



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

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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 have included 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 have been raised about 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 has continued 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.

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Most Recent Developments

Just days before the scheduled October 1, 2012, legislative election, the Georgian campaign environment was roiled on September 18 by the emergence of videos of alleged torture and killing in the prison system, mainly targeting political opponents. The videos triggered protests throughout the country, and concerned relatives of prisoners rushed the prison where the alleged abuses occurred. The scandal forced the resignations of the minister of prisons and the Interior minister. Saakashvili appointed the human rights ombudsman—long a critic of the prison system—to be the new minister of prisons. He also deployed regular police to the jails to temporarily replace prison officers. On September 20, Georgia’s Chief Prosecutor, Murtaz Zoldelava—critics have alleged he holds responsibility for the abuses and should resign—asserted that the person who filmed the tortures was responsible for the abuses and had been paid \$2 million by unspecified “third persons” for the video. The person who made the film has denied the allegations. In a speech the same day, President Saakashvili condemned the “outrageous” abuses and stressed that people had been fired and arrested, an investigation had been launched, and improvements in prisoner treatment had been implemented. Seeming to refer to the upcoming election, he argued that the public should not cast aside all the good accomplished by his government. At the same time, he denounced the person who had filmed the torture and those who had allegedly financed the filming as complicit in the abuse. On September 24, he also raised questions about why the film was not made public until just before the election, and alleged that Russia and the opposition are behind the release of the film.

Also related to the election, on September 25, 2012, Chief Prosecutor Zoldelava claimed that he had received information from French authorities that an unnamed member of the opposition had reached an “agreement” with Georgian organized crime groups operating in France that the groups could re-enter Georgia and launch attacks, presumably after the October 1, 2012, election. On the same day, Georgia Dream party coalition leader Bidzani Ivanishvili raised concerns about Georgian government “provocations” in the days before the election, and pledged that his coalition would oppose the emergence of civil conflict before and after the election. Georgia Dream reported a series of arrests of its local activists on charges of “disrupting public order” and other charges. A pre-election report issued by monitors from the Organization for Security and Cooperation in Europe (OSCE) on September 24 had stated that the election climate was increasingly polarized and confrontational.

Tense relations between Armenia and Azerbaijan were heightened at the end of August 2012 when Hungary extradited Azerbaijani citizen Ramil Safarov—who was sentenced to life in prison for killing an Armenian officer during NATO training—and he was immediately pardoned and rewarded by Azerbaijani President Ilkham Aliyev. Hungary protested that it had extradited the prisoner only after receiving assurances from Azerbaijan that he would serve out the balance of his sentence. Armenia broke off diplomatic relations with Hungary, and protests were held at the Hungarian and Azerbaijani embassies in several countries. The White House stated that it was communicating its “disappointment” to Azerbaijan and several Members of Congress were critical of the pardon.

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. The regional 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 re-conquered 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.

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).

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

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: 17.03 million, slightly less than Kazakhstan; Armenia: 2.97 m.; Azerbaijan: 9.49 m.; Georgia: 4.57 m. (CIA, *The World Factbook*, July 2012 est.). Over 1 million people from the region are migrant workers in Russia and elsewhere.

GDP: \$135.48 billion: Armenia: \$17.95 b.; Azerbaijan: \$93.02 b.; Georgia: \$24.51 b. (CIA, *The World Factbook*, 2011 est., purchasing power parity).

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.

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 his annual worldwide threat assessment, Director of National Intelligence James Clapper testified in January 2012 that tensions related to separatist conflicts in the South Caucasus would continue. He raised concerns that heightened rhetoric and recurring violence along the line of contact between Armenian and Azerbaijani armed forces could “escalate the situation with little warning.” He also cautioned that possible plans by Saakashvili to retain some power by becoming the prime minister after a scheduled 2013 presidential election could contribute to domestic tensions in Georgia.³

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 observers, 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 Summit in April 2010. Also, according to this view, Azerbaijan may have pursued closer working relations with Russia in the wake of the August 2008 Russia-Georgia conflict, which showed that Russia remained a major power in the region. Countering such an assessment, Azerbaijan continues troop support for NATO operations in Afghanistan (see below, “Regional Support for Military Operations in Iraq and Afghanistan”) and plays 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.

To underline the significance of 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

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.

³ U.S. Senate, Select Committee on Intelligence, Hearing on “World Wide Threats,” U.S. *Intelligence Community Worldwide Threat Assessment: Statement for the Record*, James R. Clapper, Director of National Intelligence, January 31, 2012.

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.”⁴ 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.⁵

U.S.-Azerbaijani relations appeared to generally improve—with some fits and starts—during 2011-2012 with the recess appointment of Ambassador to Azerbaijan Matthew Bryza, after more than a year without an ambassador (the appointment expired at the end of 2011, 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 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). 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.⁷ In late 2011, the United States backed Azerbaijan’s successful bid for a two-year term on the U.N. Security Council (UNSC).

In early 2012, Azerbaijan’s National Security Ministry and other sources reported that alleged Iranian-backed terrorists had planned attacks against the U.S. and Israeli embassies in Baku and

⁴ 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.

⁵ The White House, Office of the Press Secretary, *Read-out of President Obama’s Meeting with Azerbaijani President Ilham Aliyev*, September 24, 2010.

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.

their personnel and other targets, but that Azerbaijani security forces had carried out several arrests and operations that appeared to vitiate the threat.⁸

In April 2012, the Obama Administration “re-launched” meetings of the U.S.-Azerbaijan Intergovernmental Commission on Economic Cooperation, which had last convened in 2008. At the session in Washington, DC, Azerbaijani co-head Samir Sharifov reported that President Aliyev had instructed the delegation to “intensify efforts” to expand the current “strategic partnership” between the two countries.

During her June 6, 2012, visit to Azerbaijan, Secretary Clinton discussed security, energy, and democratization with President Aliyev. She thanked Azerbaijan for its “essential” role in the transit of personnel and supplies to Afghanistan, and its “central role” in Europe’s efforts to diversify sources of energy and transport routes. However, she called for further democratization and for the release of individuals detained for expressing their views in print or on the streets, and held a meeting with civil society leaders. She also condemned violence along the line of contact between Armenian and Azerbaijani forces, and urged restraint.⁹

The Senate Foreign Relations Committee held a confirmation hearing for ambassador-designate to Azerbaijan Richard Morningstar on June 13, 2012. He testified that the “wide range of shared interests” between the United States and Azerbaijan “intersects with many of the United States’ highest foreign policy priorities.” He outlined “three core areas of importance to the relationship: security, energy, and democratic and economic reform,” and stressed that “the Administration believes we must intensify our cooperation in these areas.” He also warned that security and prosperity in the South Caucasus could only be assured by the peaceful settlement of the NK conflict, and he pledged to, if confirmed, support the efforts of the Minsk Group.¹⁰ He was confirmed by the Senate at the end of June 2012 and presented his credentials to President Aliyev on September 3, 2012.

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 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

⁸ *The Jerusalem Post*, January 26, 2012; *CEDR*, March 14, 2012, Doc. No. CEP-950162; *Washington Post*, May 27, 2012.

⁹ U.S. Department of State, *Remarks With Azerbaijani Foreign Minister Elmar Mammadyarov*, June 6, 2012.

¹⁰ U.S. Senate, Committee on Foreign Relations, *Statement of Richard Morningstar, Ambassador-Designate to Azerbaijan*, June 13, 2012.

Armenia-Azerbaijan peace talks, and the effects of U.S. aid on those talks. The waiver authority has been exercised annually.

Regional Support for Military 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.

In Afghanistan:

- Azerbaijan deployed troops to serve with the International Security Assistance Force (ISAF) in late 2002, and 94 were deployed as of early 2012. In February 2012, President Aliyev pledged during a visit with NATO Secretary-General Anders Fogh Rasmussen in Brussels that Azerbaijan would provide aid to help Afghanistan build up its security forces.
- On November 16, 2009, Georgia sent 173 troops for training in Germany before their scheduled deployment at the end of March 2010 to support ISAF. These troops were boosted to 925 in mid-2010. Currently, 935 Georgian troops are deployed, and 15 Georgian troops have been killed. On December 20, 2011, the Georgian legislature approved sending an added battalion of 749 troops. These troops are planned to be deployed in October 2012, boosting the size of the Georgia contingent to 1,685 troops. Georgia will then be the largest contributor to ISAF among non-NATO member countries (surpassing Australia with 1,550 troops). The opposition Labor Party in Georgia is one of the few parties that opposes troop deployments to Afghanistan and calls for the troops to be recalled.
- 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. Currently, 126 Armenian troops are deployed in Kunduz and Balkh provinces.

Azerbaijan and the Northern Distribution Network (NDN)

Azerbaijan and Kyrgyzstan reportedly are the main over-flight, 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 former Ambassador to Azerbaijan Matthew Bryza, in recent years, "virtually every U.S. soldier deployed to Afghanistan has flown over Azerbaijan," well over 100,000 troops.¹¹ He also reported that over one-third of all non-lethal equipment, fuel, clothing, and food used by U.S. troops in Afghanistan transited by

¹¹ U.S. Embassy, Baku, Azerbaijan, *Speech to Plenary Session for Caspian Oil and Gas Show 2011 Ambassador Matthew Bryza*, June 8, 2011; *Ambassador Matthew Bryza, Press Conference*, December 29, 2011.

ground and sea through the Port of Baku. The Azerbaijani route is one of several routes through Russia, the South Caucasus, and Central Asia to Afghanistan—together termed the NDN—that have supplemented—and for several months in 2011-2012, supplanted—supply routes through Pakistan.

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.¹² 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.¹³

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.”¹⁴ 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. 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 ... by building your democracy and opening your economy and providing more justice and social inclusion.” 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

¹² U.S. Department of State. *U.S.-Georgia Charter on Strategic Partnership*, January 9, 2009.

¹³ David J. Smith, “US-Georgia Charter is Historic,” Potomac Institute for Policy Studies, January 12, 2009.

¹⁴ The White House. Office of the Press Secretary. *Press Conference by President Obama and President Medvedev of Russia*, July 6, 2009.

aggressive movements.”¹⁵ Vice President Biden revisited Georgia in July 2010—as in 2009, just after a U.S.-Russia summit—to reassure Georgia of U.S. commitments.

In 2011-2012, there were further high-level U.S.-Georgia bilateral visits. 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. 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. 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. Some congressional delegations also visited.

During his state visit to the United States in January 2012, President Saakashvili met with President Obama, who praised efforts in Georgia to increase the honesty of police, the rule of law, and free market reforms, and called for free elections in the future. He stated that these democratic and free market reforms could serve as examples for other Eurasian countries. He reiterated the call in the Charter for exploring a free trade agreement, and thanked Saakashvili for Georgia’s troop contributions in Afghanistan. He mentioned in a press conference that the two presidents had discussed “strengthen[ing] our defense cooperation,” and he voiced continuing support for Georgia’s NATO aspirations. In response at the press conference, President Saakashvili stated that “we are grateful for elevating our defense cooperation further and talking about Georgia’s self-defense capabilities and developing it.”¹⁶ Russia’s then-Prime Minister Putin and others in Russia denounced what they inferred was a change in U.S.-Georgia defense ties, although the Administration claimed that its defense cooperation policy toward Georgia had not changed (but see directly below, and below in “Security Assistance to Georgia Since the August 2008 Conflict”).

At his confirmation hearing in March 2012, Ambassador-designate to Georgia Richard Norland stated that the United States would continue to call for the pull-back and reduction of Russian troops in the occupied regions to pre-conflict numbers. U.S. priorities in Georgia included support for its democratization, and he acknowledged that there were “deep concerns” about the harassment of prospective opposition candidates and parties in the run-up to the autumn legislative election. He also stressed that the conduct of the elections would be a “litmus test” of Georgia’s readiness for NATO membership. He stated that at the January 2012 U.S.-Georgia summit, the two presidents had

agreed to enhance [defense cooperation] programs, to advance Georgian military modernization reform and self-defense capabilities.... Sustaining robust bilateral security and defense cooperation with Georgia will also remain a high priority.... Our plans for security assistance and military engagement with Georgia are to support Georgia’s defense reforms, to train and equip Georgian troops for participation in the ISAF mission and to advance Georgia’s NATO interoperability.¹⁷

¹⁵ 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.

¹⁶ The White House, Office of the Press Secretary, *Remarks by President Obama and President Saakashvili of Georgia After Bilateral Meeting*, January 30, 2012.

¹⁷ *Hearing of the Senate Foreign Relations Committee*, Federal News Service, March 21, 2012.

At her meeting with Saakashvili on June 5, 2012, Secretary Clinton stated that she reaffirmed U.S. support for Georgia's sovereignty and territorial integrity within its internationally recognized borders, and announced that U.S. consular officials would recognize so-called status-neutral travel documents issued by the Georgian government to residents of Abkhazia and South Ossetia who wished to visit the United States. She stated that by recognizing such travel documents, the United States was facilitating reconciliation in Georgia. She called for Georgia to hold a democratic legislative election in October 2012, and met with some opposition party officials (she declined to meet separately with Ivanishvili, but some of his representatives attended the meeting). She also joined the prime minister and foreign minister in presiding over a third meeting of the bilateral Strategic Partnership Commission and its working groups, aimed at implementing the provisions of the Strategic Partnership accord. She stated that the two sides had agreed on new areas of defense cooperation, including training and support for monitoring the seacoast and skies, upgrades for the utility helicopter fleet, and enhanced officer training (see also below, "Security Assistance to Georgia Since the August 2008 Conflict"). She reported that an inaugural High-Level Trade and Investment Dialogue meeting had been held the previous week in Washington, DC, which had included discussion of a prospective free trade agreement.

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.¹⁸

The External Security Context of the South Caucasus

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 next few years appeared to jeopardize Putin's influence efforts, however. These included the "rose revolution" in Georgia that appeared to usher in democratic reforms, NATO's increased ties with

¹⁸ 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.

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 Russian 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 has suffered from trade restrictions imposed by Russia and has no formal diplomatic relations with Russia since the Russia-Georgia conflict.

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 ground forces troops in Armenia has been estimated at about 3,300, and an additional number of Air Force personnel.¹⁹ In addition, Russian border troops guard Armenia's borders with Turkey and Iran. Various statements have appeared by CSTO and Armenian officials about whether or not the CSTO would defend NK and Armenia against an Azerbaijani military operation (see also below).

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

¹⁹ *The Military Balance*, International Institute of Strategic Studies, March 7, 2012.

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.²⁰

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. Reportedly contentious talks are underway to renew this lease. Russian and Azerbaijani defense ministries are negotiating as of late April 2012 to renew this lease, with Azerbaijan purportedly demanding a lease increase from the present \$7 million per year to \$300 million. Armenia has offered to host the radar if the talks fail.

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.

Some Russian and regional observers have speculated that in case of a possible U.S.-Israeli military action against Iran, Russia would take advantage of the operation to move militarily against the South Caucasus. Russia might quickly secure an air and land route through Georgia to its military facilities in Armenia, and occupy the rest of the region, ostensibly to safeguard southern Russia from Iranians fleeing into the South Caucasus or to protect against other claimed disorder, these observers warn.²¹

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

²⁰ *Azerbaijan Press Agency*, September 8, 2010.

²¹ Nikoloz Devdariani, "Russia to 'Cut Military Transport Corridor' Through Georgia?" *Georgia Today*, April 13, 2012; *CEDR*, April 13, 2012, Doc. No. CEP-950045.

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 would be deployed to new military bases in Abkhazia and South Ossetia. In addition to these army brigades, Russian border troops 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. The British publication *The Military Balance* reports that as of early 2012 there are 7,000 Russian military troops in Abkhazia and South Ossetia.²²

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 received 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 below, “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

²² *The Military Balance*, International Institute of Strategic Studies, March 7, 2012.

developments). Georgia has an abiding interest in ties with the approximately 1 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. New Secretary of State Clinton reportedly met with Turkish leaders in March 2009 in Ankara to encourage them and President Obama reportedly actively supported the negotiators during a meeting in Istanbul in April 2009.²³ 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.²⁴

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

²³ David Phillips, *Diplomatic History: The Turkey-Armenia Protocols*, Institute for the Study of Human Rights in collaboration with the Future of Diplomacy Project, Harvard Kennedy School, March 2012.

²⁴ 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.

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.”²⁵

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 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 ethnic Azerbaijanis reside in Iran (*The World Factbook* estimates about 12 million; other estimates are far higher), 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 (IPA) in 1995. 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. There is some trade between the two countries, reportedly between \$240 million and \$300 million in turnover in 2011, but amounts have been declining.

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.²⁶

Azerbaijan’s relations with Iran were roiled in February 2012 when Iran accused Azerbaijan of harboring Israeli intelligence agents who had crossed the Azerbaijani-Iran border to carry out operations, allegedly including assassinations of Iranian nuclear scientists. That same month, Azerbaijan sentenced seven individuals it had arrested in 2008 that it claimed had been trained in Iran to carry out terrorism, including plans to bomb the Israeli embassy. In late February, Azerbaijan confirmed that it had reached a large arms deal with Israel, but stated that the weapons purchase was aimed not against Iran but to “liberate” occupied territories.

Attempts to ease Azerbaijani-Iranian tensions included a meeting between the foreign ministers of Iran, Azerbaijan, and Turkey in Nakhichevan, Azerbaijan, on March 7 and a trip by Defense

²⁵ “Armenia Suspends Normalization of Ties with Turkey,” *BBC News*, April 22, 2010.

²⁶ See CRS Report RL32048, *Iran: U.S. Concerns and Policy Responses*, by Kenneth Katzman.

Minister Safar Abiyev to Tehran on March 12, 2012. Abiyev stressed that Azerbaijani territory would not be used to launch attacks on Iran. Two days later, however, the Azerbaijan National Security Ministry announced that nearly two dozen terrorists trained in Iran had been arrested, who had been planning attacks on Israeli and U.S. embassies and other Western interests, and at the end of the month, the ministry reported that two other Iranian spy networks had been uncovered in 2011. Also in late March 2012, Iran increased its accusations that Azerbaijan was providing Israel with military access to launch attacks on Iran after such allegations appeared in Western media. In early April, Iran arrested some individuals it claimed were Israeli agents being directed from an unnamed nearby country, presumably Azerbaijan. On April 12, Azerbaijani media reported that the government had arrested several Iranians and Azerbaijanis involved in weapons and drug smuggling from Iran.

In early May 2012, Iran recalled its ambassador to Azerbaijan for “consultations” following anti-Iranian protests outside Iran’s embassy in Baku against Iranian criticism of the Eurovision Song Contest to be held on May 22-26, 2012, in Baku. The Azerbaijani Foreign Ministry reportedly responded to the recall by announcing that “some people are jealous about Azerbaijan’s development [and] the organization of a grand event such as Eurovision,” and requested that Iran apologize for “insulting statements” about Azerbaijan.²⁷

In early September 2012, Iran released two Azerbaijani poets it had convicted in August on spy charges, and Azerbaijan paroled an Iranian reporter convicted on drug charges, just before a visit by the Iranian vice president to Azerbaijan, perhaps marking the beginning of better relations between the two countries.

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.”²⁸ 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

²⁷ *Interfax*, May 22, 2012; May 24, 2012.

²⁸ 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.

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.²⁹

The "Minsk Group" of concerned member-states of what is now termed the OSCE was established in 1992 to facilitate peace talks. The United States,³⁰ France, and Russia co-chair the

²⁹ "Facilitating Dialogue: Interview with Ambassador Andrzej Kasprzyk," *OSCE Magazine*, January /2010.

³⁰ 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 (continued...)

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.³¹ 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%).³²

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 on a fourth "hybrid" peace plan calling for initial agreement on "basic principles." In November 2007, then-Under Secretary 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.³³

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

(...continued)

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.

³¹ 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>.

³² *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>.

³³ 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.

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.³⁴ 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 Sargsyan 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 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.³⁵

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.³⁶

Meeting in Sochi, Russia, on March 5, 2011, Presidents Medvedev, Sargsyan, 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.”³⁷ 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 Sargsyan 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

³⁴ 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.

³⁵ *Azerbaijan Press Agency*, September 15, 2010.

³⁶ 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.

³⁷ *Meeting with Presidents of Armenia and Azerbaijan*, President of Russia, March 5, 2011, at <http://eng.kremlin.ru/news/1859>.

military capabilities in order to “take serious and necessary measures to liberate” NK and surrounding areas.³⁸

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 new report appeared to generally echo the findings of the 2005 report that most of the “towns and villages that existed before the conflict are abandoned and almost entirely in ruins,” although some land was being farmed. 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.”³⁹

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 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 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.”⁴⁰

In October 2011, the Minsk Group co-chairs issued a statement after talks with Presidents Aliyev and Sargsyan that the two presidents had agreed in principle on some border incident investigation procedures that the presidents had called for developing at their meeting in Sochi in

³⁸ *Interfax*, March 17, 2011.

³⁹ 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.

⁴⁰ *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.

March 2011. A call for finalizing these procedures was issued at the OSCE Ministerial Council Meeting in Vilnius in early December 2011.

Before a planned meeting of the Armenian and Azerbaijani presidents in Sochi, Russia, on January 23, 2012, President Aliyev stressed that “no one wants war, least of all Azerbaijan, which has made such great achievements. However, this does not mean that negotiations ... will be focused on the prevention of war.”⁴¹ At the Sochi meeting, the two presidents issued a joint statement requesting Russia to act to facilitate humanitarian ties between the two countries. The co-chairs of the OSCE Minsk Group also presented the Armenian and Azerbaijani presidents with a draft plan for setting up a group to investigate incidents along the line of contact, and the presidents called for further work on the plan. In March 2012, however, President Sargisyan reportedly condemned Azerbaijan for refusing to further discuss such an incident investigation mechanism or other “confidence building” measures, allegations that Azerbaijan has rejected.⁴²

In late March 2012, Azerbaijani presidential administration official Ali Hasanov acknowledged that Baku regards the talks mediated by the president of Russia as the most significant means to settle the NK conflict, given Russia’s close ties to Armenia. Hasanov claimed that Russia has overwhelming influence over Armenia, and appeared to argue that Azerbaijan’s major goal is to persuade Russia to use its influence to settle the conflict.⁴³

On June 4-5, 2012, violence on the line of contact between Armenian and Azerbaijani forces resulted in three dead Armenian troops and five dead Azerbaijani troops, according to authorities in the respective countries. Secretary Clinton, visiting the region, deplored the violence and called for both countries to continue to seek a peaceful settlement of the NK conflict.

On June 18, 2012, the Minsk Group co-chairs hosted a meeting in Paris between the Armenian and Azerbaijani foreign ministers. The session reportedly was constructive but apparently resulted in no breakthroughs. The next day, the presidents of the United States, France, and Russia, meeting on the sidelines of the Group of Twenty (G-20; grouping of major developed and developing countries) summit in Mexico, issued a joint statement regretting that there had not been substantial progress since their last such appeal in mid-2011. The presidents called on both sides to eschew hostile rhetoric, and argued that “military force will not resolve the conflict and would only prolong the suffering ... by peoples of the region.”⁴⁴ Appearing to reflect the rejection of the creation of an incident investigation mechanism, Azerbaijani Foreign Minister Mammadyarov stated on July 9, 2012 that “the problem is not in mechanisms, it is in the presence of the Armenian troops in the occupied Azerbaijani lands. If troops are withdrawn, both the problems with the incidents and mechanisms will be solved. This is Azerbaijan's position and we will not change it.”⁴⁵

In a speech on September 11, 2012, President Aliyev argued that the Minsk Group had been unsuccessful during its two-decade efforts in moving Armenia to settle the NK conflict, so that the solution may depend on Azerbaijan’s use of military force. He asserted that since NK is

⁴¹ *Interfax*, January 16, 2012.

⁴² *Interfax*, March 6, 2012; March 16, 2012; *CEDR*, April 2, 2012, Doc. No. CEP-950107.

⁴³ *CEDR*, March 29, 2012, Doc. No. CEP-950123.

⁴⁴ The White House, *Joint statement by the Presidents of the United States, the Russian Federation and France on Nagorno-Karabakh*, June 19, 2012.

⁴⁵ *CEDR*, July 10, 2012, Doc. No. CEP-950155.

“occupied” by Armenia, Azerbaijan’s main focus is on “isolating Armenia from all international and regional [economic] projects.”⁴⁶

After President Aliyev pardoned Safarov, the OSCE Minsk Group met individually with the Armenian and Azerbaijani foreign ministers in Paris on September 2-3, 2012, and raised “deep concern” that the pardon had harmed peace efforts. Armenian Foreign Minister Eduard Nalbandiyan similarly emphasized in the Armenian legislature the next day that the pardon had “caused serious damage to the process of resolving the NK conflict.”⁴⁷ Appearing to respond to the OSCE statement, Azerbaijani Deputy Foreign Minister Araz Azimov asserted on September 21, 2012, that the settlement process had stalled even before the pardon and that the Minsk Group was “pointlessly traveling back and forth.... They did not do any serious work.”⁴⁸ Despite these new tensions in relations, both Armenian and Azerbaijani officials have stated that they want the Minsk Group talks to continue.

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.⁴⁹

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 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 UNSC issued no public decision, the United States, Great Britain, France, and Germany stated that same

⁴⁶ *APA News Agency*, September 11, 2012.

⁴⁷ *Interfax*, September 6, 2012.

⁴⁸ *Interfax*, September 21, 2012.

⁴⁹ 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.

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.”⁵⁰ (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 UNSC approved sending a U.N. Observer Mission in Georgia (UNOMIG), the first to a Eurasian state, 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 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.⁵¹ 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

⁵⁰ “Germany, Great Britain, France, U.S.A. and Germany Passed Communiqué,” *Black Sea Press*, April 24, 2008.

⁵¹ *ITAR-TASS*, May 6, 2008.

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.⁵²

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 but intensified their shelling, “forcing” Georgia to send in troops that reportedly soon controlled Tskhinvali and other areas.⁵³

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.

⁵² 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.

⁵³ See also CRS Report RL34618, *Russia-Georgia Conflict in August 2008: Context and Implications for U.S. Interests*, by Jim Nichol.

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.”⁵⁴ 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.⁵⁵ 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.⁵⁶ 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 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.”⁵⁷

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

⁵⁴ *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.

⁵⁵ See CRS Report RL34618, *Russia-Georgia Conflict in August 2008: Context and Implications for U.S. Interests*, by Jim Nichol, August 29, 2008.

⁵⁶ 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 ... 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.

⁵⁷ *CEDR*, September 28, 2008, Doc. No. CEP-950425; CEP-950440.

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").⁵⁸

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 Akhalkalaki, 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 UNSC resolution that extended the UNOMIG mandate, and they pulled out of Abkhazia. The EUMM is now the sole international group of monitors. It reported in early 2012 that the number of staffers was 300 (of which 200 are monitors); that Sweden, Germany, and Romania are the largest contributors of monitors; and that the monitors are based in three field offices near the contested borders.⁵⁹

According to Assistant Secretary of Defense Alexander Vershbow and Assistant Secretary of State Philip Gordon, the EUMM has been effective at debunking several allegations made by Russia and the separatist regions that ceasefire violations have been committed by Georgia. The United States and the EU continue to call for unrestricted access to Abkhazia and South Ossetia in order to monitor the ceasefire. Vershbow and Gordon have praised Georgia's cooperation with the EUMM, including Georgia's agreement with the EUMM at the beginning of 2009 to report all movements of its security forces near the administrative borders and to permit unannounced inspections of its military facilities. They contrast this cooperation to the refusal of Russia, Abkhazia, and South Ossetia to permit patrols in the regions.⁶⁰ In late April 2012, Abkhazia declared that the head of the EUMM was *persona non grata*, including because he advocated for the EUMM to patrol inside the breakaway regions. Abkhazia has refused to reconvene meetings of the incident prevention group (see below) since then, because the EUMM head normally would attend.

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

⁵⁸ 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.

⁵⁹ EUMM. *Mission Facts and Figures*, at http://www.eumm.eu/en/about_eumm/facts_and_figures.

⁶⁰ 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.

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).⁶¹

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.
- 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.”⁶² The next month, Russia vetoed the continuation of UNOMIG.
- At the July 2009 Geneva conference meeting, the sides discussed setting up an incident prevention group to resolve issues such as cross-border travel between Abkhazia and the rest of Georgia. A meeting in Gali to establish the group was held on July 14, 2009.
- 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 marked its complete fulfillment of the ceasefire accords.⁶³ 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.
- At the June 7, 2011, meeting, Georgia raised concerns about alleged Russian terrorist attacks and plans (see below) and stated that it might reconsider

⁶¹ 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.

⁶² 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.

⁶³ The Georgian Foreign Ministry issued a statement that the withdrawal of Russian troops from Perevi was welcome but was “just a minuscule step in comparison with commitments envisaged by the ceasefire agreement of August 12, 2008, which Russia still has to comply with.” *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.

participation in the Geneva conference if the terrorism persisted. 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.

- At the December 14, 2011, meeting, the moderators, the United States, and Georgia argued that if binding nonuse-of-force agreements are signed, they logically should include provisions for international monitors to patrol in the breakaway regions, a stance rejected by Russia, South Ossetia, and Abkhazia. Georgia and South Ossetia agreed to exchange over two dozen detainees who allegedly had illegally crossed disputed borders. The prisoner exchange—under the aegis of the incident prevention mechanism—took place at the end of December 2011.
- At the March 29, 2012, meeting, Russia reportedly assured Georgia that its planned September 2012 Caucasus military exercise would not involve troops in Abkhazia and South Ossetia. Georgia pointed to the planned exercise in calling for Russia to make a nonuse-of-force pledge to Georgia (see below).
- At the June 7-8, 2012, meeting, the Russian side criticized Secretary Clinton’s announcement during her just-concluded visit to Georgia that U.S. embassies and consulates would recognize the validity of status-neutral travel documents issued by Georgia to residents of Abkhazia and South Ossetia who wished to travel or study in the United States. Russia claimed that the announcement set back the peace process.

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 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.... 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.”⁶⁴ 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

⁶⁴ *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.

sustain itself economically, and so must rely on Russian aid and thousands of Russian construction and government workers, troops, and border guards that are deployed there.⁶⁵

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 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.⁶⁶

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."⁶⁷ In late July 2011, the *Washington Times* alleged that the U.S. intelligence community had backed up a Georgian claim that Russian intelligence operatives had orchestrated a bombing in September 2010 near the U.S. Embassy in Tbilisi.⁶⁸

Russia's ambassador to the EU, Vladimir Chizhov, declared on May 29, 2012, that the EU's calls for Russia to respect Georgia's territorial integrity are "knocking on an open door," since Russia fully supports Georgia's territorial integrity "within the borders that exist today" (after the 2008 Russian occupation of Abkhazia and South Ossetia).⁶⁹

In late August 2012, over two dozen alleged terrorists affiliated with Caucasus Emirate head Doku Umarov supposedly entered Georgian territory from Russia's Dagestan or Chechnya republics and took hostages (according to another version, the terrorists were based in Georgia and were attempting to enter Russia). Georgian police forces battled the terrorists, killing or apprehending most of them. President Saakashvili declared that he would not permit instability in Russia to spill over into Georgia.

⁶⁵ International Crisis Group. *South Ossetia: The Burden of Recognition*, June 7, 2010.

⁶⁶ 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.

⁶⁷ Ministry of Foreign Affairs of the Russian Federation, June 13, 2011.

⁶⁸ *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.

⁶⁹ *Interfax*, May 29, 2012.

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.”⁷⁰ 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.”⁷¹

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. Gross domestic product (GDP) began to rebound in the states in the mid-1990s. Investment in oil and gas resources has fueled economic growth in Azerbaijan at the expense of other sectors of the economy, although there are efforts to strengthen non-oil sectors. Problems of 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.⁷² Perhaps surmounting the downturn, all the regional economies reported GDP growth in 2011. Despite the downturn, major economic accomplishments in recent years have included the reduction of a high rate of poverty in Azerbaijan and the World Bank’s 2012 assessment that Georgia has made the most progress among 183 countries in making business regulatory reforms and now ranks 16th worldwide in the overall ease of doing business.

⁷⁰ *Report of the Independent International Fact-Finding Mission on the Conflict in Georgia*, Vol. 3.

⁷¹ U.S. Department of State. *Daily Press Briefing*, September 30, 2009.

⁷² *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.⁷³ 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)⁷⁴ 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. Then-U.S. Ambassador Bryza reportedly condemned the idea of attacking civilian aircraft and the Azerbaijani Foreign Ministry pledged that the country would not attack civilian aircraft.⁷⁵ In late July 2012, however, Azerbaijan's Civil Aviation Department asserted that air flights into NK without Azerbaijani permission would be considered a violation of airspace and "relevant action" would be taken.⁷⁶

⁷³ 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 2013.

⁷⁴ P.L. 104-208, §559, amends the Foreign Assistance Authorization Act of 1961.

⁷⁵ *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.

⁷⁶ *CEDR*, July 25, 2012, Doc. No. CEP-950156.

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. 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.”⁷⁷

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.”⁷⁸ 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.⁷⁹

Starting in February 2011, the Armenian National Congress (ANC), an alliance of opposition parties formed in 2008, 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.”⁸⁰ 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

⁷⁷ *Freedom in the World*, Freedom House, February 13, 2011.

⁷⁸ “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>.

⁷⁹ 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.

⁸⁰ *CEDR*, March 2, 2011, Doc. No. CEP-964045.

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.

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. At ANC rallies in late 2011, Ter-Petrosyan again stressed that Serzh Sarisyan should resign.

In anticipation of legislative elections scheduled to be held on May 6, 2012, and presidential elections scheduled for early 2013, a new electoral code was approved in June 2011 that included several reform suggestions by the Council of Europe’s advisory Venice Commission and the OSCE’s Office of Democratic Institutions and Human Rights (ODIHR). Reforms included steps to form a more non-partisan electoral administration and the specification of conditions under which election results might be invalidated. However, the Venice Commission and ODIHR called for added reforms, including easing restrictions on becoming a candidate for election, ensuring the separation of state and party structures, improving the transparency of vote counting, and improving complaint and appeal procedures.⁸¹ Also in anticipation of the May 2012 legislative election, the opposition Heritage Party and the ARF deputies in the legislature introduced a bill in January 2012 calling for the elimination of single member district voting and the transition to a proportional (party list) system to elect all deputies. Several opposition parties and blocs not represented in the legislature indicated support for the bill. Backers of the bill argued that voting in single member districts was controlled by local officials who carried out the wishes of the Sargsyan government, while voting via national party lists might increase the chances that more opposition deputies could be elected. At the end of February 2012, the bill was rejected by the majority deputies belonging to the ruling coalition (Republican Party of Armenia, Prosperous Armenia, and Law-Governed Country), although a few Prosperous Armenia deputies reportedly supported the bill.

At a rally on Freedom Square on March 30, 2012, Ter-Petrosyan stated that if the ANC was victorious in the upcoming legislative election, it would raise the question of President Sargsyan’s ouster at the first meeting of the new legislature. The ANC also would set up a commission to investigate the 1999 assassinations and the disruption of protests in 2008, and would seek to replace all members of the Constitutional Court, he pledged.

On April 13, 2012, President Sargsyan signed a state of emergency bill into law. The law provides for the president to declare an emergency and call out the police and armed forces in situations threatening the constitutional order or in cases of terrorism or civil conflict. Some opponents of the law have denounced it for allegedly unconstitutionally enhancing presidential

⁸¹ Council of Europe, European Commission For Democracy Through Law, *European Commission For Democracy Through Law (Venice Commission) and OSCE ODIHR Draft Joint Opinion on the Electoral Code of Armenia Adopted on 26 May 2011*, Opinion No. 611 / 2011, September 29, 2011.

power and warned that it might be used to suppress protests after a planned May 2012 legislative election.

Eight parties and the Armenian National Congress bloc were approved to run on party lists for 90 seats in the May 6, 2012, legislative election. In addition, 155 candidates were registered to run for 41 seats in single-mandate constituencies. Of these candidates, 66 were self-nominated. Official campaigning began on April 8. Nearly 63% of 2.5 million registered voters turned out. Six of the eight parties won legislative seats in the party list portion of the election. The Republican Party won 40 seats, the Prosperous Armenia Party won 28 seats, the Armenian National Congress bloc won 7 seats, the Heritage Party won 5 seats, the Armenian Revolutionary Federation won 5 seats, and the Orinets Yerkir Party won 5 seats. In the majoritarian races, the Republican Party won about three-quarters of the seats, giving it a bare majority of seats in the legislature. A majority of incumbent deputies were returned to the legislature.

According to the preliminary report issued by the OSCE monitoring mission, the election was competitive, vibrant, and largely peaceful, but was marred by an unequal playing field and by deficiencies in the complaint and appeals process. Media coverage appeared free and fair, as were candidate registration processes. Participants raised concerns about the accuracy of voter lists. Violations of electoral codes were sometimes committed by local authorities, including school teachers, who participated in campaign activities, and by party-linked organizations, which provided gifts to voters. Election monitors observed the presence of unauthorized persons or group voting in 12% of nearly 1,000 polling stations visited. Vote counting was assessed negatively in almost one-fifth of polling stations, including the participation of unauthorized persons in counting. Vote tabulation was assessed negatively in most higher-level electoral commissions visited.⁸² U.S. Ambassador to Armenia John Heffern reportedly assessed the election as a major step forward in democratization in Armenia, pointing to “a lot of progress in several key areas,” including access to media and orderly and transparent voting (including the presence of cameras in polling places). At the same time, he stated that the OSCE monitors had reported that there were some problems, so that “there is still some work to do for the elections next time.”⁸³

On May 30, the Republican Party and the Orinats Yerker (Rule of Law) Party (headed by National Security Council Secretary Artur Bagdasaryan) formed a coalition. A former coalition member, the Prosperous Armenia Party, declined to join the new coalition. At the opening session of the new legislature on May 31, Hovik Abrahamyan was elected Speaker (he had stepped down as speaker in late 2011 to head up the election campaign of the Republican Party). On June 2, 2012, President Sargsyan re-appointed Tigran Sargsyan as prime minister.

The coalition agreement between the Republican and Orinats Yerker parties reportedly included a pledge by the latter party to support incumbent President Serzh Sargsyan’s re-election in 2013.

Azerbaijan

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

⁸² OSCE, ODIHR, *International Election Observation, Republic of Armenia, Parliamentary Elections, 6 May 2012: Statement of Preliminary Findings and Conclusions*, May 7, 2012.

⁸³ Sargis Harutyunyan, “U.S. Envoy Praises Armenian Elections,” *RFE/RL Armenian Service*, May 18, 2012.

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 eventually 690 candidates were approved (or won appeals). 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 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.⁸⁴

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.

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 2010.⁸⁵ 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. According to one report, about two-thirds of the deputies of the outgoing

⁸⁴ 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.

⁸⁵ The NAP won 56 seats on November 6, 2005, and 5 more seats in repeat elections held on May 13, 2006.

Majlis were reelected. Many of the reelected and new members are officials or are related to current officials, according to this report.⁸⁶

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, and 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.⁸⁷ 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.⁸⁸

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.”⁸⁹ He reappointed all of the members who held top posts in the previous legislature, including Oqtay Asadov, who was reappointed speaker.

The U.S. Department of State issued a statement 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.”⁹⁰ 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.”⁹¹

⁸⁶ CEDR, November 8, 2010, Doc. No. CEP-950216.

⁸⁷ 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.

⁸⁸ *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.

⁸⁹ President of Azerbaijan, *Ilkham Aliyev Met With MPs of the Ruling Party Elected to the Milli Majlis*, November 29, 2010.

⁹⁰ U.S. Department of State, *Press Statement: Parliamentary Elections in Azerbaijan*, November 8, 2010.

⁹¹ *Azerbaijan Press Agency*, November 10, 2010.

The 2011-2012 Protests

Accusing foreign-based NGOs of fomenting dissent, on March 7, 2011, the Justice Ministry sent the U.S.-based National Democratic Institute (NDI) 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.⁹² NDI reportedly was permitted to resume some activities in Azerbaijan in late 2011.

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. 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.⁹³

⁹² "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.

⁹³ CEDR, March 29, 2011, Doc. No. CEP-950156; U.S. Embassy in Baku, Azerbaijan, *U.S. Embassy Statement on April 2 Protests*.

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.”⁹⁴

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. In December 2011, outgoing U.S. Ambassador Bryza stated that he did not think the “Arab Spring” would come to Azerbaijan.

As in the attempted March 2011 protest, social media appeared to play a large role in triggering a protest in the northern town of Guba on March 1, 2012, against a local official whose filmed comments denigrating the populace were posted on the Internet. Reportedly, one thousand or more citizens rallied and marched to the local government headquarters to demand the official’s resignation, but later that day some individuals vandalized government facilities and burned the official’s home. Local police and security forces (augmented by forces rushed from Baku) shut down the local Internet and harshly attempted to disperse the crowds. The protesters only completely dispersed when it was announced the next day that the official had been sacked. Police have announced that about two dozen residents of the city have been arrested, including several accused of posting the official’s comments on the Internet.

Some observers linked some easing of restrictions on assembly and other measures in recent months to Azerbaijan’s desire to present itself in a good light during the May 22-26, 2012, Eurovision Song Contest in Baku. On March 16, 2012, Aliyev pardoned prisoners, including two

⁹⁴ *APA News Agency*, April 16, 2011.

regarded by activists as “political prisoners,” including one alleged organizer of the April 2011 attempted protest, who reportedly pledged that upon his release, he would join the ruling party. After some delay, Baku authorities permitted the Public Chamber to hold a protest at an obscure locale in the suburbs under tight security and alleged restrictions on access on April 8, 2012. The reported 3,000 protesters called for the release of political prisoners, democratic reforms, and other demands. Although seven oppositionists were sentenced for up to two weeks in jail for distributing leaflets, President Aliyev appeared to refer to this rally on April 16 when he stated that “the Azerbaijani public have seen that there is freedom of assembly in our country.”⁹⁵ Another rally by the Public Chamber, approved by the government, was held on April 22, 2012, also in the Baku suburbs. The government claimed that about 1,200 attended the rally, but the opposition estimated the crowd at between 5,000 and 10,000 individuals. There was a reportedly large police presence, and police allegedly attempted to restrict the number of demonstrators. Musavat Party head Isa Gambar reportedly called for President Aliyev to resign and for new elections to be held.

The Public Chamber held several small demonstrations in the run-up to the May 22-26, 2012, Eurovision Song Contest, including a protest at the Baku mayor’s office on May 14 to call for free elections and the freeing of political prisoners and a hunger strike at the Musavat Party headquarters beginning on May 15. During the Eurovision events, however, protests were efficiently prevented or quickly quashed by the authorities, according to some Western reports.

Azerbaijani political and religious authorities were adamant in asserting that no diversity/gay rights demonstration would be permitted on the sidelines of the Eurovision Song Contest, countering rumors circulated by the Iranian Embassy in Baku and by Iranian authorities and media that such an “un-Islamic” demonstration would occur.⁹⁶

Democratic activist Bakhtiyar Hajiyev (mentioned above) was released from prison on probation on June 4, 2012, just before Secretary Clinton visited the country.

In another apparent effort to discredit opposition Popular Front Party leader Ali Karimli, a pro-government politician alleged in late August 2012 that former President and head of the Popular Front Abulfaz Elchibey had told him shortly before his death that Karimli had poisoned him. The Baku prosecutor’s office opened an investigation of the charges, although Elchibey’s family stated that he had died in Turkey after a long bout with cancer and that they wanted no investigation. Other pro-government politicians and media reportedly have supported the allegation against Karimli.

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 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, he formed the constitutional commission and the former president of the

⁹⁵ *CEDR*, April 17, 2012, Doc. No. CEP-950147.

⁹⁶ *CEDR*, May 18, 2012, Doc. No. CEP-950051; May 17, 2012, Doc. No. CEP-950072.

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.

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 with the largest number of seats in the legislature would nominate the candidate for prime minister. The draft also proposed that regional governors would 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 2013.⁹⁷ Saakashvili cannot run in 2013 under constitutional term limits. According to some speculation, he may be hoping to become the prime minister.

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 alleged that the Russia-backed protesters had planned to launch an armed overthrow of the government. The government 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. His whereabouts remain unknown.

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 called for increasing the number of legislators from 150 to 190, 107 of whom would 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 was viewed by some observers as somewhat increasing the chances for opposition parties to gain seats in the legislature. The draft electoral code was publicized for public discussion in September and then was considered by the legislature.

⁹⁷ CEDR, September 6, 2010, Doc. No. CEP-964002; September 14, 2010, Doc. No. CEP-964028.

In December 2011, however, the UNM and some opposition parties agreed in approving the new electoral code that 77 members of the 150-seat legislature to be elected in October 2012 would be chosen through proportional voting and the remaining 73 through majoritarian voting in single member districts (previously, 50% of the members had been elected by each method). Another provision guaranteed that a party that gains a minimum of 5% of the vote will get at least six seats. A major provision recommended by the Venice Commission—that single member districts have relatively equal populations—was not included in the new electoral law. Under a 2011 constitutional amendment, the newly elected legislature will convene in a new building being completed in the city of Kutaisi (in western Georgia).

In early October 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 Saakashvili. A few days later, 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 relinquished his Russian and French citizenships, but has not regained Georgian citizenship. He 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. Besides the revocation of citizenship, the ruling party pushed through legislation barring corporate contributions and limiting corporate employee contributions to political parties, which critics viewed as aimed to block Ivanishvili from financing prospective or existing parties. Instead, state financing of campaigns by existing parties that had won past elections was stepped up, also viewed by critics as a means to constrict any new party created through Ivanishvili's interests. His party, Georgia Dream-Democratic Georgia, was launched in April 2012, headed on an interim basis by a human rights advocate.

At the end of May 2012, constitutional changes went into effect permitting a citizen of an EU country who has lived for five years in Georgia to be elected to high political office, a provision aimed to permit Ivanishvili to participate in the October 1, 2012, legislative election or in the 2013 presidential election. However, Ivanishvili proclaimed that he will not run in the legislative election except as a citizen of Georgia. Launching his Georgia Dream Coalition's election campaign on May 29, 2012, he affirmed support for Georgian integration into NATO and the EU; pledged to peacefully reintegrate Abkhazia and South Ossetia into Georgia; vowed to reduce poverty, unemployment, and emigration and to increase health, education, and other social services; and generally stated that his coalition aimed to bolster Georgia as a democratic and free market country.

The ruling UNM and Georgia Dream have become increasingly confrontational during the election campaign, according to OSCE long-term election monitors. A monitoring office was set up by the State Audit Office in January 2012 in line with the new legal provisions to more strictly regulate campaign financing. A pre-election report issued by the OSCE has raised concerns about the fines and confiscation by the courts, upon findings by the State Audit Office, of the property of dozens of citizens whose campaign donations have been deemed illegal. The great majority of cases and confiscations have involved Georgia Dream members, including Ivanishvili. According to the OSCE, the participation of some former senior State Audit Office members as UNM candidates in the election, and the naming of a new chairman that was a UNM legislator, creates perceptions that the office is not impartial and independent. The OSCE reports that the confiscations decreased after the State Audit Office reviewed its procedures in late June 2012. An

Inter-Agency Commission was established in May 2012 in line with election law to prevent the illicit use of administrative (government) resources during the election. It has made several rulings against agencies for illicit use of resources to support the UNM. It also has raised concerns about the confiscation of assets, resulting in the suspension of enforcement of some asset seizures. The OSCE reports that the public television station has been balanced in its reporting of campaign events, while the two privately-owned television stations with nationwide coverage have been pro-UNM.⁹⁸

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-FY2010 (the others are Russia, Ukraine, and Kazakhstan, which have received sizeable Comprehensive Threat Reduction funds; see **Table 1**, **Table 2**, and **Table 3**). U.S. assistance to the region FY1992-FY2010 amounts to about 16% 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.

The Administration indicated in its FY2012 budget request that the reduced amount for that year for Europe and Eurasia reflected progress made by many countries in the region and other more pressing global priorities.⁹⁹ In the case of the South Caucasian countries, the FY2012 estimated spending was slightly less than that of the previous year, but the FY2013 request reflects a more sizable 19% reduction from estimated spending in FY2012 (see **Table 1**).

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 budgeted aid has amounted to about \$41 million from FY1998 through FY2012. See **Table 4**. 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.¹⁰⁰ 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

⁹⁸ OSCE, ODIHR, *Election Observation Mission, Georgia, Parliamentary Elections, 1 October 2012: Interim Report, No. 1, 22 August – 5 September 2012*, September 10, 2012; *Interim Report, No. 2, 6–19 September 2012*, September 24, 2012. See also Commission on Security and Cooperation in Europe, Hearing: Georgia's Parliamentary Election, How Free and Fair Has the Campaign Been, and How Should the U.S. Government Respond? *Testimony by Deputy Assistant Secretary of State Thomas Melia*, September 20, 2012.

⁹⁹ CRS Report R42621, *State, Foreign Operations, and Related Programs: FY2013 Budget and Appropriations*, by Susan B. Epstein, Marian Leonardo Lawson, and Alex Tiersky. The CRS Report refers to U.S. Department of State, *Executive Budget Summary, Function 150 and Other International Programs, FY2012*, p. 86.

¹⁰⁰ 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.

clear landmines. In FY 2012, aid to NK was provided for demining (\$1 million to the HALO Trust NGO) and for rehabilitating the water system in Stepanakert/Khankendi (\$1 million to the CESCO NGO) (both of these are multi-year projects). 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.

At a hearing on March 20, 2012, Representative Brad Sherman urged that the Administration's foreign assistance for Armenia for FY2013 be based on an increase from the previous year, and also stated that the Georgian government had agreed that U.S. assistance could be targeted to the country's Samtskhe-Javakheti region, where ethnic Armenians are a majority of the population.

The Millennium Challenge Account

In January 2004, Congress authorized a major new global assistance program, the Millennium Challenge Account (Section D of P.L. 108-199). The focus of the new Millennium Challenge Corporation (MCC) was poverty reduction in countries deemed highly receptive to such aid based on selection criteria: their levels of economic freedom, their investments in social programs, and their democratization progress. MCC deemed that Georgia was eligible for assistance, even though it did not meet criteria on anti-corruption efforts, and in September 2005 signed a five-year, \$295.3 million agreement (termed a "compact") with the country. Projects included improving a road from Javakheti to Samtskhe; repairing a gas pipeline; creating a small business investment fund; setting up agricultural grants; and improving 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. In January 2011, MCC announced that Georgia was eligible for a second compact. Georgia has suggested efforts to bolster education, and MCC notified Congress that it planned to provide some preliminary funding to assist Georgia in working out details of such a program. The two sides are considering funding of \$100-\$150 million for secondary and post-secondary education improvements, with a possible MCC decision by the end of 2012 on moving forward to conclude a compact.

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 2006.¹⁰¹ 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

¹⁰¹ 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>.

building project because of Armenia's halting democratization, although other projects would continue (later this canceled amount was said to be about \$59 million).¹⁰² Some of the road-building projects canceled by MCC subsequently were funded by the World Bank. The MCC reported in October 2011 that it had completed its compact with Armenia by disbursing \$177 million. Beneficiaries reportedly included about 428,000 rural residents in hundreds of communities across Armenia. At a meeting in late 2011, the MCC did not select Armenia as eligible for a compact. MCC raised concerns about fiscal policy, inadequate government expenditures for health and education, problematic political rights, and restrictions on freedom of information. For FY2013, Armenia is on a list of candidate countries, and the MCC board will meet in late 2012 to pick compact-eligible countries based on selection criteria.

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, with the Defense Department quickly beginning naval and air deliveries. Reportedly, the Bush Administration had authorized these Defense Department deliveries to demonstrate U.S. backing for Georgia's continued independence.

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.¹⁰³

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 5**.¹⁰⁴

¹⁰² 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.

¹⁰³ 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.

¹⁰⁴ 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.

U.S. Security Assistance

The United States has provided some security assistance to the region, and bolstered such aid after September 11, 2001. Admiral James Stavridis, Commander of the U.S. European Command (EUCOM) testified in February 2012 that the Caucasus countries

present important strategic issues in our theater, including logistical access to Afghanistan, participation in coalition stability operations, hydrocarbon infrastructure security, and rising humanitarian concerns. The region also possesses a high degree of potential instability due to the unresolved NK conflict between Armenia and Azerbaijan, and the Russia-Georgia clash over Abkhazia and South Ossetia. EUCOM's engagement with these nations seeks to promote security and stability in a sensitive region, promote maritime security cooperation in the Caspian, and improve partner nation interoperability with U.S. forces.¹⁰⁵

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

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 aim to bolster Azerbaijan’s capabilities to ‘observe, evaluate, and respond’ to events in their maritime domain.”¹⁰⁶ (This program appears to combine elements of the former Caspian Guard and Hydrocarbons programs.) For FY2013, the Administration has requested FMF assistance for Azerbaijan to bolster their naval capabilities or otherwise enhance Caspian Sea maritime security.

Of the cumulative assistance from all agencies and programs provided to the South Caucasian states from FY1992 through FY2010, the State Department reports that \$223 million was provided to Armenia, \$327 million to Azerbaijan, and \$896 million to Georgia for “ensuring peace and security.” This category includes law enforcement, border security, counter-narcotics, counter-terrorism, and conflict mitigation funds. Also included are International Military Education and Training (IMET), Foreign Military Financing (FMF), Section 1206 (to train and equip forces for counterterrorism and operations in Afghanistan) and other Defense Department, and agency and program funding (although some classified funding may not be reported).

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.

¹⁰⁵ U.S. House of Representatives. Committee on Armed Services. Hearing on Fiscal Year 2013 National Defense Authorization Budget Request from U.S. European Command and U.S. Africa Command, *Testimony of Admiral James G. Stavridis, United States Navy, Commander, United States European Command*, February 29, 2012.

¹⁰⁶ U.S. Senate. Committee on Armed Services. *Statement of General Bantz J. Craddock*, March 13, 2008.

policy, similar aid had not been provided to Azerbaijan's fellow combatant Armenia. From 1993 to 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. Successive Administrations have not always agreed with this understanding of "parity," and occasionally have requested unequal amounts of such aid, but Congress usually has directed that equal amounts be provided. The *Congressional Budget Justification for Foreign Operations for FY2013* calls for \$2.7 million in FMF and \$600,000 in IMET for each country.

Security Assistance to Georgia Since the August 2008 Conflict

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."¹⁰⁷

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."¹⁰⁸ Assistant Secretary Vershbow similarly testified in August 2009 that

we are focusing on building defense institutions, assisting defense sector reform, and building the strategic and educational foundations that will facilitate necessary training, education, and rational force structure design and procurement. We are assisting Georgia to move along the path to having modern, western-oriented, NATO-interoperable armed forces capable of territorial defense and coalition contributions.¹⁰⁹

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."¹¹⁰

¹⁰⁷ 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.

¹⁰⁸ 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.

¹⁰⁹ Vershbow, August 4, 2009.

¹¹⁰ 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*, (continued...)

Some in Congress and elsewhere have criticized this dearth of lethal security assistance to bolster Georgia's territorial defense capabilities.¹¹¹ 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."¹¹² 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.¹¹³

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."¹¹⁴

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 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."¹¹⁵

A report issued in October 2011 by a team led by Senators Jeanne Shaheen and Lindsey Graham urged that U.S. policy be changed to "normalize ... defense relations with Georgia, including

(...continued)

August 4, 2009.

¹¹¹ 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.

¹¹² Jerry Guo, "Russia's Occupation Won't Last," *Newsweek*, September 12, 2010.

¹¹³ 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.

¹¹⁴ 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.

¹¹⁵ "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.

allowing sales of defensive military equipment [which] will encourage other allies to follow suit, enabling Georgia to resume purchasing armaments from Central European allies.”¹¹⁶

On December 31, 2011, President Obama signed into law the National Defense Authorization Act (NDAA) for FY2012 (P.L. 112-81). Section 1242 calls for the Defense Secretary to submit a plan to Congress for the normalization of U.S. defense cooperation with Georgia, including the sale of defensive weapons. In a signing statement, the President stated that if the provisions of the section conflict with his constitutional authority to conduct foreign relations (presumably, in this case, including his “reset” policy with Russia), they would be considered non-binding. At a press conference after he met with President Obama in late January 2012, President Saakashvili stated that “we are very grateful for elevating our defense cooperation further, and talking about [developing] Georgia’s self-defense capabilities,” while President Obama appeared more reticent in stating only that “we will continue to strengthen our defense cooperation.”¹¹⁷ Russian Prime Minister (and currently President-elect) Vladimir Putin denounced the reported closer U.S.-Georgia defense cooperation as encouraging Georgia to carry out aggressive military actions.

Deputy Assistant Secretary of Defense Celeste Wallander visited Georgia in February 2012 to discuss enhanced defense cooperation. She stressed that U.S. efforts to professionalize the Georgian military since 2008 “have begun to build a military that is not only more interoperable with the United States and NATO, but also one that is beginning to meet Western and Euro-Atlantic standards of conduct.” She emphasized that such defense institution building to consolidate democratic civil-military relations is “more important than acquiring any weapons or military hardware, gaining any critical combat skills, or becoming interoperable with any coalition forces.”¹¹⁸

At his confirmation hearing on March 21, 2012, Ambassador-designate to Georgia Richard Norland stated that one commercial arms sale of M4 carbines had been approved by the Administration, and he pledged that, if confirmed, he would work to enhance military-to-military defense cooperation.¹¹⁹

The National Defense Authorization Act Report on Georgia

The report required by the NDAA for FY2012 was transmitted to Congress on April 30, 2012. The report states that results of bilateral security collaboration since the 2008 conflict have included the revision of Georgia’s national security strategy and defense plan, institutionalizing Afghan training and deployment methods, implementing a military personnel management system, reorganizing the armed forces. The latter has included the creation of a National Defense Academy to train officers who can operate with U.S. and NATO forces and who share Western values. The report stressed that there were two pillars of U.S.-Georgia defense cooperation: U.S. support for modernizing Georgia’s armed forces; and U.S. support for Georgia’s contributions to ISAF. For the first pillar, there were 63 cooperative training, education, and operational contacts in FY2011, and 23 in FY 2012 through April 2012. According to the report, all of Georgia’s 19

¹¹⁶ *Georgia in the West: A Policy Road Map to Georgia’s Euro-Atlantic Future*, Atlantic Council, October 13, 2011.

¹¹⁷ The White House, *Remarks by President Obama and President Saakashvili of Georgia After Bilateral Meeting*, January 30, 2012.

¹¹⁸ U.S. Embassy, Tbilisi, Georgia, *Deputy Assistant Secretary of Defense Wallander Presentation to the Georgian National Defense Academy*, February 22, 2012.

¹¹⁹ U.S. Senate, Committee on Foreign Relations, *Hearing on Nominations*, March 21, 2012.

requests since May 2010 for foreign military sales equipment and services have resulted in transfers or are in the process of being fulfilled. Six of these requests were to support ISAF deployments, but the rest were to support defense modernization, mostly involving training. Only two transfers seemed to involve military equipment for defense capabilities, in order to enhance communications (the report did not list the sale of carbines, mentioned above).

The report stated that Presidents Obama and Saakashvili had agreed in January 2012 on enhanced defense cooperation in the areas of air and coastal surveillance and defense training, train-the-trainer instruction for non-commissioned officers, brigade command and staff training, combat engineer training, and utility helicopter training. The report stated that discussions are underway for Georgia to purchase air and coastal surveillance radar and acoustic systems and small arms ammunition. The report announced that the “enhanced defense cooperation” program would begin in FY2013.¹²⁰

During her June 5-6, 2012, visit to Georgia, Secretary Clinton hailed this planned enhanced defense cooperation. While there, she also highlighted other security cooperation. She helped formally commission a patrol boat that had been modernized with funds from the Export Control and Related Border Security (EXBS) Account of the State Department. She stated that since the 2008 conflict, the United States had supplied \$10 million to rebuild Georgia’s Coast Guard, including three patrol boats, construction of a ship repair facility, installation of new communications and observation equipment, and a maritime information center. She also hailed other EXBS assistance to Georgia in recent years.¹²¹

The Regional States and NATO

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 (see above, “Regional Support for Military Operations in Iraq and Afghanistan”).

Armenia’s Foreign Minister Edvard Nalbandyan reportedly indicated that President Sargsisyan did not attend the NATO summit in Chicago in May 2012 because he knew that the summit would uphold Azerbaijan’s territorial integrity, as was subsequently reflected in the summit declaration. Nalbandyan stated that the declaration not only harmed the negotiation process but also “jeopardize[d] the fragile peace in the region,

¹²⁰ U.S. Department of Defense, *Report to Congressional Committees on the Department of Defense Plan for Defense Cooperation with the Republic of Georgia*, April 30, 2012.

¹²¹ U.S. Department of State, *Remarks at Coast Guard Ship Commissioning*, June 5, 2012.

especially given the unprecedented growth of Azerbaijan's military expenses and bellicose rhetoric."¹²²

NATO and Georgia

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.¹²³ 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.

During the visit of the North Atlantic Council to Georgia in November 2011, Secretary-General Anders Fogh Rasmussen praised Georgia for making progress in meeting conditions for NATO membership, including by increasing freedom of expression, economic growth, and military reforms, and by combating corruption. However, he also cautioned that the 2012-2013 legislative and presidential elections "will be an important indicator of ... how ready Georgia is for NATO membership."¹²⁴ The NATO-Georgia Commission also met in Tbilisi, and NATO pledged to strengthen its NATO liaison office in Tbilisi, enhance support to the National Defense Academy for education and training, bolster the capacity for civil democratic oversight of the defense sector, and increase support for Georgia's role in Afghanistan.

In the final communiqué of the NATO foreign ministerial meeting in Brussels in December 2011, Georgia was affirmed as an "aspirant" to membership, along with Macedonia, Montenegro, and Bosnia and Herzegovina. Russian Foreign Minister Sergey Lavrov denounced this support for Georgia, asserting that NATO in April 2008 had "wittingly or unwittingly" encouraged Georgia to launch warfare later in the year by pledging to give it membership, and warning that this renewed pledge could instigate Georgia to repeat such an "escapade." The most recent NATO-Georgia Commission meeting was held in Brussels on March 7, 2012. NATO agreed to strengthen support for civil service reform and democratization efforts in Georgia.¹²⁵

¹²² *Mediamax*, May 21, 2012.

¹²³ 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.

¹²⁴ *Reuters*, November 10, 2011.

¹²⁵ NATO, *National Security Advisor of Georgia briefs the NATO-Georgia Commission*, March 7, 2012.

After meeting with President Saakashvili at the White House in late January 2012, President Obama stated that he had “assured him that the United States will continue to support Georgia's aspirations to ultimately become a member of NATO.”¹²⁶ At his confirmation hearing in March 2012, Ambassador-designate to Georgia Richard Norland reported that the Administration planned at the upcoming May 2012 NATO summit in Chicago “to signal acknowledgement for Georgia’s progress ... and to work with the allies to develop a consensus on the next steps forward.”¹²⁷

The Chicago Summit Declaration grouped Georgia with the other three NATO aspirants, and announced that the Alliance ties with Georgia would be strengthened. The Declaration reaffirmed NATO support for Georgia’s territorial integrity and called on Russia to make a pledge not to use force against Georgia and to rescind its recognition of the breakaway regions as independent. It also raised concerns about Russia’s military buildup in the breakaway regions and called on Russia to permit international observers and humanitarian groups free access to the regions.¹²⁸

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. Some Administration officials have appeared to indicate that the United States will not push for a MAP for Russia at the Chicago NATO summit.

On March 8, 2012, Senator Richard Lugar introduced S. 2177, The NATO Enhancement Act, which reaffirms an “open door” policy with respect to the accession of additional countries to NATO, including NATO aspirant Georgia (a similar bill, H.R. 4243, was introduced in the House by Rep. Michael Turner on March 22, 2012). The bills express the sense of Congress that the President should lead efforts at the Chicago NATO Summit to provide a clear roadmap for the granting of a MAP (or other equivalent plan) to Georgia and other aspirants. The bills also amend the NATO Participation Act (P.L. 103-447) by adding that the President may assist Georgia and other aspirants to prepare for NATO membership by providing a joint assessment of their defense needs upon their request; by supporting sales of defense articles and services necessary to maintain sufficient territorial self-defense capabilities; by providing nonlethal excess defense articles; by approving commercial export sales; by providing Nonproliferation, Anti-Terrorism, Demining, and Related Programs assistance; by providing counter-narcotics aid; and by providing military assistance under Section 1206 of the NDAA for FY2006 (P.L. 109-163). The bills also require a report from the Secretary of State 90 days after enactment that describes U.S. efforts to uphold the sovereignty and territorial integrity of Georgia.

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.

¹²⁶ The White House, January 30, 2012.

¹²⁷ U.S. Senate, Committee on Foreign Relations, *Hearing on Nominations*, March 21, 2012.

¹²⁸ NATO, *Chicago Summit Declaration*, May 20, 2012.

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 Accession to the WTO

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.¹²⁹

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

¹²⁹ Russian Prime Minister Vladimir Putin at times appeared lukewarm or mildly supportive of the benefits of WTO membership to Russia's economy, and at other times 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; Government of the Russian Federation, Prime Minister, *Transcript: Interview with Prime Minister Vladimir Putin*, October 17, 2011, at <http://premier.gov.ru>.

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).

Georgia and Russia signed a trade monitoring agreement in Geneva on November 9, 2011, after lengthy negotiations mediated by Switzerland, clearing one of the last major obstacles to Russia being invited to join the WTO at its Ministerial Conference in mid-December 2011 (full accession will occur 30 days after the Russian legislature ratifies membership). The agreement calls for customs monitoring along three "trade corridors" on the Georgia-Russia border, two running through the breakaway regions and the third running through the uncontested Zemo Larsi-Kazbegi border crossing. In regard to the breakaway regions, a terminal will be located at Russia's border with the region, and another at Georgia's border with the region. A private firm will be hired and managed by Switzerland to monitor the terminals. Georgia and Russia will provide trade data to the firm, which will forward the data to the WTO. On December 26, 2011, Russian Ministry of Foreign Affairs spokesman Aleksandr Lukashevich appeared to boast that Georgia had been bested during the negotiations, asserting that since Georgia will provide customs clearance information for goods entering Abkhazia and South Ossetia, it effectively will be recognizing their independence, a claim Georgia disagrees with. In early April 2012, the Russian Foreign Ministry stated that the customs agreement would enter into force upon Russia's accession to the WTO, which took place in August 2012.¹³⁰

Energy Resources and U.S. Policy

The U.S. Energy Department reports estimates of 7 billion barrels of proven oil reserves, and 30 trillion cubic feet of proven natural gas reserves in Azerbaijan.¹³¹ In addition, 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,

¹³⁰ For concerns about whether Russia will comply with the customs agreement, see Andras Racz, *Russian WTO Accession and the Geneva Agreements: Implications for Russia and Georgia*, Transatlantic Academy, December 2011.

¹³¹ U.S. Energy Department. Energy Information Administration. *Azerbaijan: Country Analysis Brief*, January 9, 2012. 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.

Morningstar rejected views that Russia and the United States are competing for influence over Caspian energy supplies, pointing out that the Administration has formed a Working Group on Energy under the U.S.-Russia Bilateral Presidential Commission.¹³² According to some observers, the construction of Southern Corridor pipelines will bolster the strategic importance to the West of stability and security in the Caspian region.¹³³

U.S. officials have argued that Azerbaijani gas is critical to the development of the Southern Corridor.¹³⁴ In March 2007, Azerbaijan and the United States signed a memorandum of understanding on energy cooperation that called for discussions on various proposed 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 Azerbaijani pipelines.

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 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. Azerbaijan’s state oil firm SOCAR reported in April 2012 that the BTC pipeline had transported 1.33 billion barrels of oil to the Ceyhan terminal 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, the first year of operation, and most recently were reported to be 159 billion cubic feet in 2011. 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

¹³² 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. Department of State, *Remarks at The Economist’s Investment Energy Summit, Richard Morningstar, Special Envoy for Eurasian Energy*, The Economist Conference, Athens, Greece, March 28, 2012.

¹³³ Sedat Laciner, “Turkey’s Pipeline Politics,” *The Journal of Turkish Weekly Online*, International Strategic Research Organization, September 16, 2009.

¹³⁴ *Speech to Plenary Session of Caspian Oil and Gas Conference, Ambassador Richard L. Morningstar*, June 8, 2011; “Former U.S. Envoy [Matthew Bryza] Says Gas Project ‘Impossible’ without Azerbaijan,” *APA News Agency*, March 28, 2012.

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, but a transit price increase by Azerbaijan in 2011 led Kazakhstan to restrict its use of the BTC. Some Kazakh oil is barged to Azerbaijan to be shipped by rail to Georgia's Black Sea port of Batumi, where Kazakhstan owns an oil terminal. Kazakhstan and Azerbaijan continue talks on expanding the barging of oil to the BTC pipeline. 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.¹³⁵

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. It was proposed that a pipeline extension be completed to Italy—the Interconnector Turkey-Greece-Italy (ITGI) gas pipeline—that would permit Azerbaijan to supply gas to two and perhaps more EU members, providing a source of supply besides Russia.

The Nabucco pipeline faced numerous delays, some of them attributable to Russia's counter-proposals to build pipelines that it asserted would reduce the efficacy of the Nabucco pipeline. In 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. EU planning called for construction of the 1.1 trillion cubic feet capacity Nabucco pipeline to begin in 2012 and for shipments to begin in 2017. In 2011, new higher cost estimates for building the pipeline, and BP's call for building a "South East Europe Pipeline" (SEEP; see below), appeared to seriously threaten these plans.

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.

In 2009, Azerbaijan stepped up its efforts to diversify the routes and customers for its gas exports beyond the SCP and the proposed Nabucco pipeline. 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

¹³⁵ 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.

pipeline from Baku to Russia's Dagestan Republic that was used until 2007 to supply Azerbaijan with up to 283 billion cubic feet of gas per year. During a visit by then-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.¹³⁶

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. 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.

Some of the tensions between Turkey and Azerbaijan involving energy issues appeared to ease 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.

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 proposed ITGI and Nabucco pipelines (deliveries would be 406 billion cubic feet per year for ITGI and 158 billion 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.¹³⁷

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 proposed 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."¹³⁸ 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

¹³⁶ CEDR, September 6, 2010, Doc. No CEP-950267.

¹³⁷ Eric Watkins, "New USGS Report Confirms Big Caspian Stakes," *Oil & Gas Journal*, January 3, 2011.

¹³⁸ European Commission, *Press Release: EU Starts Negotiations on Caspian Pipeline to Bring Gas to Europe*, September 12, 2011.

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. In Baku in early April 2012, Lavrov stated that the EU should show “respect” to the Caspian littoral states, and that it was “unacceptable” for the EU to advocate for a trans-Caspian pipeline before the littoral states have concluded a convention on the legal status of the sea.¹³⁹ In June 2012, a Turkmen survey ship was turned back by Azerbaijani naval forces from areas considered by Azerbaijan to be within its Caspian Sea holdings, raising tensions that appeared to jeopardize a trans-Caspian pipeline. However, in September 2012, President Aliyev appeared conciliatory toward Turkmenistan in stating that “if Turkmenistan considers this [trans-Caspian] project important for itself and views it as a path to the West, then Azerbaijan supports this idea.”¹⁴⁰

Meeting an October 1, 2011, deadline, the Shah Deniz Export Negotiating Team—led by the State Oil Company of Azerbaijan (SOCAR) and including BP, Statoil and Total—received what were then claimed to be 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” (SEEP) from western Turkey through Bulgaria, Romania, and Hungary to Austria. A proposal for AGRI was not reported.

On October 25, 2011, Azerbaijan and Turkey announced that they had signed accords on the final terms for the transit of Shah Deniz phase 2 gas through Turkey. The agreements—signed during President Aliyev’s visit to Turkey—specified that 565-706 billion cubic feet of gas would transit Turkey, of which 212 billion cubic feet would be available for Turkey’s domestic use. Another significant accord provided for the possible construction of a new Trans-Anatolian Pipeline (TANAP; from the Georgian-Turkish border to the Turkish-Bulgarian border), so that the gas from Shah Deniz Phase 2 would not have to go through the existing Turkish pipeline system. This pipeline could link to BP’s proposed SEEP or to a new version of the Nabucco pipeline termed “Nabucco West” (stretching from the Turkish border to Austria).

In late December 2011, the Azerbaijani and Turkish governments signed a memorandum of understanding on setting up a consortium involving SOCAR, the Turkish state-owned TPAO energy firm, and TPAO’s pipeline subsidiary, BOTAS, to construct TANAP. SOCAR is designated initially to hold an 80% share in the consortium, although other members may be invited to join the consortium. Contract negotiations on setting up the consortium reportedly have been contentious, however.

In May 2012, the Nabucco consortium submitted new pipeline proposals to the Shah Deniz consortium, reportedly including the original route as well as the shorter “Nabucco West” route. The Shah Deniz Export Negotiating Team reportedly indicated in February 2012 that it preferred the TAP proposal over the ITGI pipeline proposal. In mid-2012, it rejected SEEP, leaving TAP and “Nabucco West” as the choices. The Shah Deniz Team has indicated that it will make a final decisions about the pipeline in mid-2013.

¹³⁹ CEDR, April 4, 2012, Doc. No. CEP-950050.

¹⁴⁰ *Baku News*, September 18, 2012.

In late June 2012, the Azerbaijani and Turkish presidents and oil firm heads signed accords to build TANAP. The first stage, with a capacity of 565 bcf per year, is planned to be completed in 2018. Other investors are being invited to participate.

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.¹⁴¹

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.

Legislation

S.Res. 175 (Shaheen)

Introduced on May 10, 2011. Approved by the Senate on July 29, 2011. Calls upon the Russian government to fulfill the terms of the ceasefire agreements halting the August 2008 Russia-Georgia conflict, 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. 304 (Dold)/S.Res. 399 (Menendez)

Affirmation of the U.S. Record on the Armenian Genocide Resolution. H.Res. 304 was introduced in the House on June 14, 2011. S.Res. 399 was introduced in the Senate on March 19, 2012. Calls upon the President to ensure that the foreign policy of the United States reflects appropriate understanding and sensitivity concerning issues related to human rights, ethnic cleansing, and genocide documented in the United States record relating to the Armenian Genocide.

H.Res. 374 (Shuster)

¹⁴¹ *Platt's Commodity News*, May 31, 2007.

Introduced on July 26, 2011. Calls for the United States to initiate talks to enter into a free trade agreement with Georgia.

H.R. 1540 (McKeon)

National Defense Authorization Act for Fiscal Year 2012. Introduced on April 14, 2011. Signed into law on December 31, 2011 (P.L. 112-81). Sec. 1242 calls for the Secretaries of Defense and State to submit a plan for the normalization of U.S. defense cooperation with Georgia, including the sale of defensive arms.

H.Res. 526 (Shuster)

Introduced on January 24, 2012. Ordered to be reported by the House Committee on Foreign Affairs on June 7, 2012. Expresses the sense of the House of Representatives that it is U.S. policy to support Georgia's sovereignty, independence, and territorial integrity, and to recognize Abkhazia and South Ossetia as regions of Georgia illegally occupied by Russia.

S. 2177 (Lugar)/H.R. 4243 (Turner)

The NATO Enhancement Act of 2012. S. 2177 was introduced on March 8, 2012, and H.R. 4243 on March 22, 2012. States that it is U.S. policy to strongly support an 'open door' policy with respect to the accession of additional countries to the North Atlantic Treaty Organization, including Georgia, and to continue to provide military assistance to countries aspiring to accede to, or deepen relationships with, NATO.

H.R. 4258 (McDermott)

Republic of Georgia Democracy Act of 2012. Introduced on March 26, 2012. Prohibits FY2013 funding for Georgia until the Secretary of State reports to Congress that the October 2012 legislative elections were carried out in a free and competitive manner consistent with international standards.

H.Res. 611 (Stearns)

Introduced on March 29, 2012. Referred to the Subcommittee on Europe and Eurasia on May 7, 2012. Expresses the sense of the House of Representatives that it should be U.S. policy to increase cooperation among the United States, Turkey, Azerbaijan, Iraq, and Georgia to enhance global energy supply security.

H.Con.Res. 137 (Rahrabacher)

Introduced on September 12, 2012. Expresses the sense of Congress that the Azeri people, currently divided between Azerbaijan and Iran, have the right to self-determination and to their own sovereign country if they so choose.

**Table 1. U.S. Foreign Aid to the South Caucasus States,
FY1992 to FY2012, and the FY2013 Request**
(millions of dollars)

South Caucasus Country	FY1992-FY2010 Budgeted Aid ^a	FY2011 Actual ^b	FY2012 Estimate ^b	FY2013 Request ^b
Armenia	1,951.83	44.42	44.25	36.61
Azerbaijan	975.75	26.4	20.87	16.33
Georgia	3,369.33	87.1	85.1	68.7
Total	6,365.73^c	157.92	150.22	121.64
Percent of Eurasian Aid (including Central Asia)	16	27	29	27

Sources: State Department, *Congressional Budget Justification for Foreign Operations for FY2013*, March 2012.

- a. Assistance to Europe, Eurasia, and Central Asia (AEECA) and Agency budgets.
- b. FY2011 and FY2012 data include AEECA, Foreign Military Financing (FMF), International Military Education and Training (IMET), Global Health Programs (GHP), International Narcotics Control and Law Enforcement (INCLE), and Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) assistance. For FY2013, AEECA programs were included as part of Economic Support Funds (ESF), GHP, and INCLE. Does not include Defense or Energy Department funding, funding for exchanges, Food aid, or Peace Corps programs. Percentage of funding excludes some Eurasian regional programs involving the South Caucasus.
- c. Total includes \$68.82 million in South Caucasus regional funding.

Table 2. U.S. Assistance to the South Caucasus, FY1992-FY2001

(millions of current dollars)

Country	FY1992	FY1993	FY1994	FY1995	FY1996	FY1997	FY1998	FY1999	FY2000	FY2001
Armenia	74.97	172.39	159.1	114.38	135.23	98.72	116.14	91.86	117.19	102.47
Azerbaijan	1.8	8.42	34.52	26.01	29.96	16.77	41.2	47.22	37.96	48.26
Georgia	29.16	169.01	93.34	105.26	94.41	28.29	123.33	119.51	124.5	151.23
Regional	0.0	0.0	0.0	0.0	0.0	0.0	8.3	0.0	2.0	4.4
Total	105.93	349.82	286.96	245.65	259.6	143.78	288.97	258.59	281.65	306.36

Source: Derived from U.S. Department of State, Office of the Coordinator for Europe and Eurasia.

Notes: Includes all agencies and accounts.

Table 3. U.S. Assistance to the South Caucasus, FY2002-FY2010 (and Totals, FY1992-FY2010)

(millions of current dollars)

Country	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	Total (FY1992- FY2010)
Armenia	112.74	105.08	93.19	91.01	88.17	71.91	78.92	69.2	59.16	1,951.83
Azerbaijan	68.89	68.63	79.48	80.11	84.24	79.38	80.05	76.21	66.65	975.75
Georgia	150.44	150.64	148.29	129.1	147.35	131.58	895.67	423.87	154.36	3,369.33
Regional	2.3	1.99	17.71	2.03	11.1	3.0	1.03	12.94	2.03	68.82
Total	334.37	326.34	338.67	302.25	330.86	285.87	1,055.67	582.22	282.2	6,365.73

Source: Derived from U.S. Department of State, Office of the Coordinator for Europe and Eurasia.

Notes: Includes all agencies and accounts.

Table 4. U.S. Budgeted Humanitarian Assistance to Nagorno Karabakh Provided by the U.S. Agency for International Development and Other Agencies, FY1998-FY2012
(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	2.509
2008	2.0
2009	1.996
2010	2.0
2011	2.0
2012	2.0
Prior-Year De-obligated	-0.708
Total Budgeted	40.994

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. Does not include \$223,000 in FY2010 AEECA Performance Funds provided for de-mining activities in NK.

Table 5. 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.

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