U.S. Policy Concerns.....	1
Regional Responses After the September 11, 2001, Terrorist Attacks on the United States	4
Operations in Iraq and Afghanistan.....	5
Azerbaijan and the Northern Distribution Network (NDN).....	5
U.S. Policy After the August 2008 Russia-Georgia Conflict	6
The South Caucasus's External Security Context.....	7
Russian Involvement in the Region.....	7
Military-Strategic Interests.....	8
Caspian Energy Resources	10
The Roles of Turkey, Iran, and Others.....	10
The Armenia-Turkey Protocols of 2009.....	11
Iran	11
Others	12
Obstacles to Peace and Independence	13
Regional Tensions and Conflicts	13
Nagorno Karabakh Conflict	14
Civil and Ethnic Conflict in Georgia.....	17
Economic Conditions, Blockades, and Stoppages.....	25
Recent Democratization Problems and Progress.....	26
Armenia.....	27
Azerbaijan	28
Georgia	32
U.S. Aid Overview	34
U.S. Assistance After the Russia-Georgia Conflict	36
U.S. Security Assistance	36
U.S. Trade and Investment.....	40
Georgia and Russia's Bid for WTO Membership.....	40
Energy Resources and U.S. Policy	41
Building the Baku-Tbilisi-Ceyhan and South Caucasus Pipelines.....	42
Other Export Pipeline Proposals	43
Regional Energy Cooperation with Iran.....	46

Figures

Figure 1. Map of Caucasus Region.....	49
---------------------------------------	----

Tables

Table 1. U.S. Foreign Aid to the South Caucasus States, FY1992 to FY2011, and the FY2012 Request	47
Table 2. U.S. Humanitarian Assistance to Nagorno Karabakh Provided by the U.S. Agency for International Development and Other Agencies, and Totals for Budgeted, Obligated, and Expended Funding, FY1998-FY2010	48
Table 3. The \$1 Billion in Added Aid to Georgia by Priority Area.....	49

Contacts

Author Contact Information.....	50
---------------------------------	----

Most Recent Developments

At the October 25, 2011, Swiss-moderated Russia-Georgia meeting to resolve issues blocking Russia's accession to the World Trade Organization (WTO), Georgia reportedly accepted the latest Swiss proposals for international monitoring of Russia's borders with Georgia's breakaway regions of Abkhazia and South Ossetia. The Russian Foreign Ministry announced that Russian authorities were studying the Georgian move. Some in Russia may be concerned that any Georgian or international role along Russia's borders with Georgia's breakaway regions might affect Russia's total control over their economies (see below, "Georgia and Russia's Bid for WTO Membership").

Background

Armenia, Azerbaijan, and Georgia are located south of the Caucasus Mountains that form part of Russia's borders (see **Figure 1**). The South Caucasus states served historically as a north-south and east-west trade and transport "land bridge" linking Europe to the Middle East and Asia, over which the Russian Empire and others at various times endeavored to gain control. In ancient as well as more recent times, oil and natural gas resources in Azerbaijan attracted outside interest. All three peoples can point to periods of past autonomy or self-government. After the Russian Empire collapsed in 1917, all three states declared independence, but by early 1921 all had been reconquered by Russia's Red (Communist) Army. They regained independence when the Soviet Union collapsed at the end of 1991.¹

Overview of U.S. Policy Concerns

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

¹ For background, see CRS Report RS20812, *Armenia Update*, by Carol Migdalovitz; CRS Report 97-522, *Azerbaijan: Recent Developments and U.S. Interests*, by Jim Nichol; and CRS Report 97-727, *Georgia [Republic]: Recent Developments and U.S. Interests*, by Jim Nichol.

U.S. policy toward the South Caucasus states has included promoting the resolution of conflicts between Armenia and Azerbaijan over Azerbaijan's breakaway Nagorno Karabakh (NK) region and between Georgia and its breakaway regions of Abkhazia and South Ossetia (resolving these latter conflicts became much more difficult following the August 2008 conflict; see "The August 2008 Russia-Georgia Conflict," below). Since 1993, U.S. emissaries have been detailed to try to settle these conflicts. Congressional concerns about the NK conflict led to the inclusion of Section 907 in the FREEDOM Support Act, which prohibits U.S. government-to-government assistance to Azerbaijan, except for non-proliferation and disarmament activities, until the President determines that Azerbaijan has taken "demonstrable steps to cease all blockades and other offensive uses of force against Armenia and NK." Provisions in FY1996, FY1998, and FY1999 legislation eased the prohibition by providing for humanitarian, democratization, and business aid exemptions (on waiver authority enacted in 2002, see "Regional Responses After the September 11," below).

The Caucasus Region: Basic Facts

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

Population: 15.93 million, slightly more than Kazakhstan; Armenia: 2.97 m.; Azerbaijan: 8.37 m.; Georgia: 4.59 m. (CIA, *The World Factbook*, July 2011 est.). Over 1 million people from the region are migrant workers in Russia and elsewhere.

GDP: \$129.8 billion: Armenia: \$17.3 b.; Azerbaijan: \$90.2 b.; Georgia: \$22.3 b. (CIA, *The World Factbook*, 2010 est., purchasing power parity).

Some observers argue that developments in the South Caucasus are largely marginal to U.S. strategic interests. They urge great caution in adopting policies that will heavily involve the United States in a region beset by ethnic and civil conflicts, and some argue that, since the European Union has recognized the region as part of its "neighborhood," it rightfully should play a major role. Some observers argue that the U.S. interest in democratization and human rights should not be subordinated to interests in energy and anti-terrorism.²

Other observers believe that U.S. policy requires more active engagement in the region. They urge greater U.S. aid and conflict resolution efforts to contain warfare, crime, smuggling, and Islamic extremism and to bolster the independence of the states. Some argue that such enhanced U.S. relations also would serve to "contain" Russian and Iranian influence and that close U.S. ties with Azerbaijan could benefit U.S. relations with other Islamic countries. They also point to the prompt support offered to the United States by the regional states in the aftermath of the September 11, 2001, attacks by Al Qaeda on the United States. Some argue that energy resources in the Caspian region are a central U.S. strategic interest, because Azerbaijani and Central Asian oil and natural gas deliveries could somewhat lessen Western energy dependency on Russia and the Middle East (see below, "Caspian Energy Resources").

In recent months, the United States has endeavored to reassure Azerbaijan that it continues to be a "strategic partner" in counter-terrorism cooperation and energy security and has appeared to balance these U.S. interests against its concerns about democratization in Azerbaijan. According to some views, relations between the United States and Azerbaijan had cooled after the Administration supported efforts in 2009-2010 by Armenia and Turkey to improve relations that Azerbaijan opposed and after President Aliyev was not invited to the U.S. Nuclear Security

² U.S. House of Representatives. Committee on Foreign Relations. Subcommittee on International Organizations, Human Rights, and Oversight. *Ideals vs. Reality in Human Rights and U.S. Foreign Policy: The Cases of Azerbaijan, Cuba, and Egypt*, July 12, 2007; U.S. Commission on Security and Cooperation in Europe. *Energy and Democracy*, July 23, 2007.

Summit in April 2010. Azerbaijan canceled a military computer exercise with the United States in May 2010, a move some viewed as a sign of cooling ties. At the same time, however, Azerbaijan continues troop support for NATO operations in Afghanistan (see below, “Operations in Iraq and Afghanistan”) and has played an increasingly significant role as part of the Northern Distribution Network for the transit of U.S. and NATO supplies to Afghanistan. Also, Azerbaijan has reiterated its intentions to step up supplies of oil and gas to Europe, including gas shipments through the prospective Nabucco pipeline.

To improve U.S.-Azerbaijan relations, then-Secretary of Defense Robert Gates visited Azerbaijan in June 2010 and Secretary of State Hillary Clinton visited in July 2010, and President Obama met with President Aliyev on the sidelines of the U.N. General Assembly in September 2010. On December 15, 2010, purportedly to discount some adverse Wikileaks press reports, Secretary Clinton reportedly called President Aliyev to reassure him that the United States continues to view Azerbaijan as its important strategic partner and is determined to deepen bilateral ties.

During her July 4, 2010, visit to Azerbaijan, Secretary Clinton stressed that Azerbaijan was an important bilateral partner of the United States. She claimed that Azerbaijan had made “tremendous progress” in democratization and respect for human rights since its independence, but that “there is a lot of room for improvement” on such problems as restrictions on the media and civil society. She argued that such progress also has been a slow and incomplete process in the United States. She stated that “speaking personally, for myself, I would like to see [Section 907] repealed, but that’s up to the [U.S. Congress]. And until the Congress agrees, then we will continue to waive its effects on Azerbaijan.”³ President Obama also stressed the importance of U.S.-Azerbaijani relations when he met with President Aliyev on September 24, 2010. President Obama expressed his appreciation for Azerbaijan’s contributions to supporting the NATO mission in Afghanistan. The two presidents discussed regional security issues and ongoing energy cooperation and pledged to develop closer bilateral ties. In his speech to the U.N. General Assembly, President Obama called for Azerbaijan to implement democratic reforms and increase protections for human rights, including by releasing two Internet bloggers jailed for hooliganism in November 2009 (they were released in November 2010).⁴

Visiting Armenia on July 4-5, 2010, after visiting Azerbaijan, Secretary Clinton hailed President Sargsisyan’s efforts to advance Armenia-Turkey rapprochement and called for further democratization and the establishment of a more inviting business and investment climate.⁵ In both Armenia and Azerbaijan, she stated that NK conflict settlement efforts were discussed. She also paid a six-hour visit to Georgia on July 5 (see below, “U.S. Policy After the August 2008 Russia-Georgia Conflict”).

U.S.-Azerbaijani relations appeared to improve in 2011 with the recess appointment of Ambassador to Azerbaijan Matthew Bryza, after more than a year without an ambassador. However, perhaps reflecting tensions associated with U.S. criticism of human rights developments, in April 2011 Azerbaijan canceled participation in the U.S.-Azerbaijani military

³ U.S. Department of State. *Remarks by Secretary Clinton: Joint Press Availability With Azerbaijani Foreign Minister Mammadyarov*, July 4, 2010. She did not directly respond to a question about why she thought democratization was advancing rather than declining.

⁴ The White House, Office of the Press Secretary, *Read-out of President Obama’s Meeting with Azerbaijani President Ilham Aliyev*, September 24, 2010.

⁵ U.S. Department of State. *Remarks by Secretary Clinton: Joint Press Availability With Armenian Foreign Minister Eduard Nalbandyan*, July 4, 2010; *Meeting With Staff of Embassy Yerevan and Their Families*, July 5, 2010.

exercise Regional Response, planned for May 2011 (similarly, a 2010 military exercise was cancelled for reasons also subject to speculation of being linked to the status of bilateral ties). However, Azerbaijani Deputy Foreign Minister Araz Azimov and Assistant Secretary of State Andrew Shapiro met in Baku in June 2011 for the 12th session of the U.S.-Azerbaijan security dialogue. Also, Azerbaijan participated in Romania in early August 2011 with U.S. forces in Black Sea Rotational Force training activities, and then in San Antonio, TX, in training for infantry officers.⁶ In October 2011, Deputy Secretary of State William Burns visited the three South Caucasian states. In Baku, he reportedly stated that “Azerbaijan is an important U.S. ally,” praised Azerbaijan’s troop support in Afghanistan and its important role in the diversification of energy exports to Europe, and stressed that resolving the NK conflict is a priority U.S. interest, since “the status-quo in the conflict is not sustainable.”⁷

In his annual worldwide threat assessment, Director of National Intelligence James Clapper testified in February 2011 that Russia’s continued military presence in South Ossetia and Abkhazia and Georgia’s countervailing outreach to ethnic groups in Russia’s North Caucasus area were major sources of tension in Eurasia. Another flashpoint, he averred, was the “frozen Nagorno Karabakh conflict,” in which “heightened rhetoric and distrust on both sides and violent incidents along the Line of Contact throughout last summer increase the risk that minor military exchanges could lead to miscalculations that could escalate the situation with little warning.” In his testimony to the committee on worldwide threats, FBI Director Robert Mueller stated that Russia had a formidable cyber-warfare capability, which was demonstrated in 2008 during the run-up to the August Russia-Georgia conflict, when “it is no secret that they went a far ways to dismantling the command-and-control capabilities of the Georgian authorities.”⁸

In testimony in March 2011, Assistant Secretary Gordon stated that the “steadfast engagement and generous assistance” of the United States “has aided in transforming Georgia into an aspiring democracy and important partner to NATO in Afghanistan.” He pledged that “with our European partners, we will maintain our support for Georgia’s territorial integrity.” He stated that the United States and the EU would continue to “encourage normalization between Turkey and Armenia, and increase our engagement through the Minsk Group to help Armenia and Azerbaijan find a peaceful settlement to the NK conflict.” He stressed that the United States and the EU would continue to support conflict resolution and “help the countries in the region move towards a democratic future that includes peace and greater prosperity.”⁹

Regional Responses After the September 11, 2001, Terrorist Attacks on the United States

In the wake of the September 11, 2001, terrorist attacks in New York and Washington, DC, the former Bush Administration obtained quick pledges from the three South Caucasian states to

⁶ U.S. Embassy in Baku, Azerbaijan, Office of Public Affairs, *Media Advisory: Azerbaijani, U.S. Troops Train Side-by-Side in Romania*, August 3, 2011.

⁷ Open Source Center, *Central Eurasia: Daily Report* (hereafter *CEDR*), October 19, 2011, Doc. No. CEP-950087.

⁸ U.S. Senate, Select Committee on Intelligence, *Statement of James R. Clapper, Director, National Intelligence: Worldwide Threat Assessment of the United States Intelligence Community*, February 16, 2011; *Testimony: FBI Director Robert Mueller*, February 16, 2011.

⁹ U.S. House of Representatives, Committee on Foreign Affairs, Subcommittee on Europe and Eurasia, Hearing on U.S. Relations with Europe and Eurasia, *Testimony by Philip Gordon, Assistant Secretary, Bureau of European and Eurasian Affairs*, March 10, 2011.

support Operation Enduring Freedom (OEF) in Afghanistan, including overflight rights and Azerbaijan's and Georgia's offers of airbase and other support. Congressional attitudes toward Azerbaijan and Section 907 shifted, resulting in presidential waiver authority being incorporated into Foreign Operations Appropriations for FY2002 (H.R. 2506; P.L. 107-115). The President may use the waiver authority if he certifies that U.S. aid supports U.S. counter-terrorism efforts, supports the operational readiness of the armed forces, is important for Azerbaijan's border security, and will not harm NK peace talks or be used for offensive purposes against Armenia. The waiver may be renewed annually, and 60 days after the exercise of the waiver, the President must report to Congress on the nature of aid to be provided to Azerbaijan, the military balance between Armenia and Azerbaijan and the effects of U.S. aid on that balance, the status of Armenia-Azerbaijan peace talks, and the effects of U.S. aid on those talks. The waiver authority has been exercised annually.

Operations in Iraq and Afghanistan

Azerbaijan and Georgia were among the countries that openly pledged to support the U.S.-led Operation Iraqi Freedom (OIF), with both offering the use of their airbases, and to assist the United States in rebuilding Iraq. Both countries agreed to participate, subject to U.S. financial support, in the multinational stabilization force for Iraq. In August 2003, both Azerbaijan and Georgia dispatched forces to Iraq. Azerbaijan's 150 troops pulled out in late 2008. Georgia augmented its troops over time until 2,000 were serving in 2007-2008, the third-largest number of troops in Iraq, after the United States and the United Kingdom. Virtually all of these troops were pulled out in August 2008 in connection with the Russia-Georgia conflict. Armenia began sending personnel to Iraq in January 2005. Armenia's 46 personnel were pulled out in late 2008.

On November 16, 2009, Georgia sent 173 troops for training in Germany before their scheduled deployment at the end of March 2010 to support the International Security Assistance Force (ISAF) in Afghanistan. These troops were boosted to 925 in mid-2010 and in September 2011 numbered 937, according to ISAF. A small number serve with French forces and the rest with U.S. Marines in the Helmand Province. In January 2010, Armenia sent 40 troops for training in Germany before their deployment to Kunduz, Afghanistan, to serve with German forces. The number of troops was increased to 45 at the end of 2010 and to 126 as of September 2011 in Kunduz and Balkh provinces. Azerbaijan deployed troops to Afghanistan in late 2002, and 94 were deployed as of September 2011 as part of ISAF.

Azerbaijan and the Northern Distribution Network (NDN)

Azerbaijan and Kyrgyzstan reportedly are the main overflight, refueling, and landing routes for U.S. and coalition troops bound for Afghanistan, and Azerbaijan also is a major land transport route for military fuel, food, and construction supplies. According to Ambassador to Azerbaijan Matthew Bryza, "virtually every U.S. soldier deployed to Afghanistan has flown over Azerbaijan. Moreover ... approximately half of all supplies that reach Afghanistan by routes other than Pakistan now transit Azerbaijan."¹⁰ The Azerbaijani route is one of several routes through Russia, the South Caucasus, and Central Asia to Afghanistan—together termed the NDN—that increasingly supplant supply routes through Pakistan.

¹⁰ U.S. Embassy, Baku, Azerbaijan, *Speech to Plenary Session for Caspian Oil and Gas Show 2011 Ambassador Matthew Bryza*, June 8, 2011.

U.S. Policy After the August 2008 Russia-Georgia Conflict

Strong U.S. support for Georgia is reflected in the U.S.-Georgia Charter on Strategic Partnership, signed in January 2009, which states that “our two countries share a vital interest in a strong, independent, sovereign, unified, and democratic Georgia.” The accord is similar to a U.S.-Ukraine Charter signed in December 2008 and a U.S.-Baltic Charter signed in 1998 with Estonia, Latvia, and Lithuania. In the security realm, “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.” 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.” 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.¹¹ Then-Deputy Assistant Secretary Bryza stressed that the charter did not provide security guarantees to Georgia. According to some observers, the Charter aimed to reaffirm the United States’ high strategic interest in Georgia’s fate, to counter perceptions that the United States (and the West) had acquiesced to increased Russian dominance in the South Caucasus.¹²

Some in Georgia expressed concern that the “reset” in U.S.-Russian relations pursued by the Obama Administration could lead the United States to downgrade ties with Tbilisi, or even make concessions to Russia at Georgia’s expense. At the U.S.-Russia summit in July 2009, President Obama stated that one area where the two presidents “agreed to disagree” was on Georgia, where he stressed that he had “reiterated my firm belief that Georgia’s sovereignty and territorial integrity must be respected.”¹³ Perhaps in order to calm the concerns of some Georgians over the “reset,” Vice President Joseph Biden visited Georgia in late July 2009 to emphasize the U.S. commitment. Appearing to also reassure Russia, he stressed that the U.S.-Georgia Charter did not represent an effort by the United States to create a sphere of influence in the region. Secretary Clinton visited Georgia on July 5, 2010. She urged Georgians not to focus on the past, possibly referring to the Russia-Georgia conflict, but to be “focused on what you can do today and tomorrow to improve your lives and the lives of your family and the lives of your fellow citizens by building your democracy and opening your economy and providing more justice and social inclusion, that, to me, is the great mission of Georgia.” While stating that the United States continued to call for Russia to pull back its troops to their positions on August 6, 2008 (in line with the six-point ceasefire agreement; see below), she also “strongly urged” Georgia to “not be baited or provoked into any action that would give any excuse to the Russians to take any further aggressive movements.”¹⁴ Vice President Biden revisited Georgia on July 23, 2010—as in 2009, just after a U.S.-Russia summit—to reassure Georgia of U.S. commitments. The Vice President

¹¹ U.S. Department of State. *U.S.-Georgia Charter on Strategic Partnership*, January 9, 2009.

¹² David J. Smith, “US-Georgia Charter is Historic,” Potomac Institute for Policy Studies, January 12, 2009.

¹³ The White House. Office of the Press Secretary. *Press Conference by President Obama and President Medvedev of Russia*, July 6, 2009.

¹⁴ U.S. Department of State. *Remarks by Secretary Clinton: Joint Press Availability With Georgian President Saakashvili*, July 5, 2010; *Remarks at a Town Hall With Georgian Women Leaders*, July 5, 2010.

urged Georgia to continue to develop democratic institutions and free markets, including as the best means to attract the people of the breakaway areas to reintegrate with the rest of Georgia.

In 2011, there were some high-level U.S. official visits to Georgia. In February 2011, Deputy Assistant Secretary of State James Steinberg paid a mostly unpublicized visit—as part of a regional tour—to discuss bilateral issues. In August 2011, the U.S. Commander of the European Command and NATO’s Supreme Allied Commander, Admiral James Stavridis, visited Georgia to discuss Georgia-NATO cooperation and Georgia’s participation in ISAF. Some congressional delegations also visited. In January 2011, President Saakashvili met with President Obama during a U.S. visit, and reportedly gave the U.S. President a report detailing Georgia’s defense needs. According to some reports, Presidents Obama and Saakashvili briefly met on the sidelines of the opening of the U.N. General Assembly in New York in September 2011.

In Congress, S.Res. 175 (Shaheen), introduced on May 10, 2011, and approved by the Senate on July 29, 2011, calls upon the Russian government to fulfill the terms of the ceasefire agreements, including by reducing military forces to pre-war levels, ensuring full access for humanitarian aid, and allowing the return of internally displaced persons. The resolution also supports confidence-building efforts between the Georgian government and authorities in the breakaway regions. H.Res. 374 (Shuster), introduced on July 26, 2011, calls for the United States to initiate talks to enter into a free trade agreement with Georgia.

Some observers have called for a reevaluation of some aspects of U.S. support for Georgia. These critics have argued that many U.S. policymakers have been captivated by Saakashvili’s charismatic personality and pledges to democratize and have tended to overlook his bellicosity. They have warned that U.S. acceptance of Georgian troops for coalition operations in Afghanistan must not lead to U.S. defense commitments to Georgia, and a few have suggested that the United States should not unquestionably back Georgia’s territorial integrity, but should rather encourage reconciliation and the consideration of options short of the near-term reintegration of the regions into Georgia. Other observers have called for a more robust U.S. and NATO effort to resupply Georgia with defensive weaponry so that it might deter or resist Russian aggression (see also below, “U.S. Security Assistance”). At the same time, most observers advise against extending diplomatic recognition to breakaway regions without an international consensus.¹⁵

The South Caucasus’s External Security Context

Russian Involvement in the Region

After Vladimir Putin was elected president in 2000, Russia appeared to place great strategic importance on increasing influence in the South Caucasus region. Several developments over the

¹⁵ Alexander Cooley and Lincoln Mitchell, “No Way to Treat Our Friends: Recasting Recent U.S.-Georgian Relations,” *The Washington Quarterly*, January 2009, pp. 27-41; Lincoln Mitchell, *Uncertain Democracy: U.S. Foreign Policy and Georgia’s Rose Revolution* (Philadelphia: University of Pennsylvania Press, 2009); “A Georgia-Russia War Discussion between Gordon Hahn and Johnson’s Russia List,” *Russia: Other Points of View*, October 17, 2008, at <http://www.russiaotherpointsofview.com>; Paul Saunders, “Help Has Strings Attached,” *Washington Times*, December 17, 2009; Samuel Charap and Cory Welt, “A New Approach to the Russia-Georgia Conflict: The United States Needs a Comprehensive Conflict Policy,” Center for American Progress, October 18, 2010.

next few years appeared to jeopardize these influence efforts. These included the “rose revolution” in Georgia that appeared to usher in democratic reforms, NATO’s increased ties with the regional states, the completion of the Baku-Tbilisi-Ceyhan oil pipeline and an associated gas pipeline, Russia’s ongoing concerns about security in its North Caucasus regions (including Chechnya), and Russia’s agreement to close its remaining military bases in Georgia. These challenges to Russian influence, however, appeared to be reversed as a result of the August 2008 Russia-Georgia conflict.

The Putin-Medvedev leadership has appeared to place its highest priority on exercising influence in the region in the military-strategic sphere and slightly less priority on influence in the economic sphere (particularly energy) and domestic political spheres. Russia has viewed Islamic fundamentalism as a growing threat to the region, but has cooperated with Iran on some issues to counter Turkish and U.S. influence. Russia has tried to stop ethnic “undesirables,” drugs, weapons, and other contraband from entering its borders. It has quashed separatism in its North Caucasus areas while backing it in the South Caucasus.

The South Caucasian states have responded in various ways to Russian influence. Armenia has close security and economic ties with Russia, given the unresolved NK conflict and concerns about Turkey. Azerbaijan has been concerned about Russia’s ties with Armenia and has limited Russia’s military presence. At the same time, Azerbaijan has appeared to value having cooperative relations with Russia to increase its options and leverage in diplomacy and trade. Georgia long tried to end the Russian military presence on its soil (including the presence of Russian “peacekeepers” in the breakaway regions), and maintains significant energy ties to Russia.

Military-Strategic Interests

Russia’s armed presence in the South Caucasus has been multifaceted, including thousands of military base personnel, border troops, and until 2008, “peacekeepers.” The first step by Russia in maintaining a military presence in the region was the promulgation of the Commonwealth of Independent States (CIS) Collective Security Treaty (CST) in 1992, which pledges members to consult in the event of a threat to one or several members, and to provide mutual aid if attacked (current members include Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan). Russia also secured permission for two military bases in Armenia and four in Georgia (on the latter bases, see below). The total number of Russian troops in Armenia has been estimated at about 3,200.¹⁶ Russian border troops guard Armenia’s borders with Turkey and Iran.

During a visit by Russian President Dmitriy Medvedev to Armenia in August 2010, Armenia agreed to extend the basing agreement with Russia to the year 2044. In the basing accord, Russia also pledged that its forces would help safeguard Armenia’s national security and that it would supply more modern weaponry for Armenia’s armed forces. Although some officials in Armenia hailed the accord as providing greater assurance that Russia would intervene if Azerbaijan began operations against NK, Medvedev argued during a September 2010 visit to Azerbaijan that the accord was not aimed against Azerbaijan. Azerbaijan’s Deputy Foreign Minister Araz Azimov similarly dismissed views that the accord meant that Russia would militarily support Armenia in the event of new NK conflict. Georgian Foreign Minister Grigol Vashadze, however, criticized

¹⁶ International Institute of Strategic Studies, *The Military Balance*, March 7, 2011.

the accord as strengthening Russia's military influence in the region, as compromising Armenia's independence, and as raising tensions that are inimical to the settlement of the NK conflict.¹⁷

In addition to the Russian troops in the South Caucasus, about 88,000 Russian troops are stationed nearby in the North Caucasus, and some naval forces of the Caspian Sea Flotilla are located in Astrakhan in Russia. In 1993, Azerbaijan was the first Eurasian state to get Russian troops to withdraw, except at the Qabala (Gabala) radar site in northern Azerbaijan. Giving up on closing the site, in January 2002 Azerbaijan signed a 10-year lease agreement with Russia permitting up to 1,500 troops there. Talks are underway to renew this lease.

After the September 11, 2001, terrorist attacks in the United States, Russia stepped up its claims that Georgia harbored Chechen terrorists (with links to Al Qaeda) who used Georgia as a staging ground for attacks into Chechnya. The United States expressed "unequivocal opposition" to military intervention by Russia inside Georgia. Georgia launched a policing effort in its northern Pankisi Gorge in late 2002 that somewhat reduced tensions with Russia over this issue. In April 2006, Azerbaijan convicted 16 people on charges that they had received terrorist training from Al Qaeda operatives in the Pankisi Gorge. Since 2009, Russia has renewed its allegations that the Gorge harbors terrorists. Georgia has rejected these allegations as false and raised concerns that they might serve as a pretext for new Russian violations of Georgia's territorial integrity.

Russian "Peacekeepers" and Bases in Georgia

Russia's mediation of ceasefires between Georgia and its breakaway regions in the early 1990s resulted in agreement by the parties on the presence of Russian military "peacekeepers" in Abkhazia and South Ossetia. Russia's "peacekeeping" role at that time received at least tacit approval from world governments and international organizations, with the proviso that the U.N. and the Organization for Security and Cooperation in Europe (OSCE) also provide monitoring. For many years, Georgian authorities voiced dissatisfaction with the role of the "peacekeepers" in facilitating a peace settlement and called for them to either be replaced or supplemented by a wider international peacekeeping force (see "Civil and Ethnic Conflict in Georgia").

In the early 1990s, Georgia was pressured by Russia to agree to the long-term presence of four Russian military bases. By the late 1990s, however, many in Georgia were calling for the bases to close, and this received support from European countries during talks over amending the Conventional Armed Forces in Europe (CFE) Treaty. In 1999, Russia and Georgia agreed to provisions of the amended CFE Treaty calling for Russia to reduce weaponry at its four bases in Georgia, to soon close two of the bases, and to complete negotiations on the status of the other two bases. NATO signatories hesitated to ratify the amended Treaty until Russia satisfied these and other conditions. One base was soon closed and Russia claimed that it had closed another. In November 2007, the Russian Foreign Ministry proclaimed that it had closed the last base and that Russia had "fully" accomplished its obligations to Georgia on the withdrawal of military facilities.

Not even one year had passed, however, before Russia announced—following the August 2008 Russia-Georgia conflict—that two army brigades, each consisting of approximately 3,700 troops (later reduced, see below), would be deployed to new military bases in Abkhazia and South Ossetia. Some of these troops reportedly were soon deployed in temporary encampments pending

¹⁷ *Azerbaijan Press Agency*, September 8, 2010.

the construction of permanent buildings. In addition to these army brigades, Russian border troops reportedly were deployed along regional borders with Georgia, along which engineer brigades were creating revetments, trenches, and minefields. A part of the Black Sea Fleet also was deployed to Ochamchire in Abkhazia. In May 2009, Russia announced that the number of military troops would be reduced in each region because of economic problems in Russia. Reportedly, about 1,500 Russian troops are based in each region. However, they have been bolstered by the deployment of 1,300 border guards to each region.

Caspian Energy Resources

Russia has tried to play a dominant role in future oil and gas production and transportation in the Caspian Sea region. A major lever has been the prices it charges the South Caucasian countries for gas. In 2006, Russia charged all three regional states much more for gas. 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. Russia again hiked gas prices in 2007. Georgia negotiated an agreement to receive some Azerbaijani gas via the new South Caucasus Pipeline (SCP, see "Building the Baku-Tbilisi-Ceyhan and South Caucasus Pipelines," below) and another small existing pipeline. It also agreed to continue to purchase some higher-priced gas from Gazprom. Russia's requests for higher prices and reductions in the amounts of gas and electricity supplied to Azerbaijan led President Aliyev to announce that the country would no longer purchase Russian gas. Following the August 2008 Russia-Georgia conflict, Gazprom's arrangement with Georgia involving the transit of Russian gas to Armenia remained in place. Armenia pays a share of gas to Georgia as a transit fee. According to BP, Russia in 2010 provided 7.4 billion cubic feet of gas to Georgia and 45.6 billion cubic feet of gas to Armenia. Georgia receives a much greater share of its gas—36.4 billion cubic feet of gas in 2010—from Azerbaijan than from Russia, according to BP. (See also, "Energy Resources and U.S. Policy," for information on Russia's efforts to gain control of regional energy resources and infrastructure.)

The Roles of Turkey, Iran, and Others

The United States has generally viewed Turkey as able to foster pro-Western policies and discourage Iranian interference in the South Caucasus states, even though Turkey favors Azerbaijan in the NK conflict. Critics of Turkey's larger role in the region caution that the United States and NATO might be drawn by their ties with Turkey into regional imbroglios. Turkey seeks good relations with Azerbaijan and Georgia and some contacts with Armenia, while trying to limit Russian and Iranian influence. Azerbaijan likewise long viewed Turkey as an ally against such influence, and as a balance to Armenia's ties with Russia (see below for recent developments). Georgia has an abiding interest in ties with the approximately one million Georgians residing in Turkey and the approximately 50,000 residing in Iran, and has signed friendship treaties with both states. Turkey is one of Georgia's primary trade partners. New pipelines delivering oil and gas westward from the Caspian Sea reflect cooperation between Azerbaijan, Georgia, and Turkey.

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.

The Armenia-Turkey Protocols of 2009

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 United States reportedly actively supported Switzerland in mediating the talks that led to the signing of the protocols. 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, to "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," and to undertake other cooperative efforts.¹⁸ A ruling of the Armenian constitutional court on January 18, 2010, that the protocols could not affect Armenia's policy on genocide recognition 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. Azerbaijan strongly criticized Turkey for moving toward normalizing relations with Armenia without formally linking such a move to a peace settlement of the NK conflict. This criticism quickly elicited pledges by Turkey's leaders that the Turkish legislature would not approve the protocols until there was progress in settling the NK conflict. On April 22, 2010, the ruling Armenian party coalition issued a statement that "considering the Turkish side's refusal to fulfill the requirement to ratify the accord without preconditions in a reasonable time, making the continuation of the ratification process in the national parliament pointless, we consider it necessary to suspend this process."¹⁹

Perhaps reflecting the repair of Azerbaijani-Turkish ties, in August 2010, Azerbaijan and Turkey signed a strategic partnership and mutual assistance agreement. The 10-year accord agreement specifies that if one of the sides is attacked by a third country, the sides will provide reciprocal aid. Other provisions call for the sides to cooperate to eliminate threats to national security; to ban the operation of groups threatening the independence, sovereignty and territorial integrity of the other side; to prevent their territories from being used for acts of aggression against the other side; and to cooperate in defense industry production, holding joint military exercises, and training army specialists.

Iran

Iran's goals in the South Caucasus include discouraging Western powers such as Turkey and the United States from gaining influence (Iran's goal of containing Russia conflicts with its

¹⁸ 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. See also *The Turkish Weekly*, August 31, 2009.

¹⁹ "Armenia Suspends Normalization of Ties with Turkey," *BBC News*, April 22, 2010.

cooperation with Russia on these interests), ending regional instability that might threaten its own territorial integrity, and building economic links. A major share of the world's Azerbaijanis reside in Iran (estimates range from 6 million to 12 million), as well as about 200,000 Armenians. Ethnic consciousness among some "Southern Azerbaijanis" in Iran has grown. Azerbaijani elites fear Iranian-supported Islamic extremism and object to Iranian support to Armenia. Baku banned the pro-Iranian Islamic Party of Azerbaijan in 1995. In December 2010, the party denounced the Azerbaijani government for banning the wearing of the *hajib* in secondary schools. The Azerbaijani government accused the party of being behind demonstrations against the ban and sentenced several party officials to prison terms. To block the West and Azerbaijan from developing Caspian Sea energy, Iran long has insisted on either common control by the littoral states or the division of the seabed into five equal sectors. Some thawing in Azerbaijani-Iranian relations occurred in 2005-2006 with the long-delayed opening of an Azerbaijani consulate in Tabriz and leadership summits.

In recent months, Iran has boosted its diplomacy in the region, perhaps to counter growing international concern about its nuclear programs and to counter U.S. influence. Iran has proposed to build a railroad link to Armenia and another to Azerbaijan. The latter railroad will permit not only greater trade with Azerbaijan but also with Russia. Iran sells some gas to Armenia, and Azerbaijan sells some gas to Iran. Iran's efforts to improve relations with Azerbaijan have appeared to be complicated, however, by its reported suppression of rising dissent among "Southern Azerbaijanis" as well as alleged support for Islamic extremism in Azerbaijan. U.S. policy aims to contain Iran's threats to U.S. interests in the region.²⁰

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. As part of its European Neighborhood Policy, the EU signed Action Plans with the three regional states in November 2006 that it hoped would foster both European and regional integration. The EU took the international lead in mediating the August 2008 Russia-Georgia conflict and in deploying observers after the ceasefire (see "The August 2008 Russia-Georgia Conflict," below). The EU launched an Eastern Partnership program in 2009 to deepen ties with the South Caucasus states. Under the program, the EU plans "deep and comprehensive free trade agreements with those countries willing and able to enter into a deeper engagement, gradual integration in the EU economy, and ... easier travel to the EU through gradual visa liberalization."²¹ Some observers have viewed these objectives as being set back by the EU's recent economic problems.

The South Caucasus region has developed some economic and political ties with other Black Sea and Caspian Sea littoral states, besides those discussed above. Azerbaijan shares with Central Asian states common linguistic and religious ties and concerns about some common neighbors (Iran and Russia). The South Caucasian and Central Asian states are concerned about ongoing

²⁰ See CRS Report RL32048, *Iran: U.S. Concerns and Policy Responses*, by Kenneth Katzman.

²¹ EU. European Commission. "Eastern Partnership," at http://ec.europa.eu/external_relations/eastern/index_en.htm.

terrorist threats and drug trafficking from Afghanistan. Central Asia's increasing ties with the South Caucasus make it more dependent on stability in the wider region.

Obstacles to Peace and Independence

Regional Tensions and Conflicts

Ethnic conflicts have kept the South Caucasus states from fully partaking in peace, stability, and economic development since the Soviet collapse in 1991, some observers lament. The countries are faced with ongoing budgetary burdens of arms races and caring for refugees and displaced persons. Other costs of ethnic conflict include threats to bordering states of widening conflict and the limited ability of the region or outside states to fully exploit energy resources or trade and transportation networks.

U.S. and international efforts to foster peace and the continued independence of the South Caucasus states face daunting challenges. The region has been the most unstable part of the former Soviet Union in terms of the numbers, intensity, and length of its ethnic and civil conflicts. The ruling nationalities in the three states are culturally rather insular and harbor various grievances against each other. This is particularly the case between Armenia and Azerbaijan, where discord led to the virtually complete displacement of ethnic Armenians from Azerbaijan and vice versa by the early 1990s, so that younger Armenians and Azerbaijanis now have no memories of a more diverse past. The main languages in the three states are dissimilar (also, those who generally consider themselves Georgians—Kartvelians, Mingrelians, and Svans—speak dissimilar languages). The borders of the countries do not coincide with eponymous ethnic populations. Separatist NK relies on economic support from Armenia, and Abkhazia and South Ossetia from Russia.

At the December 1-2, 2010, OSCE summit meeting, the United States and Russia clashed over the principle of Georgia's territorial integrity, over the pledge that all OSCE member states should be committed to democratization and respect for human rights, and over Russia's call for a new European security treaty. The United States called for reestablishing an OSCE Mission in Georgia that would have a mandate that included the breakaway areas, but Russia refused. Language in the final declaration recognizing territorial integrity as a core principle of the OSCE was deleted at Russia's insistence. At the summit, the co-chairs of the Minsk Group (group of countries working toward a settlement of the conflict over the breakaway Nagorno Karabakh region)—the United States, France, and Russia—and the presidents of Armenia and Azerbaijan issued a statement that called for "more decisive efforts to resolve the NK conflict." The presidents pledged to seek a final settlement based on international law. The OSCE co-chair countries "urged the leaders of Armenia and Azerbaijan to focus with renewed energy on the issues that still remain in the Basic Principles" (a template for a peace settlement; see below under "Nagorno Karabakh Conflict"), and called for additional steps to strengthen the ceasefire and carry out confidence-building measures.²²

²² OSCE, Astana Summit, Joint Statement by the Heads of Delegation of the OSCE Minsk Group Co-Chair Countries and the Presidents of Azerbaijan and Armenia, December 1, 2010.

Nagorno Karabakh Conflict

In 1988, the Nagorno Karabakh (NK) Autonomous Region of Azerbaijan petitioned to become part of Armenia, sparking armed conflict between ethnic Armenians and ethnic Azerbaijanis. In December 1991, an NK referendum (boycotted by local ethnic Azerbaijanis) approved NK's independence and a Supreme Soviet was elected, which in January 1992 futilely appealed for world recognition. A ceasefire agreement was signed in July 1994 by Armenia, Azerbaijan, and NK Armenians (and mediators Russia and Kyrgyzstan) and the sides pledged to work toward a peace settlement. The conflict over the status of NK has resulted in about 15,000 casualties and hundreds of thousands of refugees and displaced persons in Armenia and Azerbaijan. According to the OSCE, an average of about 30 troops and civilians have been killed each year along the 137-mile "line of contact" and along the Armenia-Azerbaijan border dividing the conflicting sides.²³ The "Minsk Group" of concerned member-states of the OSCE was established to facilitate peace talks. The United States, France, and Russia co-chair the Minsk Group and other participants include (besides Armenia and Azerbaijan) Belarus, Germany, Italy, Portugal, the Netherlands, Sweden, Finland, and Turkey. An OSCE high-level planning group composed of military officers also was set up to plan for multi-national peacekeeping after a peace agreement is signed. In 1995, the OSCE chairman-in-office appointed a personal representative to help facilitate a peace settlement, including by carrying out monitoring missions along the line of contact and the Armenia-Azerbaijan border. This personal representative is based in Tbilisi, Georgia, and has small staffs in Yerevan, Armenia, Baku, Azerbaijan, and NK.

The U.N. High Commissioner for Refugees (UNHCR) has reported that at the beginning of 2011, there were still about 3,300 people considered refugees or displaced persons in Armenia. Armenia has granted citizenship and acted to permanently house most of the ethnic Armenians who fled Azerbaijan. UNHCR has reported that at the beginning of 2011, there were still about 595,000 people considered refugees or displaced persons in Azerbaijan.²⁴ The non-governmental International Crisis Group estimates that about 13%-14% of Azerbaijan's territory, including most of NK, is controlled by NK Armenian forces (*The World Factbook* estimates about 16%).²⁵ The OSCE's "Minsk Group" of concerned member-states began talks in 1992. A U.S. presidential envoy was appointed to these talks. A Russian-mediated cease-fire was agreed to in May 1994 and was formalized by an armistice signed by the ministers of defense of Armenia and Azerbaijan and the commander of the NK army on July 27, 1994 (and reaffirmed a month later). The United States, France, and Russia co-chair meetings of the Minsk Group.²⁶

The Minsk Group reportedly has presented four proposals as a framework for talks, but a peace settlement has proved elusive. Since 2005, officials in both countries have reported negotiations

²³ "Facilitating Dialogue: Interview with Ambassador Andrzej Kasprzyk," *OSCE Magazine*, January /2010.

²⁴ U.N. High Commissioner for Refugees, *Armenia: Statistical Snapshot*, at <http://www.unhcr.org/cgi-bin/texis/vtx/page?page=49e48d126>; *Azerbaijan: Statistical Snapshot*, at <http://www.unhcr.org/cgi-bin/texis/vtx/page?page=49e48d1e6>.

²⁵ *Nagorno-Karabakh: Viewing the Conflict from the Ground*, International Crisis Group, September 14, 2005; CIA, *The World Factbook. Azerbaijan*, at <https://www.cia.gov/cia/publications/factbook/geos/aj.html>. A map on the website of the "Government of the NK Republic," shows a map that includes the occupied areas as well as the bulk of the former NK Autonomous Region. See <http://www.karabakh.net/engl/gov?id=1>.

²⁶ The status of the U.S. envoy was downgraded in 1993. In early 2006, the State Department eliminated the post of U.S. Special Negotiator for Eurasian Conflicts and divided its responsibilities among the Deputy Assistant Secretary of State and the Office of Caucasus Affairs and Regional Conflicts. In 2009, a separate post of U.S. OSCE Minsk Group Co-Chair was filled by Ambassador Robert Brodtke.

on a fourth “hybrid” peace plan calling for initial agreement on “basic principles.” In November 2007, then-Undersecretary of State Nicholas Burns, Russian Foreign Minister Sergey Lavrov, and French Foreign Minister Bernard Kouchner presented the Foreign Ministers of Armenia and Azerbaijan with a draft text—*Basic Principles for the Peaceful Settlement of the Nagorno-Karabakh Conflict*—for transmission to their presidents. These officials 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.²⁷

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. The joint declaration was the first document on the NK conflict signed by the leaders of Armenia and Azerbaijan since the ceasefire in 1994.

As “updated” by the presidents of the co-chairing countries in July 2009 at L’Aquila, France, 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.²⁸ The co-chairs presented the “updated” Madrid principles to President Aliyev in Baku in December 2009 and to President Sarkisyan in Yerevan in January 2010. President Medvedev hosted Aliyev and Sargisyan in Sochi, Russia in late January 2010, and the two sides reportedly agreed on many parts of a preamble to an agreement. In mid-February 2010, Azerbaijani Foreign Minister Mamedyarov announced that Baku accepted many of the elements of the “updated” Madrid principles. In June 2010, President Medvedev hosted another meeting between Presidents Aliyev and Sargisyan in St. Petersburg, but no results were reported. In July 2010, the Russian and French foreign ministers and the U.S. deputy secretary of state issued a statement criticizing Armenia and Azerbaijan for not overcoming their differences to reach a peace agreement, and deploring recent negative trends, including violence along the line of contact that resulted in several casualties and bellicose statements by officials.

On September 8, 2010, the Minsk Group co-chairs crossed the line of contact separating NK Armenian and Azerbaijani armed forces, a variation on the periodic OSCE monitoring of the line of contact and the Armenian-Azerbaijan border. Reportedly, U.S. co-chair Robert Bradtke stated that the crossing—the first since 2001—underlined that the ceasefire should be respected, that the line is not a permanent border, and that eventually civilians will cross the line after a peace settlement.²⁹

²⁷ 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.

²⁸ 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.

²⁹ *Azerbaijan Press Agency*, September 15, 2010.

At the December 1-2, 2010, summit meeting of the OSCE, hopes that the attending presidents of Armenia and Azerbaijan would hold talks and make progress in resolving the NK conflict proved unfounded. The co-chairs of the Minsk Group and the two presidents instead issued a statement that called for “more decisive efforts to resolve the NK conflict.” The presidents pledged to seek a final settlement based on international law. The OSCE co-chair countries “urged the leaders of Armenia and Azerbaijan to focus with renewed energy on the issues that still remain in the Basic Principles,” and called for additional steps to strengthen the ceasefire and carry out confidence-building measures.³⁰

Meeting in Sochi, Russia, on March 5, 2011, Presidents Medvedev, Sargsisyan, and Aliyev issued a statement vowing “to tackle all disputable issues peacefully and to probe incidents along the ceasefire line together under the aegis of the OSCE Minsk Group co-chairs and with assistance from the OSCE chairman-in-office’s special envoy.”³¹ Azerbaijani presidential advisor Novruz Mamedov stressed after the meeting that the persistence of the president “of such a vast state” as Russia in hosting the conclaves had contributed to progress in the peace talks. On March 9, 2011, the Minsk Group co-chairs condemned ceasefire violations along the line of contact that occurred before and after the Sochi meeting, including the alleged sniper shooting of an Azerbaijani child. On March 17, 2011, a prisoner exchange occurred, as agreed to by Presidents Aliyev and Sargsisyan at Sochi, but the next day, a sniper allegedly killed a member of the NK Self-Defense Army. The chairman-in-office of the OSCE reiterated past calls by the OSCE and others for the removal of snipers from the line of contact. On March 17, 2011, Azerbaijani Defense Minister Safar Abiyev reportedly stated that the “worthlessness” of the Minsk Group talks had forced Azerbaijan to build up its military capabilities in order to “take serious and necessary measures to liberate” NK and surrounding areas.³²

In late March 2011, the Minsk Group co-chairs released the executive summary of a report of their findings and recommendations following an October 2010 Field Assessment Mission to the occupied areas surrounding NK. The last such assessment had been carried out in 2005. The 2010 report appeared to generally echo the findings of the 2005 fact-finding mission that much of the occupied area was de-populated and devastated, although some land was being farmed. The field mission found that most of the “towns and villages that existed before the conflict are abandoned and almost entirely in ruins.” They reported that there are an estimated 14,000 persons living in small settlements and in the towns of Lachin and Kelbajar, for the most part ethnic Armenians who were relocated from elsewhere in Azerbaijan, and who “live in precarious conditions, with poor infrastructure, little economic activity, and limited access to public services.” The “harsh” living conditions, the co-chairs emphasized, reinforced their view that “only a peaceful, negotiated settlement can bring the prospect of a better, more certain future to the people who used to live in the territories and those who live there now.”³³

In May 2011, the presidents of the United States, France, and Russia issued a statement on the sidelines of a Group of Eight (group of industrialized nations) meeting in Deauville, France, that

³⁰ OSCE, Astana Summit, Joint Statement by the Heads of Delegation of the OSCE Minsk Group Co-Chair Countries and the Presidents of Azerbaijan and Armenia, December 1, 2010.

³¹ *Meeting with Presidents of Armenia and Azerbaijan*, President of Russia, March 5, 2011, at <http://eng.kremlin.ru/news/1859>.

³² *Interfax*, March 17, 2011.

³³ OSCE, Minsk Group, *Executive Summary of the Report of the OSCE Minsk Group Co-Chairs’ Field Assessment Mission to the Occupied Territories of Azerbaijan Surrounding Nagorno-Karabakh*, March 24, 2011.

urged the Armenian and Azerbaijani presidents to finalize agreement on the Basic Principles at an upcoming late June 2011 meeting in Kazan, Russia. At this meeting, Presidents Sargsyan and Aliyev issued a joint statement that agreement had been reached on some issues and that further talks would be held. Many observers had heightened expectations of progress, perhaps illustrated by President Obama's phone calls to the Armenian and Azerbaijani presidents before the meeting to urge them to reach a settlement. A couple of weeks later, President Medvedev, reportedly disappointed that there had been scant progress at the talks, sent letters to the two leaders calling for suggestions on how to move the talks forward.

The presidents of Armenia and Azerbaijan denounced each other's perceived unwillingness to settle the NK conflict during the celebratory anniversary meeting of the Commonwealth of Independent States in Dushanbe, Tajikistan, in early September 2011. Mutual denunciations also were delivered at the late September 2011 opening session of the U.N. General Assembly. In his speech, President Sargsyan alleged that Azerbaijan had tried during the Kazan talks to "reject[] the previously elaborated arrangement and ... in fact, to break down the negotiation process." In his speech, Azerbaijani Foreign Minister Eldar Mammadyarov protested that "Azerbaijan still maintains its interest, motivation and patience in this very hard and sensitive process of negotiations. We believe that the international community will convince the Armenian side to respect the generally accepted norms and principles of international law and cease abusing the right of Azerbaijanis to live within their own territory."³⁴

At the end of September 2011, the Armenian and Azerbaijani presidents met with the Minsk Group in Warsaw, Poland. A statement issued by the Minsk Group did not report progress but only mentioned that talks would continue on "current differences on the Basic Principles" and on efforts to remedy ceasefire violations. During his early October 2011 visits to Armenia and Azerbaijan (and Georgia), French President Nicolas Sarkozy stressed that the "time has come" for peacefully resolving the NK conflict.

Civil and Ethnic Conflict in Georgia

Several of Georgia's ethnic minorities stepped up their dissidence, including separatism, in the late 1980s and early 1990s, resulting in the loss of central government control over the regions of South Ossetia and Abkhazia. Some observers argued that Russia's increasing controls over South Ossetia and Abkhazia over the years transformed the separatist conflicts into essentially Russia-Georgia disputes. Most residents of Abkhazia and South Ossetia had been granted Russian citizenship before the August 2008 Russia-Georgia conflict and most had appeared to want their regions to become independent or parts of Russia.³⁵

U.S. diplomacy long appeared to urge Georgia to work within existing peace settlement frameworks for Abkhazia and South Ossetia—which allowed for Russian "peacekeeping"—while

³⁴ CEDR, September 26, 2011, Doc. No. CEP-964113; Embassy of Azerbaijan in the United States, *Statement by Elmar Mammadyarov, Minister of Foreign Affairs, at the General Debate of the sixty-sixth session of the United Nations General Assembly*, September 27, 2011; United Nations, U.N. News Center, *Armenia and Azerbaijan Express Views on Nagorno-Karabakh During U.N. Debate*, September 27, 2011.

³⁵ Vladimir Socor, *Eurasia Insight*, November 20, 2006. According to an issue of the *Rossiyskoye Voennoye Obozreniye* (Russian Military Review) published by the Defense Ministry in early 2008, 80% of residents of Abkhazia were citizens of Russia at that time, and most had voted in the December 2007 Russian legislative election. CEDR, April 21, 2008, Doc. No. CEP-358004.

criticizing some Russian actions in the regions. This stance appeared to change during 2008, when the United States and other governments increasingly came to support Georgia's calls for the creation of alternative peace settlement mechanisms, particularly since talks under existing formats had broken down.

This U.S. policy shift was spurred by increasing Russian actions that appeared to threaten Georgia's territorial integrity. Among these, the Russian government in March 2008 formally withdrew from CIS economic sanctions on Abkhazia, permitting open Russian trade and investment. Of greater concern, President Putin issued a directive in April 2008 to step up government-to-government ties with Abkhazia and South Ossetia. He also ordered stepped up consular services for the many "Russian citizens" in the two regions. He proclaimed that many documents issued by the separatist governments and businesses which had been established in the regions would be recognized as legitimate by the Russian government. A meeting of the U.N. Security Council (UNSC) on April 23, 2008, discussed these Russian moves. Although the Security Council issued no public decision, the United States, Great Britain, France, and Germany stated that same day that they "are highly concerned about the latest Russian initiative to establish official ties with ... Abkhazia and South Ossetia without the consent of the Government of Georgia. We call on the Russian Federation to revoke or not to implement its decision."³⁶ (For other Russian actions during 2008 specific to a breakaway region, see "Developments in Abkhazia Before August 2008," "Developments in South Ossetia Before August 2008," or "The August 2008 Russia-Georgia Conflict," below.)

Developments in Abkhazia 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. The conflict resulted in about 10,000 deaths and over 200,000 displaced persons, mostly ethnic Georgians.

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

³⁶ "Germany, Great Britain, France, U.S.A. and Germany Passed Communiqué," *Black Sea Press*, April 24, 2008.

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.³⁷ 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.³⁸

Developments in South Ossetia 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, reportedly contributing to an estimated 2,000–4,000 deaths and the displacement of tens of thousands of people. 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.

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 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

³⁷ *ITAR-TASS*, May 6, 2008.

³⁸ 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.

but intensified their shelling, “forcing” Georgia to send in troops that reportedly soon controlled Tskhinvali and other areas.³⁹

On August 8, 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. 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 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.”⁴⁰ 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 six-point ceasefire that left Russian forces in control of South Ossetia, Abkhazia, and “security zones” in undisputed Georgian territory.⁴¹ 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 were permitted to implement security measures in the zone of the conflict until international monitors were in place), and to open international discussions on ensuring security and stability in Abkhazia and South Ossetia.

Much of the international community condemned President Medvedev’s August 26 decree officially recognizing the independence of South Ossetia and Abkhazia.⁴² Nicaragua, Venezuela, Nauru, and Vanuatu are the only countries that have followed suit in extending diplomatic relations to Abkhazia and South Ossetia.

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 six-point peace plan. Among its provisions, it stipulated that Russian forces would withdraw from areas

³⁹ See also CRS Report RL34618, *Russia-Georgia Conflict in August 2008: Context and Implications for U.S. Interests*, by Jim Nichol.

⁴⁰ *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.

⁴¹ See CRS Report RL34618, *Russia-Georgia Conflict in August 2008: Context and Implications for U.S. Interests*, by Jim Nichol, August 29, 2008.

⁴² The EU fact-finding mission on the causes and outcome of the Russia-Georgia conflict stated that according to overwhelmingly accepted principles of international law, “only former constituent republics such as Georgia but not territorial sub-units such as South Ossetia or Abkhazia are granted independence in case of dismemberment of a larger entity such as the former Soviet Union. Hence, South Ossetia did not have a right to secede from Georgia, and the same holds true for Abkhazia.... Recognition of breakaway entities such as Abkhazia and South Ossetia by a third country ... runs against Principle I of the Helsinki Final Act which states “the participating States will respect each other’s sovereign equality and individuality as well as all the rights inherent in and encompassed by its sovereignty, including in particular the right of every State to juridical equality, to territorial integrity and to freedom and political independence.” The fact-finding mission also pointed out that the founding documents of the Commonwealth of Independent States, to which Georgia belonged from 1993 to 2008, called for upholding the territorial integrity of the members. Council of the European Union. *Report of the Independent International Fact-Finding Mission on the Conflict in Georgia*, September 2009, Vol. 1, p. 17; Vol. 2, pp. 127-146.

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 OSCE would remain; and that the number of international observers would be increased by October 1, to include at least 200 observers from the EU, and perhaps more later. The EU called for Russia to permit these observers to patrol in Abkhazia and South Ossetia. Russia's position has been that these observers cannot patrol in the regions without the approval of the regions, and the regional leaders have refused to permit such patrols. 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."⁴³

Many observers have argued that Russia aimed both to consolidate control over South Ossetia and Abkhazia and to depose Georgian President Saakashvili when it launched the August 2008 military incursion into Georgia. Russia hoped to achieve this latter goal either directly by occupying Georgia's capital of Tbilisi and killing or arresting Saakashvili, or indirectly by triggering his overthrow, according to these observers. They state that Saakashvili's survival as the popularly elected president is a major accomplishment of the diplomacy led by the EU that ended Russia's offensive. They also suggest that the current political stability may indicate that Georgia has made at least some democratization progress (see "Recent Democratization Problems and Progress").⁴⁴

By October 1, 2008, the EU Monitoring Mission (EUMM) had deployed over 200 monitors 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 Akhalkgori, a district that Russia asserts is within South Ossetia's Soviet-era borders, and the Kodori Gorge, and that no Russian military bases are permitted in the regions. 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 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.⁴⁵

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

⁴³ CEDR, September 28, 2008, Doc. No. CEP-950425; CEP-950440.

⁴⁴ U.S. House of Representatives. Committee on Foreign Affairs. Hearing on U.S.-Russia Relations in the Aftermath of the Georgia Crisis. *Testimony of Daniel Fried, Assistant Secretary of State for European and Eurasian Affairs*, September 9, 2008. Saakashvili also highlighted this Russian aim during his testimony to the Georgian legislative commission investigating the causes of the conflict. See "Saakashvili Testifies Before War Commission, Analysts Comment," *The Messenger* (Tbilisi), December 1, 2008. Georgia's Ambassador to the United States, Davit Sikharulidze, argued that Russia's "aim was to overthrow the [Georgian] government and it would have come true but for the U.S. interference." CEDR, December 1, 2008, Doc. No. CEP-950233. Russia officially has denied such an aim.

⁴⁵ EUMM. *Mission Facts and Figures*, at http://www.eumm.eu/en/about_eumm/facts_and_figures.

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.⁴⁶

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, South Ossetia, and Abkhazia reject any challenges at the conference to the claimed independence of the breakaway regions. Russia has insisted at these meetings and elsewhere that the international community impose an arms embargo on Georgia. Russia also has insisted at these meetings that Georgia sign non-use-of-force agreements with the breakaway regions. In March 2010, Russia stated that, as a preliminary to the signing of such agreements, Georgia, South Ossetia, and Abkhazia could provide written pledges of the non-use of force to the United Nations (see below).⁴⁷

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 Georgia-South Ossetia Incident Prevention and Response Mechanism 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 were held sporadically until South Ossetia broke them off in October 2009. The meetings were renewed in mid-2010.
- 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 regime ... has continued to erode. Heavy military equipment and military personnel [from Russia] have remained in the Mission’s area of responsibility.”⁴⁸
- 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.
- The Russian and Abkhazian delegations lowered the status of their top emissaries attending a late July 2010 Geneva conference meeting. The Russian Foreign Ministry claimed that Deputy Foreign Minister Grigoriy Karasin did not attend

⁴⁶ 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.

⁴⁷ Samuel Charap and Cory Welt, *A More Proactive U.S. Approach to the Georgia Conflicts*, Center for American Progress, February 2011; CEDR, July 28, 2010, Doc. No. CEP-6001.

⁴⁸ 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.

- because of a summer vacation, but some observers viewed Karasin's absence as emphasizing Russia's stance—reiterated during the meeting—that a non-use-of-force accord should be signed. The United States inexplicably also lowered the status of its top emissary, but supported the Georgian position that Georgia already had pledged the non-use of force in the ceasefire accords and that if a new accord was prepared, Russia should also sign it.
- The level of emissaries was restored at the October 14, 2010, meeting. Russia announced that it was pulling its troops out of the town of Perevi, Georgia, near the border with South Ossetia. The troops pulled out on October 18, 2010. Russia has declared that this pullout marks its complete fulfillment of the ceasefire accords.⁴⁹ South Ossetia refused to discuss problems of refugees and displaced persons after a Georgian-sponsored resolution on the return of displaced persons and refugees to South Ossetia was approved by the U.N. General Assembly in September 2010.
 - In March 2011, the sides praised the regular monthly meetings of the incident prevention and response mechanisms groups, which had resulted in the exchange of people who had been detained or imprisoned on grounds of illegally crossing the borders. The sides also praised the high level of cross-border traffic that had been facilitated by the work of the incident prevention groups. Russia continued to support Abkhazia's and South Ossetia's calls for Georgia to sign non-use-of-force agreements with the two regions. Russia and the two regions also continued to refuse to permit monitors into the regions.
 - On June 7, 2011, the 16th meeting of the Geneva conference took place. Georgia reported that there was no progress in resolving the main issues of security in the region or the return of displaced persons. Georgia raised concerns about alleged Russian terrorist attacks and plans (see above) and stated that it might reconsider participation in the Geneva conference if the terrorist attempts continued. Abkhazia and South Ossetia threatened to no longer participate in discussions over the repatriation of displaced persons. Russia reiterated support for the rejection by the breakaway regions of calls for EU observers or other international monitors to be permitted to patrol in the regions.
 - On October 4, 2011, the 17th meeting of the Geneva conference took place. Georgia reported that there was no progress in resolving the main issues of security in the region or the return of displaced persons. Georgia protested that it has received no response to its allegations that Russia had carried out and planned terrorist attacks in Georgia. The next round of talks is scheduled for December 2011.

In late 2010, President Saakashvili gave speeches at sessions of the European Parliament and the OSCE in Astana, Kazakhstan, pledging the non-use of force except in cases of

⁴⁹ The Georgian Foreign Ministry issued a statement that the withdrawal of Russian troops from Perevi was welcome but was “just a miniscule step in comparison with commitments envisaged by the ceasefire agreement of August 12, 2008, which Russia still has to comply with.... The Russian Federation still occupies 20% of the territory of Georgia, ... [and] hundreds of thousand refugees and internally displaced persons lack the possibility of safe and dignified return to the places of their residence.” *Statement of the Ministry of Foreign Affairs of Georgia on the Withdrawal of the Russian Armed Forces*, Ministry of Foreign Affairs of Georgia, October 19, 2010. See also *Statement of the Ministry of Foreign Affairs of Georgia on [Russia's] Publication of the Major Foreign Policy Events of 2010*, January 3, 2011.

self-defense. At the European Parliament, he stated that “to prove that Georgia is definitively committed to a peaceful resolution of its conflict with [Russia] we take today the unilateral initiative to declare that Georgia will never use force to restore its territorial integrity and sovereignty, that it will only resort to peaceful means in its quest for de-occupation and reunification.... Georgia will only retain the right to self-defense in the case of new attacks and invasion.... We commit ourselves not to use force in order to reunite our illegally divided country, neither against the occupation forces, nor against their proxies.” In an interview about the pledge, he stated that “we must display strategic patience, which can lead not only to the complete liberation of our territory but also to reconciliation with Russia.”⁵⁰ South Ossetia and Abkhazia followed suit with oral statements, but Russia refused to issue such a pledge on the grounds that it is not a party to the conflict.

The International Crisis Group (ICG), a non-governmental organization, estimated in June 2010 that there may be fewer than 30,000 people residing in South Ossetia, and that the population continues to decline (a 1989 census, taken before the beginning of conflict, reported a regional population of 98,500). The ICG suggests that the region is increasingly less able to govern or sustain itself economically, so must rely on Russian aid and thousands of Russian construction and government workers, troops, and border guards that are deployed there.⁵¹

At the December 1-2, 2010, summit meeting of the OSCE, the United States and Russia clashed over the principle of Georgia’s territorial integrity. The United States called for reestablishing an OSCE Mission in Georgia that would have a mandate that included the breakaway areas, but Russia refused. Language in the final declaration recognizing territorial integrity as a core principle of the OSCE was deleted.

In early March 2011, Assistant Secretary of State Philip Gordon reiterated the U.S. position that Georgia’s territory is “occupied” by Russian troops. He explained that

we don’t know what else to call it. We respect Georgia’s sovereignty and territorial integrity. We believe that Russia used disproportionate force and remains present in what we consider to be sovereign Georgia. So it’s not meant to be a particular provocation, it’s just a description of what we think the situation is and we’ve very active in the Geneva talks and bilaterally with Russia to try to bring about an end to what we consider to be a military occupation.⁵²

On June 2 and June 6, 2011, Georgia announced that it had apprehended Russian terrorist infiltrators who were planning attacks in Georgia, including against the NATO Liaison Office in Tbilisi. Georgia alleged that Russian security agencies were behind the planned attacks. Russia termed these allegations “artificially fabricated arrays of data.”⁵³ In late July 2011, the *Washington Times* alleged that the U.S. intelligence community had backed up a Georgian claim

⁵⁰ *President of Georgia’s Address to European Parliament Members*, Mikheil Saakashvili, The President of Georgia, at http://www.president.gov.ge/index.php?lang_id=ENG&sec_id=228&info_id=5857; *Le Figaro*, November 23, 2010.

⁵¹ International Crisis Group, *South Ossetia: The Burden of Recognition*, June 7, 2010.

⁵² U.S. Embassy, Bratislava, Slovakia, *Assistant Secretary of State for Europe Phil Gordon in Bratislava: The U.S. Relationship With Central Europe Under the Obama Administration*, March 3, 2011.

⁵³ Ministry of Foreign Affairs of the Russian Federation, June 13, 2011.

that Russian intelligence operatives had orchestrated a bombing in September 2010 near the U.S. Embassy in Tbilisi.⁵⁴

The Tagliavini Report on the Origins and Outcome of the August 2008 Conflict

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.”⁵⁵ 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.”⁵⁶

Economic Conditions, Blockades, and Stoppages

The economies of all three South Caucasus states greatly declined in the early 1990s, affected by the dislocations caused by the breakup of the Soviet Union, conflicts, trade disruptions, and the lingering effects of the 1988 earthquake in Armenia. Although gross domestic product (GDP) began to rebound in the states in the mid-1990s, the economies remain fragile. Investment in oil and gas resources has fueled economic growth in Azerbaijan in recent years at the expense of other sectors of the economy. Widespread poverty and regional conflict have contributed to high emigration from all three states, and remittances from these émigrés have provided major support for the remaining populations.

The global economic downturn that began in 2008 hampered Armenia’s economic growth and added to Georgia’s economic stresses in the wake of the August 2008 conflict. Azerbaijan’s energy revenues, although reduced, helped it weather the downturn with continued GDP growth. The influx of international assistance to Georgia ameliorated to some degree the impact of the conflict and the world economic crisis. In October 2010, Russia announced a \$500 million loan to Armenia to assist it in economic stabilization and recovery.⁵⁷

⁵⁴ *Washington Times*, July 27, 2011; Maka Gurgenzidze, “CIA Reportedly Concluded Bombing of U.S Embassy in Tbilisi has Ties to Moscow,” *CACI Analyst*, August 3, 2011.

⁵⁵ *Report of the Independent International Fact-Finding Mission on the Conflict in Georgia*, Vol. 3.

⁵⁶ U.S. Department of State. *Daily Press Briefing*, September 30, 2009.

⁵⁷ *ITAR-TASS*, October 20, 2010.

Transport and communications obstructions and stoppages have severely affected economic development in the South Caucasus and stymied the region's emergence as an East-West and North-South corridor. Since 1989, Azerbaijan has obstructed railways and pipelines traversing its territory to Armenia.⁵⁸ According to the U.S. Embassy in Baku, Azerbaijan's Nakhichevan exclave "is blockaded by neighboring Armenia." Since 2006, Russia has severely restricted agricultural trade and land, air, and sea links with Georgia. Russia hinders Azerbaijan's use of the Volga-Don Canal to reach world shipping channels. Russia has at times cut off gas supplies to Georgia. During the August 2008 Russia-Georgia conflict, Russia's effective blockade of Georgia's Black Sea ports disrupted trade shipments to and from Armenia. In the wake of the conflict, gas transit from Russia to South Ossetia via other Georgian territory was disrupted, with each side blaming the other, until service was restored in late January 2009. In late August 2009, Russia completed construction of a 110-mile gas pipeline from North Ossetia to South Ossetia to avoid transiting Georgia. Trans-border road traffic between Georgia and the regions of South Ossetia and Abkhazia is severely restricted. Armenia criticizes Georgia's refusal to reopen a section of railway transiting the country to Abkhazia and Russia.

Turkey closed its land borders with Armenia in 1993. These obstructions have had a negative impact on the Armenian economy, since it is heavily dependent on energy and raw materials imports. Turkey's closure of land borders in effect barred direct U.S. shipments of aid through its territory to Armenia. Foreign Operations Appropriations for FY1996 (P.L. 104-107) and Omnibus Consolidated Appropriations for FY1997 (P.L. 104-208)⁵⁹ have mandated U.S. aid cutoffs (with a presidential waiver) to any country which restricts the transport or delivery of U.S. humanitarian aid to a third country. These provisions were designed to convince Turkey to allow the transit of U.S. aid to Armenia. (See also above, "The Roles of Turkey, Iran, and Others.")

Azerbaijani Civil Aviation official Arif Mammadov reportedly warned in late March 2011 that Azerbaijan could shoot down airplanes that have not received Azerbaijani permission to land at the airport in Stepanakert (Xankandi), the capital of NK. Armenia's defense ministry reportedly responded that its air defenses were capable of protecting the country's airspace. U.S. Ambassador Bryza reportedly condemned the idea of attacking civilian aircraft and the Azerbaijani Foreign Ministry stated that the country would not attack civilian aircraft.⁶⁰

Recent Democratization Problems and Progress

According to the NGO Freedom House, in 2010 Armenia and Georgia ranked as "partly free," while Azerbaijan ranked as "not free," in terms of political rights and civil liberties. Armenia and Azerbaijan were assessed as having very restricted political rights, where elections have been marred by serious irregularities. Armenia's government was assessed as slightly better in respecting civil liberties than was Azerbaijan's, where the media have been severely restricted.

⁵⁸ Armenia long opposed the construction or revamping of a section of railway from Kars, Turkey, to Tbilisi (and thence to Azerbaijan) that would bypass Armenia, arguing that an existing section of railway from Kars that transits Armenia into Georgia could be returned to service "in a week." The Export-Import Bank Reauthorization Act of 2006 (P.L. 109-438) prohibits the Bank from guaranteeing, insuring, or extending credit in support of any railway construction that does not traverse or connect with Armenia and does traverse or connect Baku, Tbilisi, and Kars. Work on the railway began in late 2007 and is planned to be completed in late 2011 or early 2012.

⁵⁹ P.L. 104-208, Sec. 559, amends the Foreign Assistance Authorization Act of 1961.

⁶⁰ *CEDR*, March 23, 2011, Doc. No. CEP-950100; April 11, 2011, Doc. No. CEP-950112; "Azerbaijan Threatens To Shoot Down Karabakh Planes," *RFE/RL*, March 16, 2011.

Georgia was assessed as improving in civil liberties over the past year due in part to increasing media diversity. Among the disputed territories, Nagorno Karabakh (NK) and South Ossetia were judged to be “not free,” while Abkhazia was judged to be “partly free.” NK was judged to have declined in political rights in 2010, “due to the complete absence of opposition candidates in the May 2010 parliamentary elections.”⁶¹

Armenia

Municipal elections for Yerevan were held in May 2009, the first in which the capital’s mayor was indirectly elected rather than appointed by the president. The ruling Republican Party (HHK) secured 35 of 65 seats in the city council, which resulted in the HHK incumbent previously appointed by the president being reinstated as mayor. Opposition parties viewed the election as fraudulent. The NGO International Foundation for Electoral Systems (IFES) reported that “while there were some progressive elements in the work of local polling commissions ... these were offset by egregious violations.... The prevalence of unauthorized persons both inside and around the polling stations which served to intimidate voters and poll workers alike played a large role in determining the final, announced results of the vote.”⁶² In December 2009, co-rapporteurs for Armenia at the Parliamentary Assembly of the Council of Europe (PACE) raised concerns that an Armenian legislative report on a violent crackdown on protests after the March 2008 presidential election had largely exonerated the government, but called for reform recommendations made by the report to be implemented.⁶³

Starting in February 2011, the Armenian National Congress (ANC), an alliance of opposition parties formed in 2008, has launched a series of demonstrations inspired by developments in the Middle East. On March 1, 2011, the ANC held a reportedly large demonstration in Yerevan where former President Levon Ter-Petrosyan publicized a list of demands against the government, including freeing “political prisoners,” facilitating an international examination of government actions after the 2008 election, permitting rallies in Yerevan’s Liberty Square, raising salaries and social benefits, ousting the prime minister, and “get[ting] the process of NK conflict resolution back on track.”⁶⁴ In mid-March 2011, opposition Heritage Party founder Raffi Hovhannisyan began a two-week hunger strike to protest against what he claimed was increasing government repression against the opposition and to call for early presidential and legislative elections. On March 17, 2011, the ANC held another reportedly large rally in Yerevan that the authorities permitted to be held in Liberty Square. That same day, the authorities released two opposition activists who had been jailed since 2008. Subsequently, the government granted amnesties to additional prisoners who had been sentenced in relation to the March 2008 protest, and launched a new effort to investigate the events of March 2008. In response to these moves, at a rally in Yerevan on May 31, 2011, Ter-Petrosyan stated that the ANC was ready for “dialogue” with the government.

⁶¹ *Freedom in the World*, Freedom House, February 13, 2011.

⁶² “IFES, an Observer of the Yerevan, Armenia Elections, Comments on the Poll,” IFES, June 1, 2009, at <http://www.ifes.org/Content/Publications/Comments/2009/Jun/IFES-an-Observer-of-the-Yerevan-Armenia-Elections-Comments-on-the-Poll.aspx>.

⁶³ PACE. “Recommendations of Armenian Parliamentary Committee Provide ‘a Comprehensive Although Not Complete’ Response to March 2008 Crisis,” *News*, December 22, 2009; “PACE Co-Rapporteurs Welcome Willingness of Armenian Authorities to Draw Up Reform ‘Roadmap,’” *News*, March 25, 2010; Armenia Needs a Clear Roadmap of Reforms in Order to Consolidate Democracy,” *News*, May 14, 2010.

⁶⁴ *CEDR*, March 2, 2011, Doc. No. CEP-964045.

The ANC joined talks with the government in July 2011, but ceased meeting with government officials in late August 2011, after police clashed with youth activists on August 9 and arrested one ANC member. Besides demanding the release of the arrested ANC member, Ter-Petrosyan has reiterated his call for the government to agree to early legislative and presidential elections. A continuous sit-in sponsored by the ANC began in Liberty Square in October 2011.

Azerbaijan

During in July 2010 visit to Azerbaijan, Secretary Clinton stated that the country had made “tremendous progress” in democratization since it gained independence and reported that the United States was providing democratization assistance to facilitate a free and fair legislative election in November 2010.⁶⁵ The U.S. Department of State issued a statement on November 8, 2010, just after the election, that while peaceful, the election “did not meet international standards.” The State Department remarked that the inclusion of record numbers of domestic observers and an increase in the number of female candidates were improvements over past elections, but reported that observers from the U.S. embassy witnessed “serious violations of election procedures, including ballot box stuffing.” The State Department urged that the Azerbaijani government “focus now on adjudicating election grievances fairly, transparently, and expeditiously [in order to ensure] accountability for officials who are suspected of interfering with the proper conduct of elections.”⁶⁶ The next day, the Azerbaijani Foreign Ministry criticized the State Department’s assessment, viewing it as less favorable than that issued by the OSCE. The Foreign Ministry claimed that the OSCE monitoring report, while noting some shortcomings, “show[ed that] the elections have gained the people’s confidence.”⁶⁷ On December 15, 2010, purportedly to discount some adverse Wikileaks press reports, Secretary Clinton reportedly called President Aliyev to reassure him that the United States continues to view Azerbaijan as its important strategic partner and is determined to deepen bilateral ties.

The November 2010 Milli Majlis Election

In June 2010, the Azerbaijani Milli Majlis (National Assembly) approved a bill calling for it to coordinate its yearly agenda with the presidential administration. Oppositionists criticized the law as further demonstrating that the legislature was controlled by the executive branch of government.

A constituency-based election for Azerbaijan’s 125-member Milli Majlis was held on November 7, 2010. Candidates wishing to run were required to gather 450 signatures. About 1,400 individuals were nominated by parties or by voter initiatives or self-nominations, but only about 1,100 reportedly submitted the required signature sheets and other information. Electoral officials accepted all of the prospective candidates of the ruling New Azerbaijan Party (NAP) but rejected many from other parties and blocs, so that 690 candidates appeared on the ballot (43 of these were registered after appealing initial rejections, and 52 registered candidates dropped out). These rejections seriously impacted the ability of the opposition to field candidates in more than a few constituencies. While the NAP was able to field candidates in 111 constituencies, the opposition

⁶⁵ U.S. Department of State, *Hillary Rodham Clinton, Secretary of State, Joint Press Availability With Azerbaijani Foreign Minister Mammadyarov*, July 4, 2010.

⁶⁶ U.S. Department of State, *Press Statement: Parliamentary Elections in Azerbaijan*, November 8, 2010.

⁶⁷ *Azerbaijan Press Agency*, November 10, 2010.

PFP-Musavat bloc, for instance, could only field candidates in 38 constituencies. In addition to candidates nominated by parties, 387 were self-nominated “independent” candidates or were nominated by voter initiative groups, although many of these candidates in fact were members of parties. Historically, most independents who have won election have supported the NAP in the legislature.⁶⁸

In the run-up to the election, three major developments appeared to assure that the ruling NAP would retain or increase its dominance in the legislature: (1) media, assembly, and campaign laws and practices greatly restricted the ability of opposition parties to publicize their concerns and counter claims of the ruling party; (2) the numerous opposition parties failed to unite and instead ran as party blocs and as individual parties; and (3) rising incomes for most of the population may have predisposed a large measure of support for the ruling party, despite some stresses caused by the global economic downturn. According to the OSCE and some NGOs, restrictions on an open campaign environment and a free and fair vote included reducing the number of campaign days to about three weeks; eliminating an electoral provision permitting individuals to run by submitting a financial deposit; doing away with public financing of elections; denying the holding of campaign rallies except in far-flung, officially approved locations; filing of defamation lawsuits and carrying out other harassing measures against journalists; providing dominant representation to the ruling NAP on electoral commissions and expert electoral appeal panels; and allowing opaque military voting. As a result of these restrictions, there were no public debates between candidates and virtually no television coverage of opposition candidates except for four minutes of time permitted for candidates to set forth their platforms.

Perhaps a factor in the election, on October 13, 2010, the ruling NAP asserted that the merger of Musavat Party and the Azerbaijan Popular Front “was made on an order from [the West] and aims at misleading public opinion.” The NAP also claimed that Isa Gambar, the head of the Musavat Party, was a traitor to the country because he had signed a declaration at an NGO conference in Potsdam, Germany, with Aram Manukyan, chairman of the Armenian National Movement, on the peaceful settlement of the NK conflict. Ali Ahmadov, the deputy chairman of NAP, reportedly stated that Musavat “cannot count on the Azerbaijani people [in an election] and rely on Armenians.” Gambar argued that the declaration, which was also signed by the head of Georgia’s Republican Party, David Usupashvili, did not harm Azerbaijan’s security.⁶⁹

According to the Central Electoral Commission, about 50% of 4.9 million registered voters turned out, and most voted for members of the NAP. The NAP increased its number of seats in the Majlis from 61 in 2005 to 74 in 2010.⁷⁰ The number of nominal independents also increased from 37 in 2005 to 39 in 2010. Nine minor parties won 12 seats, down from 20 in 2005. One opposition party candidate—Igbal Agazade of the Umid (Hope) Party—won a seat in the new Majlis. The Popular Front-Musavat bloc, which had won six seats in 2005 (as individual parties), won no seats in 2010. All winning parties except the Umid Party signed a statement proffered by

⁶⁸ One local non-governmental organization (NGO) reported that there were myriad efforts by local officials and others to pressure citizens not to endorse the candidacy of oppositionists and to force prospective opposition candidates to drop out of the race. *Parliamentary Elections in the Republic Of Azerbaijan: Report on the Stage of Candidate Nomination and Registration*, Democracy Learning Public Union, October 22, 2010.

⁶⁹ CEDR, October 18, 2010, Doc. No. CEP-950077; October 14, 2010, Doc. No. CEP-950086; *Azerbaijan Press Agency*, October 13, 2010. On the Friedrich Naumann Foundation for Freedom, which sponsored the conference at which the parties signed the declaration of cooperation, see “Declaration of ELDR Member Parties in the South Caucasus,” at http://www.freiheit.org/webcom/show_article.php?wc_c=617&wc_id=17117&wc_p=1.

⁷⁰ The NAP won 56 seats on November 6, 2005, and 5 more seats in repeat elections held on May 13, 2006.

the NAP declaring that the campaign and election represented progress in democratization. According to one report, about two-thirds of the deputies of the outgoing Majlis were reelected. Many of the reelected and new members are officials or are related to current officials, according to this report.⁷¹

OSCE election monitors reported that the election was peaceful but “was not sufficient to constitute meaningful progress in the democratic development of the country.” They stated that “fundamental freedoms of peaceful assembly and expression were limited and a vibrant political discourse facilitated by free and independent media was almost impossible. A deficient candidate registration process, a restrictive political environment, unbalanced and biased media coverage, disparity in access to resources to mount an effective campaign, misuse of administrative resources as well as interference by local authorities in favor of candidates from the ruling party created an uneven playing field for candidates.” The OSCE monitors assessed voting procedures negatively in 11% of 1,247 polling stations visited, but among these were “serious violations and important procedural shortcomings,” including ballot-box stuffing, the appearance of seemingly identical signatures on voter lists, and the lack of inking of fingers to help prevent multiple voting. The vote count was assessed negatively in over 30% of 152 polling stations visited. In one case, the monitors received a filled-out precinct results sheet before the election that closely matched what the precinct reported after the race. The court of appeals and the Supreme Court rejected all complaints by opposition candidates about the election.⁷² The Election Monitoring and Democracy Studies Center, a local NGO, alleged that their monitors witnessed ballot-box stuffing in over one-fourth of polling places it covered.⁷³

Ramiz Mehdiyev, the head of the presidential administration, hailed the election as a “triumph of democracy,” as viewed by most international observers, but stated that “the position of OSCE [election monitors] was of “a subjective nature.... To a certain extent, these [were] ideas voiced on the basis of certain directives.”⁷⁴

Opposition Musavat Party head Isa Gambar alleged that only about 15% of voters had turned out and that massive vote fraud had occurred, while other members of his party speculated that the results were at least partly due to lack of party work at the local level outside of Baku.⁷⁵

Addressing the newly elected NAP deputies just before the convocation of the Milli Majlis on November 29, 2010, President and NAP head Aliyev hailed the election as “held in a fully transparent and democratic manner,” and stated that “the Milli Majlis has a very important role and function in the contemporary development of Azerbaijan.... The parliamentary election shows once again that our citizens wish to see deserved representatives.... I hope that during next five years the Milli Majlis and certainly, its leading force, the New Azerbaijan Party, will

⁷¹ CEDR, November 8, 2010, Doc. No. CEP-950216.

⁷² OSCE, Office for Democratic Institutions and Human Rights, *International Election Observation, Republic of Azerbaijan, Parliamentary Elections, 7 November 2010, Statement of Preliminary Findings and Conclusions*, November 8, 2010; *Republic Of Azerbaijan Parliamentary Elections, 7 November 2010, Final Report*, January 25, 2011.

⁷³ *Preliminary Statement on the Results of the Monitoring of the 7 November 2010 Elections to the Milli Majlis (Parliament) of the Republic of Azerbaijan*, Election Monitoring and Democracy Studies Center, November 8, 2010. See also the report of the Democracy Learning Public Union, a local NGO, *Parliamentary Elections in the Republic Of Azerbaijan: Report on the Stage of Candidate Nomination and Registration*, October 22, 2010.

⁷⁴ CEDR, November 17, 2010, Doc. No. CEP-950.

⁷⁵ CEDR, November 23, 2010, Doc. No. CEP-950130; *Azerbaijan Press Agency*, November 24, 2010.

contribute to the future development of our country.”⁷⁶ President Aliyev reappointed all of the members who held top posts in the previous legislature, including Oqtay Asadov, who was reappointed speaker. The three Reform bloc deputies (including the heads of the Great Creation and Justice parties and the United Popular Front of Azerbaijan) announced that they would form an Reform “opposition” faction in the legislature.

The 2011 Protests

Accusing foreign-based NGOs of fomenting dissent, on March 7, 2011, the Justice Ministry sent the U.S.-based National Democratic Institute a letter referencing permissible actions of NGOs in the country, and police reportedly closed down NDI’s Baku office in mid-March 2011. The Cabinet of Ministers subsequently issued a new regulation requiring foreign NGOs applying for registration in Azerbaijan to swear to uphold “national spiritual values and not [to] carry out political or religious propaganda.” They also are forbidden to carry out activities in NK.⁷⁷

An Internet-launched “great people’s day” protest was planned for March 11, 2011, reportedly supported by thousands of Internet users. Organizers of the protest stated that the date was set to commemorate the date a month previously that Egyptian President Hosni Mubarek had been ousted. In the days leading up to March 11, up to a dozen or more Internet users reportedly were detained, and some allegedly were held secretly. One organizer, Bakhtiyar Hajiyev, a Harvard-educated resident of Ganja, was arrested on March 4, 2011, on charges of draft evasion. Several dozen people were arrested on March 11, and some received prison sentences of a few days. The next day, the Musavat Party held a protest at Baku’s Fountain Square that reportedly involved several hundred people, but many were prevented from entering the square and several activists were detained in advance or arrested the day of the protest.

In the run-up to the Internet-launched protest, authorities reportedly deployed military troops in Baku and teachers at universities and secondary schools reportedly were ordered to lecture their students not to attend protests or otherwise become involved in “anti-Azerbaijani” actions. On March 9, 2011, the Interior Ministry claimed that the protests were fomented by “radical oppositionists” financed by foreign countries aiming to trigger further “color revolutions” in Soviet successor states. Various Azerbaijani officials stated that it would be unpatriotic to protest while Azerbaijan is at war with Armenia and that heavy Internet users were mentally ill. Baku State University allegedly forbade students from leaving the campus on March 11. Reacting to Internet intimations that another protest might be held on March 14, the university closed and deployed police to the campus. This protest did not materialize. On March 18, youth branches of the Popular Front Party, the Hope Party, the Civic Solidarity Party, Democratic Party, Musavat, and various youth groups issued a statement calling on the security services to halt arrests of opposition youth and other activists. The next day, authorities arrested some officials of the Baku branch of Moscow Open University on grounds of fomenting dissent.

The government detained several opposition activists ahead of a planned April 2, 2011, protest by the Public Chamber, a coalition of non-partisan politicians, members and officials of the opposition Popular Front, Musavat, and National Independence parties, and sympathetic NGOs. A

⁷⁶ President of Azerbaijan, *Ilkham Aliyev Met With MPs of the Ruling Party Elected to the Milli Majlis*, November 29, 2010.

⁷⁷ “NDI: National Democratic Institute Has Not Been Asked to Close in Azerbaijan,” APA News Service, March 11, 2011; *CEDR*, March 24, 2011, Doc. No. CEP950161.

television station allegedly owned by the Aliyev family alleged that Ali Karimli, head of the opposition Popular Front Party and a prominent member of the Public Chamber, was meeting with the banned Azerbaijani Islamic Party and with “pro-Iranian Shiite religious organizations, ... members of Hezbollah, Wahhabis who fought in Dagestan and Chechnya, groups close to the Taliban, members of the Nurcu sect and other” radical religious groups to plan the April 2 protest. Those attempting to gather on April 2, 2011, to call for the government's resignation, new legislative elections, and the freedom of speech and assembly were forcibly dispersed and several people were arrested. The U.S. Embassy in Baku raised concerns about the government actions.⁷⁸

Commenting on the protests, on April 15, 2011, President Aliyev stated that since the turmoil of the early 1990s, the “Azerbaijani nation” has not supported the political elements leading the protests. He averred that “Azerbaijan is so powerful, [its] socio-political stability is so strong ... [the] Azerbaijani nation said ‘no’ to those who try to hinder our activity, damage successful development of Azerbaijan and who are sometimes ordered by foreign forces.”⁷⁹

The Public Chamber announced that it planned another protest in Baku on April 17, 2011. Authorities denied the group permission for the requested venue. Police control was tightened before the planned protest and dozens who attempted to protest were detained.

In early May 2011, a protest against the ban on wearing the hijab in public schools by 150 or more people at the Education Ministry was forcibly suppressed. Reportedly, 65 were detained, with the government claiming that the protest was led by “radical” Muslims and resulted in property damage and injuries to 26 policemen. In late May 2011, reportedly 150 women wearing hijab held a march in Baku. In early October 2011, five men received sentences ranging from probation to 2.5 years in prison for organizing the early May 2011 protest and using force against government representatives. The chairman of the banned Islamic Renaissance Party of Azerbaijan, Movsum Samadov, also denounced the ban on the hijab, and he and six other party members subsequently were arrested and convicted in October 2011 on charges of planning a coup.

On June 19, 2011, the Public Chamber attempted to hold an unauthorized protest, but police quickly thwarted the attempts of protesters to gather at various locations in Baku and detained about two dozen.

In October 2011, four more participants in the April 2, 2011, demonstration received sentences ranging from 1.5 to 4 years for violating public order and using force against government representatives, bringing the number of those sentenced for this protest to 14. Those sentenced have included officials and members of the Popular Front and Musavat parties. Reportedly, the trials and sentences have elicited protests from family members and others.

Georgia

In his address at the U.N. General Assembly on September 23, 2008, President Saakashvili announced new democratization initiatives as a means to strengthen Georgia's sovereignty and independence and thereby prevent Russia from subverting Georgia's statehood. After lengthy

⁷⁸ CEDR, March 29, 2011, Doc. No. CEP-950156; U.S. Embassy in Baku, Azerbaijan, *U.S. Embassy Statement on April 2 Protests*.

⁷⁹ *APA News Agency*, April 16, 2011.

attempts, President Saakashvili met with a few opposition leaders in April 2009 and again in May to discuss setting up a constitutional commission to work out changes to the political system. In June 2009, President Saakashvili formed the constitutional commission and the former president of the Constitutional Court, Avtandil Demetrashvili, was appointed chairman. In his March 2010 state of the nation address, Saakashvili called for a new wave of democratic reforms.

Local elections to 64 city councils, as well as the first popular election of Tbilisi's mayor, were held at the end of May 2010. Monitors from the OSCE reported that the elections "marked evident progress towards meeting OSCE and Council of Europe [democratization] commitments," but that "significant remaining shortcomings include[d] deficiencies in the legal framework, its implementation, an uneven playing field, and isolated cases of election-day fraud." Assistant Secretary of State Philip Crowley repeated the findings of the OSCE that the local elections showed progress in democratization, but that "significant shortcomings need to be addressed."⁸⁰ The ruling NM won the majority of contests. The election was widely viewed as a mandate for Saakashvili and as voter legitimization of the moderate opposition. The radical opposition, such as Nino Burjanadze's party Democratic Movement-United Georgia, appeared marginalized by their boycott of the races.⁸¹

In May 2010, the constitutional commission agreed on amendments to slightly reduce the power of the president and increases the powers of the legislature and prime minister. Under the amendments, the party that has the largest number of seats in the legislature will nominate the candidate for prime minister. The draft also proposes that regional governors be appointed by the prime minister rather than the president, as is currently the case. Public discussion of the draft amendments began in July 2010. The Venice Commission, an advisory body of the Council of Europe, raised concerns that the proposed presidential powers are still substantial relative to the prime minister and legislature, and that clashes between the president and prime minister could emerge. A citizen's group likewise complained that the legislature's powers remained weak and criticized the retention of gubernatorial appointments. In October 2010, the Georgian legislature approved the constitutional changes, which will take effect with the next presidential election scheduled for October 2013.⁸²

The ruling National Movement Party and several opposition parties launched talks on reforming the electoral code in November 2010. Talks reached an impasse in early March 2011 but were resumed in June 2011. Later that month, two prominent opposition parties, the Christian Democratic and the New Rights parties, broke with other opposition parties forming the "Opposition Eight" alliance and agreed with the ruling party on several electoral reforms. They formed an inter-party group to draft legislation based on the agreement. The agreement calls for increasing the number of legislators from 150 to 190, 107 of whom will be elected by party lists and 83 by single-mandate constituencies. Since the National Movement Party in the past had won most of the majoritarian seats, the increase in the proportion of seats to be allocated through party list voting is viewed by some observers as somewhat increasing the chances for opposition parties to gain seats in the legislature. Some opposition parties that did not join the agreement and other observers argue that the planned electoral changes do not represent major democratization.⁸³ The

⁸⁰ OSCE. ODIHR. *International Election Observation Mission Georgia—Municipal Elections, 30 May 2010: Statement of Preliminary Findings and Conclusions*, May 31, 2010. U.S. Department of State. *Daily Press Briefing*, June 2, 2010.

⁸¹ Christofer Berglund, "Georgia's Local Elections: Revitalizing the Rose Revolution?" *CACI Analyst*, June 9, 2010.

⁸² CEDR, September 6, 2010, Doc. No. CEP-964002; September 14, 2010, Doc. No. CEP-964028.

⁸³ Open Source Center, *Central Eurasia: Daily Report* (hereafter *CEDR*), July 3, 2011, Doc. No. CEP-950036.

draft electoral code was publicized for public discussion in September and then will be considered by the legislature.

On the night of May 25-26, 2011, Georgian security forces suppressed opposition demonstrators at Tbilisi's Freedom Square and Rustaveli Avenue, action that reportedly resulted in four deaths, dozens of injuries, and scores of detentions. The security forces were intent on clearing the area (just minutes after the expiration of the demonstration permit) in advance of an independence day military parade, which the opposition forces aimed to disrupt. The Georgian government has alleged that the Russia-backed protesters had planned to launch an armed overthrow of the government. The government has charged Badri Bitsadze, the husband of Nino Burjanadze, leader of the opposition Democratic Movement-United Georgia Party, with involvement in planning the alleged putsch. U.S. Ambassador Robert Bass, the United Nations High Commissioner for Human Rights, the EU, and various non-governmental organizations such as Amnesty International and Human Rights Watch called on the government to launch an inquiry into whether security forces used excessive force against the protesters. In July 2011, the Interior Ministry announced that an internal probe had resulted in 16 police being fired or disciplined, but the public defender called for continuing the probe and for possible prosecutions. In August 2011, Bitsadze was sentenced in absentia to 5.5 years in prison on charges of organizing attacks on police and disturbing the public order.

On October 5, 2011, reclusive Georgian oligarch Bidzina Ivanishvili declared that he would set up a party and would participate in 2012 legislative elections in opposition to the ruling National Movement Party of President Mikahil Saakashvili. A few days later, President Saakashvili signed an order revoking Ivanishvili's Georgian citizenship on the grounds that he also held Russian and French citizenship and the government reportedly began investigating and seizing assets of Ivanishvili's Cartu Bank. With his citizenship revoked, Ivanishvili is barred from running for office or providing donations to political parties, and may be vulnerable to deportation. Ivanishvili has pledged that if he is elected president, he will bolster democratization and free market reforms and follow a pro-Western foreign policy, including seeking NATO membership, but will also work toward better relations with Russia.

U.S. Aid Overview

The United States is the largest bilateral aid donor by far to Armenia and Georgia, and the two states are among the five Eurasian states that each have received more than \$1 billion in U.S. aid FY1992-FY2009 (the others are Russia, Ukraine, and Kazakhstan, which have received sizeable Comprehensive Threat Reduction funds; see **Table 1**). U.S. assistance to the region FY1992-FY2009 amounts to about 15% of all aid to Eurasia and has included FREEDOM Support Act (FSA) programs, food aid (U.S. Department of Agriculture), Peace Corps, and security assistance. Armenia and Georgia have regularly ranked among the top world states in terms of per capita U.S. aid, indicating the high level of concern within the Administration and Congress. In Foreign Operations Appropriations for FY1998 (P.L. 105-118), Congress created a new South Caucasian funding category to emphasize regional peace and development, and since then has upheld this funding category in yearly appropriations.

Congress also has directed that humanitarian aid be provided to displaced persons and needy civilians in NK out of concern that otherwise the region might not get aid. Such aid expenditures

have amounted to about \$34 million from FY1998 through FY2010. See **Table 3**. In the Omnibus Appropriations Act for FY2009 (P.L. 111-8) and the Consolidated Appropriations Act for FY2010 (P.L. 111-117) up to \$8 million was made available for NK.⁸⁴ Actual aid to NK has been about \$2 million per year since FY2002. Aid has been provided to NGOs to rehabilitate homes, renovate health clinics and train personnel, repair water systems, provide micro-loans for agriculture, and clear landmines. Besides bilateral aid, the United States contributes to multilateral organizations such as the International Monetary Fund and the World Bank that aid the South Caucasus region.

In January 2004, Congress authorized a major new global assistance program, the Millennium Challenge Account (Section D of P.L. 108-199). A newly established Millennium Challenge Corporation (MCC) deemed that Georgia was eligible as a democratizing country for assistance, even though it did not meet criteria on anti-corruption efforts. In September 2005, MCC signed a five-year, \$295.3 million agreement (termed a “compact”) with Georgia to improve a road from Javakheti to Samtskhe, repair a gas pipeline, create a small business investment fund, set up agricultural grants, and improve municipal and rural water supply, sanitation, irrigation, roads, and solid waste treatment. In the wake of the August 2008 Russia-Georgia conflict, the MCC announced plans for an extra \$100 million for road-building, water and sanitation facilities, and a natural gas storage facility. The MCC reported in April 2011 that it had completed its compact with Georgia. MCC reportedly is considering a new compact with Georgia.

In December 2005, the MCC approved plans to sign a five-year, \$235.65 million compact with Armenia—to bolster rural agriculture through road-building and irrigation and marketing projects—but raised concerns about the November 2005 constitutional referendum. Following assurances by then-Foreign Minister Oskanyan that Armenia would address democratization shortfalls, the MCC and Armenia signed the compact, and it went into force in September 2006.⁸⁵ After the political turmoil in Armenia in March 2008, the MCC indicated that as an expression of its “serious concern,” it would halt contracting for road-building. In December 2008, the MCC Board reiterated its concerns about democratization progress in Armenia and decided to retain the suspension of some road work, while moving ahead on other projects. In June 2009, the MCC Board announced that it was cancelling \$67.1 million in funding for the road building project because of Armenia’s halting democratization, although other projects would continue (later this canceled amount was said to be about \$59 million).⁸⁶ The MCC reported in October 2011 that it had completed its compact with Armenia by disbursing \$177 million. Some of the road-building projects canceled by MCC subsequently were funded by the World Bank.

⁸⁴ Several Azerbaijani legislators protested the conference agreement to H.R. 3288 (P.L. 111-117) to direct up to \$8 million in humanitarian aid to NK. Some legislators and the Azerbaijani presidential administration reportedly suggested that such aid be shared with those who had fled the region. An Azerbaijani Foreign Ministry note to the State Department said that the aid “decreases confidence and trust toward the United States in Azerbaijan.” *CEDR*, December 16, 2009, Doc. No. CEP-950112; December 20, 2009, Doc. No. CEP-95002; January 4, 2010, Doc. No. CEP-950063; *OSC Report*, January 12, 2010.

⁸⁵ Millennium Challenge Corporation. *Ambassador Danilovich’s letter to Armenian President Robert Kocharyan*, December 16, 2005; *Press Release: Millennium Challenge Corporation Board Approves Armenia Compact but Expresses Concern Regarding Irregularities in the November Referendum*, December 19, 2005; and Ambassador Danilovich’s letter to Armenian President Robert Kocharyan, January 18, 2006, at <http://www.mcc.gov>. See also Armenian Foreign Ministry. *Oskanyan Thanks MCC for Millennium Compact*, January 12, 2006, at <http://www.armeniaforeignministry.com>.

⁸⁶ U.S. Embassy in Yerevan. *Background Information on the Status of the MCA-Armenia Program*, December 16, 2008; MCC. *Press Release: MCC Board of Directors Meets to Address U.S. Government Global Development Priorities*, June 10, 2009.

U.S. Assistance After the Russia-Georgia Conflict

To address Georgia's urgent humanitarian needs in the wake of the August 2008 Russia-Georgia conflict, the U.S. Agency for International Development (USAID) and the Defense and State Departments provided Georgia with urgent humanitarian assistance. The Defense Department announced on September 8 that it had completed its naval and air delivery of these urgent humanitarian supplies to Georgia.

On September 3, 2008, then-Secretary of State Rice announced a multi-year \$1 billion aid plan for Georgia. The Administration envisaged that the proposed \$1 billion aid package would be in addition to existing aid and requests for Georgia, such as FREEDOM Support Act assistance. The added aid was planned for humanitarian needs, particularly for internally displaced persons, for the reconstruction of infrastructure and facilities that were damaged or destroyed during the Russian invasion, and for safeguarding Georgia's continued economic growth.⁸⁷

Congress acted quickly to flesh out the Administration's aid proposals for Georgia. The Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009 (H.R. 2638/P.L. 110-329), signed into law on September 30, 2008, appropriated an additional \$365 million in aid for Georgia and the region (beyond that provided under continuing appropriations based on FY2008 funding) for humanitarian and economic relief, reconstruction, energy-related programs and democracy activities. Of that amount, \$315 million was actually budgeted for Georgia. The Supplemental Appropriations Act for FY2009 (P.L. 111-32; signed into law on June 24, 2009) provided an additional \$242 million in Freedom Support Act assistance to Georgia, "the final portion of the \$1 billion pledge." See **Table 3**.⁸⁸

U.S. Security Assistance

The United States has provided some security assistance to the region, and bolstered such aid after September 11, 2001. General Bantz Craddock, then-Commander of the U.S. European Command (EUCOM) testified in March 2009 that the "Caucasus is an important area for the United States and its partners. Caucasus nations actively support Operation Iraqi Freedom and ISAF by providing both with troops and land and air access for critical supply lines from EUCOM to the CENTCOM area of responsibility. They provide alternative energy sources from the Caspian Sea basin and alternative routes of access to Central Asian energy reserves. It is an important region for European energy diversification."⁸⁹ Perhaps in contrast to this assessment, in testimony to Congress in early 2011, EUCOM Commander James Stavridis did not focus on the South Caucasus.

EUCOM initiatives in the region have included the Georgia Deployment Program, the South Caucasus Clearinghouse, and the Caspian Regional Maritime Security Cooperation program. The

⁸⁷ U.S. Department of State. Secretary Condoleezza Rice. Remarks On U.S. Economic Support Package for Georgia, September 3, 2008; Briefing On U.S. Economic Support Package for Georgia, September 3, 2008.

⁸⁸ U.S. Senate. Committee on Foreign Relations. Subcommittee on Europe. Hearing on Georgia: One Year After the August War. *Statement of S. Ken Yamashita, Acting Assistant Administrator for the Bureau for Europe and Eurasia, United States Agency for International Development*, August 4, 2009.

⁸⁹ U.S. House of Representatives. Committee on Armed Services. *Testimony by Gen. Bantz J. Craddock*, March 24, 2009.

Georgia Deployment Program-ISAF, a two-year program that began in late 2009, is supported by Marine Forces Europe to deploy Georgian forces alongside U.S. Marine Forces to Afghanistan. The program encompasses four rotations of a Georgian battalion with a Marine Corps Marine Expeditionary Brigade to Afghanistan. As capabilities improve, the Georgian forces will operate independently, and a Georgian training group will be created that can largely take over the Partnership Training Program by the fourth rotation. As of early 2011, two battalions have been trained and have deployed to Afghanistan.⁹⁰

The Clearinghouse aims to facilitate cooperation by sharing data on security assistance among both donor and recipient countries. General Craddock 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.”⁹¹ (This program appears to combine elements of the former Caspian Guard and Hydrocarbons programs.) For FY2012, the Administration has requested FMF assistance for Azerbaijan, Kazakhstan, and Turkmenistan to bolster their naval capabilities or otherwise enhance Caspian Sea maritime security.

In the wake of the August 2008 Russia-Georgia conflict that severely damaged Georgia’s military capabilities, General 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.”⁹²

In March 2009, General 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.”⁹³ 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

⁹⁰ U.S. House of Representatives, Committee on Appropriations, Subcommittee on Military Construction, Veterans Affairs, and Related Agencies, Budget Hearing: US European Command, *Testimony of Admiral James G. Stavridis, Commander, United States European Command*, March 31, 2011.

⁹¹ U.S. Senate, Committee on Armed Services, *Statement of General Bantz J. Craddock*, March 13, 2008.

⁹² 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.

⁹³ 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.

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.”⁹⁴ 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.”⁹⁵

Some in Congress and elsewhere have criticized this dearth of lethal security assistance to bolster Georgia’s territorial defense capabilities.⁹⁶ Although President Saakashvili seemed to indicate during Secretary Clinton’s July 2010 visit that U.S. security cooperation with Georgia was adequate, he stated in September 2010 that “leaving Georgia defenseless doesn’t help the situation. Georgia cannot attack Russia, while a defenseless Georgia is a big temptation for Russia to change our government through military means.... As part of ongoing security cooperation, we hope that the U.S. will help us with defense-weapons capabilities.”⁹⁷ On December 12, 2010, U.S. Senator John McCain called for the Obama Administration to resume some defensive arms transfers to Georgia, including early warning radars. Three days later, Giorgiy Baramidze, the Georgian deputy prime minister and state minister for Euro-Atlantic integration, also called for the United States to resume the transfer of defensive weapons to Georgia. During his March 10-17, 2011, visit to the United States, President Saakashvili reportedly requested U.S. transfers of defensive weapons. In late March 2011, he reportedly stated that while some U.S. small arms transfers were “in the pipeline,” Georgia needed anti-air and anti-tank weapons from the United States.⁹⁸

During a hearing of the Senate Armed Services Committee on March 29, 2011, Senator McCain asked whether the United States was providing defensive weapons to Georgia, and EUCOM Commander Stavridis stated that “at this moment we are not providing them [with] what I would term high-end military defensive weapons.” Senator McCain responded that “it is hard for me to understand, since the Russians still occupy territory that is clearly Georgian territory and continue to threaten Georgia, and yet we’re not even giving them weapons with which to defend themselves. It is not comprehensible.”⁹⁹

After a meeting between U.S. Members of Congress and Georgian legislators on the sidelines of the annual meeting of the NATO Parliamentary Assembly in Bucharest, Romania, in mid-October 2011, the U.S. delegation head, Representative Mike Turner, released a statement of support for Georgia. According to the statement, “the United States recently approved a commercial arms

⁹⁴ Vershbow, August 4, 2009.

⁹⁵ 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.

⁹⁶ 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.

⁹⁷ Jerry Guo, “Russia’s Occupation Won’t Last,” *Newsweek*, September 12, 2010.

⁹⁸ Josh Rogin, “Georgian President: Russia has to Compromise if it Wants into WTO,” *The Cable, Foreign Policy*, March 30, 2011, at http://thecable.foreignpolicy.com/posts/2011/03/30/georgian_president_russia_has_to_compromise_if_it_wants_into_wto

⁹⁹ U.S. Congress, Senate, Committee on Armed Services, *Hearing on the U.S. European Command and U.S. Strategic Command Budget for Fiscal Year 2012*, March 29, 2011.

sale to Georgia; all NATO states should look to arms sales with Georgia that can add to the collective defense.... A stronger Georgia is clearly in the interest of all NATO members.”¹⁰⁰

All three regional states joined NATO’s Partnership for Peace (PFP) in 1994. The June 2004 NATO summit pledged enhanced attention to the South Caucasian and Central Asian PFP members. A Special Representative of the NATO Secretary General was appointed to encourage democratic civil-military relations, transparency in defense planning and budgeting, and enhanced force inter-operability with NATO. In 2004-2005, all three states agreed with NATO to participate in Individual Partnership Action Plans (IPAPs) for military and civil-military reforms.

- Troops from all three regional states served as peacekeepers in the NATO Kosovo Force (KFOR).
- All three regional states have deployed troops to support the International Security Assistance Force (ISAF) in Afghanistan.

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.¹⁰¹ A 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, and stated that the issue of a MAP for Georgia would be revisited later in the year.

After the August 2008 Russia-Georgia conflict, several allies raised heightened concerns that Georgia was not ready to be granted a MAP because of the destruction of much of its military infrastructure by Russia, the uncertain status of the breakaway regions, and the uncertain quality of conflict decision-making by Georgia’s political and military leadership. At a NATO foreign ministers’ meeting in early December 2008, the allies agreed to step up work within the Georgia-NATO Council (established soon after the Russia-Georgia conflict) to facilitate Georgia’s eventual NATO membership, and to prepare annual plans on Georgia’s progress toward eventual membership. The first annual national plan was worked out during meetings of the Georgia-NATO Council and started to be implemented in May 2009.

The U.S. Congress approved the NATO Freedom Consolidation Act of 2007, signed into law in April 2007 (P.L. 110-17), to urge NATO to extend a MAP for Georgia and to designate Georgia as eligible to receive security assistance under the program established by the NATO Participation Act of 1994 (P.L. 103-447). The statement released by the U.S. delegation to the NATO Parliamentary Assembly in October 2011 (mentioned above) called for NATO to extend a MAP for Georgia at the upcoming NATO Summit in Chicago in May 2012. Other observers have called for the Chicago summit to affirm that Georgia’s participation in the NATO-Georgia Council and annual plans can pave the way to membership without the need for a formal MAP process.¹⁰²

¹⁰⁰ “Meeting of US and Georgian Delegations at NATO Parliamentary Assembly,” *The Messenger*, October 11, 2011; “U.S. Congresspersons Release Strong Statement of Support for Georgia in NATO,” *The Messenger*, October 12, 2011.

¹⁰¹ NATO. North Atlantic Council. *Riga Summit Declaration*, November 29, 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.

¹⁰² The Atlantic Council, *Georgia in the West: A Policy Road Map to Georgia's Euro-Atlantic Future*, October 13, 2011.

Until waived, Section 907 had prohibited much U.S. security aid to Azerbaijan, including Foreign Military Financing (FMF), and International Military Education & Training (IMET). Under U.S. policy, similar aid had not been provided to Azerbaijan's fellow combatant Armenia. From 1993-2002, both had been on the Munitions List of countries ineligible for U.S. arms transfers. Since the waiver provision to Section 907 was enacted, some Members have maintained that the Armenian-Azerbaijani military balance is preserved by providing equal amounts (parity) in IMET and FMF assistance to each country. The *Congressional Budget Justification for Foreign Operations for FY2012* calls for \$3.0 million in FMF for each country, but for \$450,000 for IMET for Armenia and \$900,000, for Azerbaijan.

U.S. Trade and Investment

The former Bush Administration and others have maintained that U.S. support for privatization and the creation of free markets directly serve U.S. national interests by opening markets for U.S. goods and services and sources of energy and minerals. Among U.S. economic links with the region, bilateral trade agreements providing for normal trade relations for products have been signed and entered into force with all three states. Bilateral investment treaties providing national treatment guarantees have entered into force. U.S. investment is highest in Azerbaijan's energy sector, but rampant corruption in the three regional states otherwise has discouraged investors. With U.S. support, in June 2000 Georgia became the second Eurasian state (after Kyrgyzstan) to be admitted to the WTO. The application of Title IV of the Trade Act of 1974, including the Jackson-Vanik amendment, was terminated with respect to Georgia in December 2000, so its products receive permanent nondiscriminatory (normal trade relations or NTR) treatment. Armenia was admitted into WTO in December 2002. The application of Title IV was terminated with respect to Armenia in January 2005. H.Res. 374 (Shuster) calls for opening negotiations on a U.S.-Georgia free trade agreement.

Georgia and Russia's Bid for WTO Membership

When Georgia became a member of the WTO in 2000, it joined an existing Working Party of interested WTO members—established in 1993—that has been considering Russia's WTO bid. Georgia added its main concerns to those of the other 60-odd members of the Working Party, that market access be upheld and that Georgia establish control over customs clearance at posts located along its borders with Russia (including between its breakaway regions and Russia), in accordance with its sovereign territorial rights and the provisions of a 1994 free trade agreement signed by Georgia and Russia (never ratified by Russia). This Georgian request for customs control did not fundamentally change after Russia recognized the independence of the breakaway regions in late August 2008. Although Russia held bilateral talks with all members of the Working Party and by late October 2011 had resolved most of their concerns, Russia long continued to refuse to resolve Georgia's concerns about customs control, arguing that the issue was political and hence irrelevant to WTO accession. Instead, Russia demanded that the United States put pressure on Georgia to drop its request or that the WTO use an unprecedented majority vote of the membership to admit Russia to get around Georgia's request. The Russia-Georgia dispute became the last major obstacle to Russia's WTO accession. According to some observers,

powerful interests in Russia that remained opposed to WTO membership were using the dispute to convince others in the Russian leadership to cease efforts to join WTO.¹⁰³

At talks moderated by Switzerland that began in March 2011 between Russia and Georgia, Switzerland reportedly proposed in mid-2011 that an international monitoring group could be established, similar to the EU Border Assistance Mission to Moldova and Ukraine (EUBAM), to work at customs posts between Russia and the breakaway regions. The Swiss proposal also reportedly included, as an adjunct or alternative element, the establishment of a computerized reporting system to bolster the transparency of cross-border trade. EUBAM was set up in late 2005 between Moldova's border with Ukraine, and works to monitor trade involving Ukraine and Moldova, including to a substantial degree the latter's breakaway region of Transnistria. Corruption and crime had previously been an increasing problem along these borders. Russia has objected to the monitoring by EUBAM, terming it as supporting Moldova's "economic blockade" of Transnistria. At the same time, many Transnistrian companies, including those that are Russian-owned, have cooperated with Moldovan customs regulations in order to gain access to WTO and EU markets (Moldova is a member of WTO and receives trade preferences from the EU).

According to some sources, the Working Party in October 2011 had rejected a Georgia request to postpone the last planned formal meeting of the Working Party in November 2011. At this meeting, the Working Party hopes to finalize its Working Party Report and a Protocol of Accession for forwarding to the WTO Ministerial Conference planned for mid-December 2011, which could decide on admitting Russia to the WTO. Some reports have alleged that U.S. Deputy Secretary of State William Burns and EU Foreign Policy Department official Gunnar Wiegand—who visited Georgia days before the October 25 Swiss-moderated Russia-Georgia meeting—urged Georgia's leadership to work with the Swiss to reach agreement with Russia. The head of Georgia's National Security Council, Giga Bokeria, has asserted that the United States and the EU have not threatened to circumvent the WTO consensus principle on accession if Georgia does not give in to Russian demands.¹⁰⁴

Energy Resources and U.S. Policy

The U.S. Energy Department reports estimates of 7 billion barrels of proven oil reserves, and estimates of 30 trillion cubic feet of proven natural gas reserves in Azerbaijan.¹⁰⁵ In addition,

¹⁰³ Russian Prime Minister Vladimir Putin recently at times has appeared lukewarm or mildly supportive of the benefits of WTO membership to Russia's economy, and at other times has appeared to side with interests opposing WTO accession. Anders Aslund, "Why Doesn't Russia Join the WTO?" *The Washington Quarterly*, April 2010; Mamuka Tsereteli, "Russia's WTO Accession: Is Georgia an Obstacle?" Center for Black Sea/Caspian Studies, The American University, 2011. In an interview in mid-October 2011, Putin raised concerns that by joining the WTO, Russia might become more vulnerable to global economic shocks, and pledged that "we will make the final decision [on joining the WTO] only if all parameters associated with the need to protect our national economic interests at any given stage are discussed and formalized." Government of the Russian Federation, Prime Minister, *Transcript: Interview with Prime Minister Vladimir Putin*, October 17, 2011, at <http://premier.gov.ru>. President Medvedev has argued that WTO accession is in Russia's "best interests," but has stated that "if we hear that we do not fit [into WTO] for some reason, we will get over this." *Interfax*, October 19, 2011.

¹⁰⁴ "Georgia Agrees [to] 'Final Proposal' in Russia WTO Talks," *AFP*, October 27, 2011. During his October 12, 2011, confirmation hearing, ambassador-designate to Russia Michael McFaul stated that the United States rejected Russia's calls for U.S. pressure on Georgia to withdraw its concerns about Russia's accession to membership in the WTO.

¹⁰⁵ U.S. Energy Department. Energy Information Administration. *Azerbaijan: Country Analysis Brief*, November 2010. (continued...)

added gas has been discovered in 2011 at the Umid and Apsheron offshore fields. Critics argue that oil and gas from Azerbaijan will amount to a tiny percent of world exports of oil and gas, but successive U.S. administrations have argued that these exports could nonetheless boost energy security somewhat for European customers currently relying more on Russia.

In testimony in June 2011, Richard Morningstar, the U.S. Special Envoy for Eurasian Energy, stated that U.S. policy encourages the development of new Eurasian oil and gas resources to increase the diversity of world energy supplies. In the case of oil, increased supplies may directly benefit the United States, he stated. A second U.S. goal is to increase European energy security, so that some countries in Europe that largely rely on a single supplier (presumably Russia) may in the future have diverse suppliers. A third goal is assisting Caspian regional states to develop new routes to market, so that they can obtain more competitive prices and become more prosperous. In order to achieve these goals, the Administration supports the development of the Southern Corridor of Caspian (and perhaps Iraq) gas export routes transiting Turkey to Europe. Of the vying pipeline proposals, the Administration will support the project “that brings the most gas, soonest and most reliably, to those parts of Europe that need it most.” At the same time, Morningstar rejected views that Russia and the United States are competing for influence over Caspian energy supplies, stating that the Administration has formed a Working Group on Energy under the U.S.-Russia Bilateral Presidential Commission.¹⁰⁶ According to some observers, the construction of such pipelines will bolster the strategic importance to the West of stability and security in the Caspian region.¹⁰⁷

Ambassador Morningstar has argued that Azerbaijani gas “is absolutely essential to the development of the Southern Corridor,” and will be able to supply at least some if not most of the needed gas for both the proposed Interconnector-Turkey-Greece-Italy (ITGI) gas pipeline and the first phase of the Nabucco pipeline, if built.¹⁰⁸ In March 2007, Azerbaijan and the United States signed a memorandum of understanding on energy cooperation that called for discussions on the proposed ITGI and Nabucco gas pipelines. In August 2007, the U.S. Trade Development Administration granted Azerbaijan \$1.7 million to fund feasibility studies on building both an oil and a gas pipeline across the Caspian Sea to link Central Asia to the BTC pipeline and the SCP.

Building the Baku-Tbilisi-Ceyhan and South Caucasus Pipelines

During the Clinton Administration, the United States in 1995 encouraged the building of one small oil pipeline (with a capacity of about 155,000 barrels per day) from Azerbaijan to the Georgian Black Sea port of Supsa as part of a strategy of ensuring that Russia did not monopolize east-west export pipelines. As part of this strategy, the United States also stressed building the

(...continued)

The *BP Statistical Review of World Energy*, June 2011, reports proven gas reserves of 44.9 trillion cubic feet in Azerbaijan at the end of 2010.

¹⁰⁶ U.S. House of Representatives, Committee on Foreign Affairs, Subcommittee on Europe and Eurasia, Hearing on European and Eurasian Energy: Developing Capabilities for Security and Prosperity, *Testimony of Ambassador Richard L. Morningstar, Special Envoy for Eurasian Energy*, June 2, 2011. See also U.S. Embassy, Baku, Azerbaijan, *Speech to Plenary Session of Caspian Oil and Gas Conference, Ambassador Richard L. Morningstar, Special Envoy for Eurasian Energy*, June 8, 2011.

¹⁰⁷ Sedat Laciner, “Turkey’s Pipeline Politics,” *The Journal of Turkish Weekly Online*, International Strategic Research Organization, September 16, 2009.

¹⁰⁸ *Speech to Plenary Session of Caspian Oil and Gas Conference*.

Baku-Tbilisi-Ceyhan (BTC) pipeline (with a capacity of about 1 million barrels per day) as part of a “Eurasian Transport Corridor.” In November 1999, Azerbaijan, Georgia, Turkey, and Kazakhstan signed the “Istanbul Protocol” on construction of the 1,040-mile long BTC oil pipeline. In August 2002, the BTC Company (which includes U.S. firms Conoco-Phillips, Amerada Hess, and Chevron) was formed to construct, own, and operate the oil pipeline. The first tanker on-loaded Azeri oil at Ceyhan at the end of May 2006. The BTC Company reported in September 2010 that the BTC pipeline had transported one billion barrels of oil to Ceyhan since 2006. Reportedly, some Azerbaijani oil reaches U.S. markets.

A gas pipeline from Azerbaijan to Turkey (termed the South Caucasus Pipeline or SCP) was completed in March 2007. Exports to Georgia, Turkey, and Greece were 53 billion cubic feet of gas in 2007, more than 160 billion cubic feet in 2008, 184 billion cubic feet in 2009, and 162 billion cubic feet in January through November 2010. The ultimate capacity of the SCP is about 706 billion cubic feet per year, according to British Petroleum. The joint venture for the SCP includes Norway’s Statoil (20.4%), British Petroleum (20.4%), Azerbaijan’s Ministry of Industry and Energy (20%), and companies from Russia, Iran, France, and Turkey. Some in Armenia object to lack of access to the BTC and SCP pipelines.

The August 2008 Russia-Georgia conflict did not result in physical harm to the BTC pipeline or the SCP. The BTC pipeline was closed due to other causes. The SCP and the small Baku-Supsa oil pipeline were closed temporarily as a safety precaution. Russian gas shipments via Georgia to Armenia decreased in volume for a few days at the height of the conflict. Rail shipments of oil by Azerbaijan to the Kulevi oil terminal (owned by Azerbaijan) on Georgia’s Black Sea coast were disrupted temporarily.

At the end of October 2008, the first oil from Kazakhstan started to be pumped through the BTC pipeline. Reportedly, about 70,000 barrels per day of Kazakh oil is being barged across the Caspian Sea to the BTC pipeline. In addition, some Kazakh oil is barged to Azerbaijan to be shipped by rail to Georgia’s Black Sea port of Batumi. Kazakhstan plans to increase its shipments to Azerbaijan to 500,000 barrels per day by 2012. Some Turkmen oil began to be transported through the BTC pipeline in June 2010. Some observers argue that the completion of the BTC and SCP boosted awareness in the European Union and the United States of the strategic importance of the South Caucasus.¹⁰⁹

Other Export Pipeline Proposals

In mid-November 2007, Greek Prime Minister Kostas Karamanlis and Turkish Prime Minister Recep Tayyip Erdogan inaugurated a gas pipeline connecting the two countries. Since some Azerbaijani gas reaches Greece, the pipeline represents the first gas supplies from the Caspian region to the EU. If a pipeline extension is completed to Italy, this Interconnector Turkey-Greece-Italy (ITGI) gas pipeline could permit Azerbaijan to supply gas to two and perhaps more EU members, providing a source of supply besides Russia.

The Nabucco pipeline has faced numerous delays, some of them attributable to Russia’s counter-proposals to build pipelines that it asserts would reduce the efficacy of the Nabucco pipeline and

¹⁰⁹ Jaba Devdariani and Blanka Hancilova, “EU Broaches Peacekeeping Possibility in Georgia,” *Central Asia-Caucasus Analyst*, March 7, 2007; Rovshan Ismayilov, “Azerbaijan, Georgia and Turkey: Building a Transportation Triumvirate?” *Eurasia Insight*, February 7, 2007.

to questions about supplies for the pipeline. In early September 2010, the European Investment Bank, the European Bank for Reconstruction and Development, and the World Bank announced a commitment—pending environmental and social feasibility studies—to provide \$5.2 billion to build the Nabucco pipeline. Latest EU planning calls for construction of the 1.1 tcf-capacity Nabucco pipeline to begin in 2012 and for shipments to begin in 2017. In 2011, new higher cost estimates for building the pipeline appeared to place these plans at risk.

At a meeting in early May 2009 in Prague, the EU, Azerbaijan, Georgia, Turkey, and Egypt signed a declaration on a “Southern [energy] Corridor” to bolster east-west energy transport. The declaration called for cooperation among supplier, transit, and consumer countries in building the Nabucco gas pipeline, finishing the Italian section of the ITGI gas pipeline, and other projects. Ambassador Morningstar stated that the Obama Administration supported the “Southern Corridor” program and endorsed an EU proposal to consider forming a private “Caspian Development Corporation” to assist Turkmenistan in developing gas fields and pipelines to transport Turkmen gas across the Caspian.¹¹⁰

One difficulty hindering construction of Nabucco appeared to be worked out in late June 2009, when the EU announced that it had reached an agreement with Turkey and the members of the Nabucco consortium that permitted Turkey to drop its demand for the right to 15% of the natural gas pumped through the link at preferential prices, reportedly in return for some assurances on the security of supplies. An intergovernmental agreement on transit arrangements for Nabucco was signed in Turkey by five countries in July 2009.

In 2009, Azerbaijan stepped up its efforts to diversify the routes and customers for its gas exports beyond the SCP and the planned Nabucco route. President Aliyev attributed some of this increased interest in added gas export routes—including to Russia and Iran—to the country’s difficult negotiations with Turkey over gas transit fees and prices (excluding the agreed-upon arrangements for Nabucco). In October 2009, Azerbaijan’s State Oil Company (SOCAR) and Russia’s Gazprom gas firm signed agreements that SOCAR would supply 17.7 billion cubic feet of gas per year to Russia beginning in 2010. The gas would be transported by a 140-mile gas pipeline from Baku to Russia’s Dagestan Republic that was used until 2007 to supply Azerbaijan with up to 282.5 billion cubic feet of gas per year. During a visit by President Medvedev to Azerbaijan in September 2010, the two countries agreed that Azerbaijan would provide up to 35.4 billion cubic feet of gas per year beginning in 2011 (this increase had been under consideration since the signing of the 2009 accord). President Aliyev stressed that this small supply agreement would not jeopardize plans to supply gas for Nabucco, since Azerbaijan possessed huge gas reserves.¹¹¹

As another alternative to gas shipments through Turkey, Azerbaijan, Romania and Georgia signed a memorandum of understanding in April 2010 to transport liquefied natural gas (LNG) from Azerbaijan to the EU through Georgia and Romania. This Azerbaijan-Georgia-Romania-Interconnection (AGRI) project envisions the construction of a gas pipeline from Azerbaijan to the Georgian port of Kalevi, where the gas would be liquefied, shipped across the Black Sea, and regasified at the Romanian port of Constanta. The output is expected to be 247 billion cubic feet per year, with 71 billion cubic feet of the gas used by Romania and the rest by other EU countries.

¹¹⁰ U.S. Department of State. *Press Release: Remarks at the EU Summit “Southern Corridor-New Silk Road,”* May 8, 2009.

¹¹¹ CEDR, September 6, 2010, Doc. No CEP-950267.

The presidents of the three countries (and the prime minister of Hungary, which joined the project) met in Baku on September 15, 2010, to sign the Baku Declaration of political support for the project. President Aliyev argued that the AGRI project would not make Nabucco less feasible.

Some of the tensions between Turkey and Azerbaijan involving energy issues appeared resolved in June 2010, during President Aliyev's visit to Turkey, when the two countries signed accords on the sale and transportation of Azerbaijani natural gas to Turkey and to other countries via Turkey. A memorandum of understanding permitting Azerbaijan to conclude direct sales with Greece, Bulgaria, and Syria involving gas transiting Turkey was signed. Many observers viewed the MOU as increasing the feasibility of the TGI and Nabucco pipelines.¹¹²

In January 2011, President Aliyev and the President of the European Commission, Jose Manuel Barroso, signed a joint declaration committing Azerbaijan to supplying substantial volumes of gas over the long term to the European Union. Nonetheless, some analysts raised concerns that there would not be enough Azerbaijani gas to fill the ITGI and Nabucco pipelines (deliveries will be 406 billion cubic feet per year for ITGI and 158 to 459 billion cubic feet per year for Nabucco) and to provide for the proposed AGRI project without a trans-Caspian gas pipeline or participation by Iran or Iraq. Others suggested that Azerbaijan would be able to supply at least most of the needed gas for both the ITGI and Nabucco pipelines and the AGRI project, including because of recent results from exploratory drilling off the Caspian seacoast.¹¹³

In September 2011, the Council of the European Union approved opening talks with Azerbaijan and Turkmenistan to facilitate an accord on building a trans-Caspian gas pipeline. Such a link would provide added gas to ensure adequate supplies for the planned Nabucco and other pipelines. Hailing the decision, EU Energy Commissioner Günther Oettinger stated that "Europe is now speaking with one voice. The trans-Caspian pipeline is a major project in the Southern Corridor to bring new sources of gas to Europe. We have the intention of achieving this as soon as possible."¹¹⁴ The Russian Foreign Ministry denounced the plans for the talks, and claimed that the Caspian Sea littoral states had agreed in a declaration issued in October 2007 that decisions regarding the Sea would be adopted by consensus among all the littoral states (Russia itself has violated this provision by agreeing with Kazakhstan and with Azerbaijan on oil and gas field development). It also claimed that the proposed pipeline was different from existing sub-sea pipelines in posing an environmental threat.

Meeting an October 1, 2011, deadline, the State Oil Company of Azerbaijan (SOCAR) received final proposals for pipelines to export gas from the second phase development of the Shah Deniz offshore oil and gas fields. Proposals were received from consortia backing the ITGI, Nabucco, and Trans Adriatic Pipeline (TAP; from Turkey through Greece, Albania, and the Adriatic Sea to Italy) projects, as well as from BP, which reportedly proposed building an 808-mile "South East Europe Pipeline" from western Turkey through Bulgaria, Romania, and Hungary to Austria. A proposal for AGRI was not reported. SOCAR and other members of the Shah Deniz consortium are expected to decide on a pipeline by the end of the year.

¹¹² "Azerbaijan to Move Quickly to Negotiate Sales of Gas to Europe," *Oil Daily*, June 14, 2010.

¹¹³ Eric Watkins, "New USGS Report Confirms Big Caspian Stakes," *Oil & Gas Journal*, January 3, 2011.

¹¹⁴ European Commission, *Press Release: EU Starts Negotiations on Caspian Pipeline to Bring Gas to Europe*, September 12, 2011.

On October 25, 2011, Azerbaijan and Turkey announced that they had reached agreement on the final terms for the transit of Shah Deniz phase 2 gas through the Southern Corridor. The agreement was signed during President Aliyev's visit to Turkey.

Regional Energy Cooperation with Iran

On March 19, 2007, Armenia's then-President Robert Kocharyan and Iranian President Mahmoud Ahmadinejad inaugurated an 88-mile gas pipeline from Tabriz in Iran to Kadjaran in Armenia. Work was completed on the second section of the pipeline, a 123 mile section from Kadjaran to Ararat, in December 2008. The Russian-controlled ArmRosGazprom joint venture built this second section and operates the pipeline. Initial deliveries reportedly are 10.6-14.1 billion cubic feet of gas per year, with plans for more gas deliveries in future years. Some of this gas will be used to generate electricity for Iran and Georgia, but the remainder eventually may satisfy all Armenia's consumption needs, alleviating its dependence on Russian gas transported via Georgia.¹¹⁵

At the end of 2005, Azerbaijan began sending about 7 billion cubic feet of gas per year through a section of Soviet-era pipeline to the Iranian border at Astara, partly in exchange for Iranian gas shipments to Azerbaijan's Nakhichevan exclave. On November 11, 2009, Azerbaijan signed an accord with Iran to supply 17.7 billion cubic feet of gas annually through the pipeline. These gas supplies could increase in coming years.

¹¹⁵ *Platt's Commodity News*, May 31, 2007.

**Table 1. U.S. Foreign Aid to the South Caucasus States,
FY1992 to FY2011, and the FY2012 Request**

(millions of dollars)

South Caucasus Country	FY1992-FY2009 Budgeted Aid^a	FY2010 Actual^b	FY2011 Estimate^b	FY2012 Request^b
Armenia	1,892.4	45.6	44.7	44.3
Azerbaijan	908.7	28.1	26.9	16.6
Georgia	2,932.7	79.0	88.8	78.607
Total	5,733.8	152.7	160.4	139.507
Percent	15	25	28	24

Sources: State Department, *Congressional Budget Justification for Foreign Operations for FY2011*, March 2010.

- a. Assistance to Europe, Eurasia, and Central Asia (AEECA) and Agency budgets.
- b. AEECA and other "Function 150" funds. Does not include Defense or Energy Department funding, funding for exchanges, Peace Corps, or Millennium Challenge Corporation programs in Armenia and Georgia. Percentage of funding excludes some Eurasian regional programs involving the South Caucasus.

Table 2. U.S. Humanitarian Assistance to Nagorno Karabakh Provided by the U.S. Agency for International Development and Other Agencies, and Totals for Budgeted, Obligated, and Expended Funding, FY1998-FY2010

(millions of dollars)

Year	Budgeted
1998	8.6
1999	3.5
2000	2.0
2001	4.4
2002	2.3
2003	1.987
2004	2.0
2005	2.43
2006	1.98
2007	2.51
2008	2.0
2009	1.996
2010	2.0
Prior-Year De-obligated	-0.71
Total Budgeted	37.7
Of which, Total Obligations	35.994
Of which, Total Expenditures	34.171

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

Note: Does not include \$480,000 in FY2009 AEECA funding provided for a Track II diplomacy project to increase cross-border communication and understanding among Armenians, Azeris and Karabakhis, with the goal of fostering reconciliation in the NK conflict.

Table 3. The \$1 Billion in Added Aid to Georgia by Priority Area
(millions of dollars)

Area	Level
Restoring Peace and Security	47.577
Strengthening Democracy, Governance, and the Rule of Law	48.1
Economic Recovery and Growth	466.64
Aid to Internally Displaced Persons and Social Recovery	185.683
Management Support	5.5
Direct Budget Support	250.0
Total Committed or Expended	1003.5

Source: U.S. Senate. Committee on Foreign Relations. Subcommittee on Europe. Hearing on Georgia: One Year After the August War. *Statement of S. Ken Yamashita, Acting Assistant Administrator for the Bureau for Europe and Eurasia, United States Agency for International Development, August 4, 2009; USAID. Completion of the \$1 Billion Pledge, February 5, 2010.*

Figure 1. Map of Caucasus Region



Source: CRS

Notes: Administrative borders of the former Nagorno Karabakh Autonomous Region

Author Contact Information

Jim Nichol
Specialist in Russian and Eurasian Affairs
jnichol@crs.loc.gov, 7-2289