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U.S. Assistance to the Former Soviet Union 1991-2001: A History of Administration and Congressional Action

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Curt Tarnoff
Specialist in Foreign Affairs
Foreign Affairs, Defense, and Trade Division

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Summary

The future of the 12 successor states of the former Soviet Union is a major concern of U.S. foreign policy and congressional attention, and the U.S. assistance program has been a major tool for influencing the direction of that region. This report provides a chronological history of U.S. assistance to the Soviet Union and the New Independent States (NIS) to the end of 2001, focusing on Administration and Congressional actions — proposals, policy pronouncements, debate, and legislation — rather than the details of program implementation in the field.

During 1991, the thrust of the debate between Congress and the Administration was whether and how to assist the Soviet Union as it became increasingly unstable and then headed toward dissolution. Chiefly concerned with the effect of the region's instability on its nuclear weapons holdings, Congress responded with the Nunn-Lugar legislation. In 1992, the aid debate focused on the FREEDOM Support Act legislative proposal that laid out the basic authorities, conditions, and guidelines for a technical assistance program.

In 1993, the Clinton Administration proposed several new priorities for the program and a dramatic increase in the amount of funding, especially for Russia. In all, the President requested $2.5 billion for the region. After considerable debate, Congress approved the request. But, by 1994, a mix of concerns regarding the U.S. budget deficit, the unpromising outcome of the December 1993 Russian parliamentary elections, the Ames spy case, and critical questions about the implementation of the assistance program, led to efforts, some successful, to cut funding for the region and alter existing priorities. In 1995, the new Republican majority in the 104th Congress cut funds to the region through a series of rescissions and lowered levels of funding in the annual foreign aid bill. Russia was a particular target of these cuts, as well as of conditionality and funding earmarks favoring other NIS countries. In 1996, the tone of debate was lower pitched, and Congress adopted aid levels, earmarks, and conditions almost identical to those of the previous year.

In 1997, responding to the Administration's Partnership for Freedom initiative, Congress approved a significant increase in assistance for the NIS. The initiative promised to place greater emphasis on grassroots, people-to-people exchanges and partnerships. In 1998, NIS account levels were raised again amid concerns regarding the financial stability of the region in the wake of the August financial crisis in Russia. In 1999, the approved overall FY2000 funding level was roughly the same as the year before, but a large amount was diverted from traditional economic assistance to nonproliferation activities under the Expanded Threat Reduction Initiative. In 2000, criticism of Russia's behavior and accusations that the Administration mishandled U.S.-Russian relations contributed to multiple efforts to condition assistance to Russia. In 2001, the need to obtain cooperation from former Soviet Union countries in the war on terrorism and what was seen as a very forthcoming stance by Russia and critical Central Asian countries led to a re-evaluation of aid relations with them and other front line states.

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Mikhail Gorbachev's efforts to introduce *perestroika* in the late 1980s, the collapse of the Soviet Union at the end of 1991, and the difficult economic and political challenges faced by its successor states since then have continually raised the issue of providing U.S. humanitarian, economic, and other aid in order to help effect a transition to democracy and free markets in the region. This report provides a chronological history of U.S. assistance to the Soviet Union and the 12 successor states of the former Soviet Union (FSU) to the end of 2001. It focuses on congressional and executive branch proposals, legislation, and debate. Because of the immense needs in the FSU and the limits on U.S. resources, the issue of assistance has been treated by the United States as an international concern to be dealt with both bilaterally and multilaterally. Therefore, other donor activities are also briefly discussed.[1]

Aid to the Soviet Union

During the years of Cold War, the possibility of providing what is commonly considered foreign aid — grant or concessional assistance — rarely surfaced as an issue among U.S. policymakers. Trade relations were a major non-military concern as relations warmed beginning in the 1970s, and agriculture or other export credit guarantees and provision of most favored nation status — not aid — were the carrots held up to encourage change in the region. The events of the late 1980s that led to the fall of the Berlin Wall and the opening up of the Eastern Bloc countries began to change all that. Beginning in late 1990, the United States sought to influence the struggle between reformists and hardliners within the Soviet Union by offering modest technical and medical assistance as well as increased credit guarantees. Nevertheless, to the extent to which the Soviet Union was still viewed with suspicion and foreign

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[1] Most of this report was adapted from archived CRS Issue Brief IB91050, *U.S. and International Assistance to the Former Soviet Union* and deleted parts of active CRS Issue Brief IB95077, *The Former Soviet Union and U.S. Foreign Assistance*. The section covering the period to the end of 1991 is based on material originally written by Vita Bite, Analyst in International Relations. For details on implementation of the aid program, see CRS Report 95-170, *The Former Soviet Union and U.S. Foreign Aid: Implementing the Assistance Program, 1992-1994*, CRS Report 96-261, *Russia and U.S. Foreign Assistance: Issues in 1996*, and CRS Report RL30112 (March 30, 1999), *Russia's Economic and Political Transition: U.S. Assistance and Issues for Congress*. See CRS Issue Brief IB95077 for discussion of events after 2001.

aid was seen as a gift, a strong reluctance to provide assistance remained on the part of the Bush Administration as well as many Members of Congress. It was not until the attempted coup of August 1991 and the subsequent rise of a democratic movement led by Boris Yeltsin that U.S. congressional leaders began to talk about large levels of assistance designed to encourage changes in economic, political, and security policies in the still extant Soviet Union. Several Members of Congress argued that provision of assistance was in the U.S. national interest and successfully won approval of assistance to help the Soviet Union dismantle nuclear weapons. Finally, just prior to the dissolution of the Soviet Union, the Bush Administration came forward with a proposal for the first significant technical assistance program.

Developments Before 1991

Through most of the Cold War years, U.S. Administrations provided few direct economic aid grants, concessional loans, or other benefits to their chief rival, the Soviet Union. Indeed, normal trade was severely restricted by law. The United States did on a few occasions provide emergency disaster assistance, as in the case of the Chernobyl nuclear disaster and the Armenian earthquake. The United States had also extended Commodity Credit Corporation (CCC) export subsidies in FY1964 and FY1972-1973, and direct CCC credits in FY1973-FY1974.

With the establishment of detente in the 1970s, the United States began to shift its attitude on the question of normalizing trade with the Soviet Union — though still barring foreign assistance. A bilateral trade agreement was signed in 1974, providing for mutual granting of most-favored-nation (MFN) status. The agreement provided the Soviets access to U.S. Government-backed credits and other trade benefits. However, Congress attached a number of conditions, leading the Soviets to reject the accord. The Stevenson amendment to the Export-Import Bank Act and the Byrd amendment to the 1974 Trade Act set a ceiling of $300 million on the total amount of export loans and guarantees that could be made to the Soviet Union without direct congressional approval. The Jackson-Vanik amendment to the Trade Act of 1974 linked MFN and U.S. credits to Soviet emigration policy.

Mikhail Gorbachev's rise to the Soviet leadership in 1985 and his subsequent efforts to introduce sweeping political and economic reforms brought U.S. support for closer bilateral economic relations. In 1987, the Soviet Union gained access to subsidies for U.S. wheat purchases under the Department of Agriculture's Export Enhancement Program (EEP). A new U.S.-Soviet trade agreement was signed at the Washington summit in June 1990. President Bush determined that the Supreme Soviet must enact a free emigration law before he would submit the trade agreement to Congress for approval. The Soviet legislature approved such a law on May 20, 1991. On August 2, 1991, the President submitted the U.S.-Soviet trade agreement for congressional approval. At a Senate Finance Committee hearing on September 11, 1991, Administration officials urged congressional approval. The agreement was resubmitted on October 9, 1991, without inclusion of the newly independent Baltic states, and a measure (H.J.Res. 346) approving extension of most-favored-nation treatment for Soviet goods became law (P.L. 102-197) on December 9, 1991.

President Bush also pledged to work to integrate the Soviet Union into the world economy, initially by supporting Soviet associate or observer status in the

International Monetary Fund (IMF) and other international bodies. In July 1990, the Administration presented Soviet Foreign Minister Shevardnadze with a paper outlining areas of economic and agricultural reform in which the United States could offer technical assistance, such as market development, food distribution, and storage. The Administration also reversed its earlier opposition to Soviet membership in the European Bank for Reconstruction and Development.

During the course of 1990, the internal struggle between proponents and opponents of Soviet reform intensified while economic conditions deteriorated. For the first time, the Soviet leadership directly appealed for U.S. and western food and medical assistance. European governments moved quickly to provide assistance to the Soviets. Germany took the lead with an $8 billion aid package that was part of an agreement on German reunification. Other European Community countries pledged over $1 billion.

In the United States, debate continued through much of 1990 over whether, how, and under what conditions the United States should assist Moscow. The Administration at first expressed wariness about large-scale aid even though it had philosophically adopted the goal of supporting President Gorbachev. It cited the fact that food shortages in the Soviet Union were due not to lack of production (the Soviet Union had a record harvest in 1990) but to distribution problems and the absence of market mechanisms. Administration spokesmen and some in Congress also expressed concern that aid now might take pressure off the Soviet leadership from implementing needed reforms.

The President's Assistance Offer of December 1990. On December 12, 1990, in response to a Soviet request for urgent food and medical assistance, President Bush announced the first major U.S. assistance package. It included provision of up to $1 billion in Commodity Credit Corporation (CCC) credit guarantees for Soviet purchase of agricultural goods, authorization of up to $300 million in Export-Import Bank credits for purchase of U.S. goods (the maximum allowed under the 1974 Stevenson-Byrd amendment to the Export-Import Bank Act without further congressional approval), an offer of technical assistance to improve food distribution and implement other economic reforms, and a pledge of $5 million for a public-private medical assistance program to address Soviet shortages of medicine and medical supplies under the International Disaster Relief program. Finally, the President announced that the United States would propose that the Soviet Union be given "special association" with the IMF and World Bank. This association, however, would not allow Moscow to draw on IMF loans.

To extend CCC and Eximbank credits to Moscow, the President waived the Jackson-Vanik amendment (Subsection 402(c)(2)(A)) of the Trade Act of 1974). He transmitted the waiver to Congress on December 29, 1990, citing the high level of emigration permitted by the Soviet Union in 1990 and assurances from the Soviet government that those high levels of emigration would continue. He renewed the waiver on June 3, 1991, citing continuing Soviet reductions in barriers to emigration.

Developments in 1991

On February 6, 1991, the Administration announced that it would send medical aid directly to the Baltic states (Lithuania, Latvia, and Estonia) following the Soviet military crackdown and bloodshed there in January 1991. Under this program, the U.S. Agency for International Development (AID) paid for administrative and some transportation costs for medicines and medical supplies donated by private American sources. The shipments, which were designed to demonstrate U.S. concern about the Baltic states, were part of a broader policy of increased official contacts with the individual Soviet republics. On February 27, 1991, the first such shipment, a planeload of medical supplies, was delivered to the Baltics and to the victims of the Chernobyl nuclear accident in Ukraine. During 1991, donated pharmaceuticals and medical supplies valued at $26 million were supplied to the Baltic states and republics of the Soviet Union.

In April 1991, the Soviet Union (after exhausting the initial $1 billion in U.S. CCC credits) requested another $1.5 billion in agricultural loan guarantees, a request President Bush approved on June 12, 1991. The President's decision followed Soviet assurances that the grains would be fairly distributed among Soviet republics and the Baltic states. This offer did not require new congressional approval.

Post-Coup Assistance. The aborted coup attempt in August 1991 renewed the issue of increasing U.S. and other western aid. Germany, France, and Italy especially called for higher amounts of assistance to democratic forces in the Soviet Union. Other leaders, including President Bush, were more cautious, arguing that it was premature to make decisions on future assistance until a rigorous and comprehensive Soviet economic reform program was in place. On September 10, 1991, while on a fact-finding trip to the Soviet Union, Secretary of State Baker indicated a shift in this U.S. position. He said that the Soviets did not need to have taken the steps, but had to have made a commitment and a plan toward free market economic reforms to receive U.S. aid.

Some congressional leaders pressed for quicker and additional U.S. action. House Majority Leader Richard Gephardt proposed a long-term program of up to $3 billion a year in assistance in return for economic reforms. House Armed Services Committee Chairman Les Aspin proposed using defense funds to finance higher levels of U.S. aid. In the following months, as the Soviet Union sank deeper into disarray, a number of actions supporting further aid were taken.

Agricultural Credit Guarantees. During the attempted coup, President Bush put a brief hold on this program but resumed it when the coup failed. Of a $500 million second tranche originally planned for release in October, $315 million was made available immediately. On October 1, 1991, the Administration released the remaining $585 million ($185 million of the October tranche and $400 million originally scheduled to be released in February 1992). It also made the guarantees available at more favorable terms — 100% of the principal and about 5.6% of the interest on private bank loans to finance these purchases were guaranteed.

On October 22, 1991, President Bush received a request from President Gorbachev for $2.5 billion in U.S. agricultural credit guarantees and $1 billion in humanitarian aid. USDA officials who made several needs assessment trips to the Soviet Union expressed the view that famine was unlikely in the Soviet Union, but that severe hardships were probable because of distribution problems and lack of cooperation among Soviet republics. U.S. Ambassador to the Soviet Union, Robert Strauss, on November 18, urged the United States to provide food and debt relief to the Soviets. On November 20, 1991, the Bush Administration offered a further aid package, including $1.25 billion in agricultural guarantees. The credit guarantees were made available in installments: $500 immediately and $750 million for early 1992.

Table 1. U.S. Bilateral Grant and Credit Assistance for the Soviet Union: 1991
(in millions of U.S. dollars)

	FY1991
GRANT ASSISTANCE	
USAID Disaster Assistance	5
Economic Support Fund	5
Total Grants	**10**
CREDIT PROGRAMS (Face Value)	
USDA CCC Export Credit Guarantees	1,912
Eximbank Guarantees	51
Total Credits (Face Value)	**1,963**

Source: Department of State

Humanitarian Food and Technical Assistance. The Administration's November 20, 1991 initiative also included $165 million in grant food aid to be provided to particularly deficit regions, as well as technical assistance. On December 9, 1991, AID notified Congress of its intent to reprogram $5 million of appropriated FY1992 foreign assistance funds for technical assistance.

Weapons Dismantlement. Representative Aspin and Senator Nunn included in the conference report on the defense authorization measure (H.R. 2100) a proposal that would allow the President to use up to $1 billion in defense funds to deliver emergency food and medicine to the Soviet Union as well as help the Soviets with military conversion, including assistance with dismantling nuclear, chemical, and biological weapons. This initiative was subsequently dropped when it received no support from the Administration.

However, on November 25, a similar proposal was incorporated into the Senate-passed version of H.R. 3807, the Arms Export Control Act (P.L. 102-228, signed into law December 12, 1991). By a vote of 86 to 8, the Senate authorized expenditure of up to $500 million to help the Soviets transport, destroy, and safeguard nuclear, chemical, and biological weapons. It also authorized (87 to 7) the transfer of $200 million of Department of Defense funds to provide emergency airlift of humanitarian aid for the Soviet Union or its republics or localities. The conference version of the bill included $400 million for assistance with weapons destruction and safeguarding and $100 million for transport of humanitarian relief. The Dire Emergency Supplemental Appropriations Act, H.J.Res. 157 (P.L. 102-229, signed into law December 12, 1991), appropriated these funds. The weapons destruction program became known as the Nunn-Lugar program.

December 1991 Bush Administration Proposals. Since the attempted coup in August 1991, the Bush Administration had been perceived by many Members of Congress as slow to respond to the new wave of events in the Soviet Union. One possible reason was an anti-foreign policy trend among the U.S. electorate that expressed itself in the November off-year election campaign for a Senate seat from Pennsylvania, during which President Bush was heavily criticized for spending too much of his time on foreign affairs to the detriment of the U.S. economy. The Administration played little role in development and passage of the Nunn-Lugar program.

Finally, on December 12, 1991 (four days after creation of the Commonwealth of Independent States), Secretary of State Baker outlined actions the U.S. Government would pursue to help safeguard or destroy Soviet weapons, establish democratic institutions, stabilize the economy, and overcome dire food and medical shortages. These included doubling the amount of medical assistance thus far provided; sending surplus Desert Storm food stocks to regions in particular need; augmenting ongoing USIA programs; and working with Congress to establish Peace Corps programs and a $100 million technical assistance program. President Bush named then-Deputy Secretary of State Lawrence Eagleburger Coordinator for U.S. assistance efforts toward the FSU. To discuss the division of labor and responsibilities for assisting the region, he proposed hosting an international donors' conference in January 1992.

Other Donor Assistance. Up to the end of 1991, Germany provided the largest amount of bilateral assistance to the Soviet Union, part of it connected to the German unification process. Expenditure and planned commitments by Germany since 1989 totaled more than $45 billion by early 1992. Part of this amount was grants and direct subsidies relating to the transition agreement on the withdrawal of Soviet troops (including building housing in Russia for departing Soviet soldiers) from the territory of the former German Democratic Republic (GDR).

In 1991, Japan had pledged about $108 million in emergency loans for food and medical supplies. On October 9, 1991, it had announced a $2.5 billion package providing about $2 billion in export insurance and credits and approximately $500 million in loans to allow purchase of food and medicine. Throughout 1991, Japan sided with the United States in opposing calls for increased assistance to the region.

At this time, the European Community (EC) was the major multilateral donor to the Soviet Union. On December 15, 1990, the EC pledged nearly $1 billion in food aid (one-third as grant, and two-thirds as credit guarantees) and about $1.4 billion in technical assistance for 1991 and 1992. In January 1991, it put a temporary hold on assistance to Moscow in response to the Baltic crackdown. But the EC aid program was resumed at the end of February, apparently based on the EC's perception that the

Soviets were easing military pressures in the Baltics. On October 7, 1991, the EC announced an additional $1.5 billion in food aid credits for the Soviet Union. Part of the new EC credits was to be earmarked to buy food from Eastern Europe, including the Baltic states, in order to benefit their struggling economies. The EC challenged the United States and Japan to meet its offer. In December 1991, at the Maastricht summit, the EC decided to send about $260 million of food and medicine to Moscow and St. Petersburg.

Aid to the Former Soviet Union

On December 21, 1991, the Soviet Union formally ceased to exist. The dozen independent states that took its place presented a new challenge to U.S. foreign policymakers who determined that it was in the best interest of the United States to seek to facilitate a transition from communist political and economic systems to democracies and free market economies. During 1992, a debate ensued regarding the legislative framework for an assistance program for the region and the appropriate level of appropriations to meet U.S. objectives. Soon after taking office in 1993, the Clinton Administration determined that the needs of the region were far greater than the previous Administration had presumed. It proposed a dramatic increase in foreign assistance — especially for Russia — and set some new sectoral priorities for the program. Although Congress approved these initiatives, by 1994 a number of key leaders had become somewhat critical of aspects of the program. They expressed concern regarding the way in which the program was being implemented, the speed of implementation, the level of coordination, and its visible impact. Some criticized the Administration for its perceived emphasis on Russia and on Boris Yeltsin in particular. Support for the program, previously broadly bipartisan, appeared to be in danger by the end of 1994.

Developments in 1992

The International Donors Conference. On January 22 and 23, 1992, the United States convened a conference of foreign ministers of 47 potential donor governments and representatives of seven international organizations to discuss coordination of assistance activities for the former Soviet republics. The conference focused on five key areas: food, medicine, energy, shelter, and technical assistance. Working groups were established to develop a plan of action and decide on next steps to be taken in those priority areas. A follow-up conference was scheduled to be held in Lisbon, Portugal, in the spring of 1992, and another follow-up meeting in Japan late in the year. Representatives of the working groups met in Minsk on February 1, 1992, with representatives of aid recipient states of the former Soviet Union.

In opening the donors conference, President Bush pledged, pending congressional approval, $645 million in additional assistance from FY1992 and FY1993 funds, including $500 million for humanitarian/technical assistance; $85 million in Economic Support Funds (ESF); $25 million for medical assistance; $20 million for the P.L. 480 Farmer-to-Farmer program; and $15 million in development assistance. One day later, Secretary Baker announced that the United States would shortly begin a major short-term airlift of emergency food and medical supplies. Operation Provide Hope I (there were several more operations through the following year), begun on February 10, 1992, consisted of 65 U.S. Air Force flights that carried $28 million in Defense Department surplus food and surplus medical supplies to 11 republics and 24 cities.

A few other countries made aid announcements during the conference. South Korea announced disbursement of $850 million in loans (of a $3 billion package announced earlier), Thailand offered $450 million in loans to buy rice and other foodstuffs, Oman offered $200 million to develop the oil industry in Azerbaijan, and other Persian Gulf states pledged to resume aid suspended when the Soviet Union collapsed. In preparation for the Washington aid conference, Japan had announced $50 million in grant humanitarian aid, which it expected to be dispersed by March 31, 1992.

Transfer of ESF. H.J.Res. 456, the continuing resolution providing foreign aid appropriations for the remainder of FY1992 (P.L. 102-266, signed into law April 1, 1992), repealed the Stevenson and Byrd amendment restrictions on provision of export credits and provided the President with authority to provide additional FY1992 humanitarian and technical assistance to the FSU from existing Economic Support Fund (ESF) resources. The Administration decided to allocate $150 million from ESF, in addition to the $85 million allocated in December 1991.

The FREEDOM Support Act. On April 1, 1992, President Bush outlined a "comprehensive package of assistance" to the FSU. It included a number of new initiatives that would establish U.S. policy with regard to the states of the former Soviet Union and would provide various forms of assistance to them. He also reiterated previous aid proposals that would contribute toward his new policy initiatives.

First, the President announced U.S. participation in a multilateral G-7 $24 billion package of support for Russia. The U.S. contribution to that package was estimated at roughly $4.5 billion in old and new funds — a commitment of $1.5 billion toward a $6 billion ruble stabilization fund; $1 billion of $4.5 billion in IMF, World Bank, and European Bank for Reconstruction and Development (EBRD) loans, counted as part of the regular U.S. contribution to those organizations; and $2 billion of an $11 billion G-7 contribution in bilateral aid, largely composed of CCC credit guarantees, Eximbank loan guarantees, and some humanitarian assistance.

Second, the President proposed legislation that would, in the words of Secretary of State Baker, "unite the executive and legislative branches around a bipartisan program that can mobilize the American people" in support of assistance for the former Soviet Union. The Freedom for Russia and Emerging Eurasian Democracies and Open Markets Support Act of 1992 was submitted to Congress on April 3 and introduced as S. 2532 on April 7. In addition to providing broad authority for the conduct of a wide range of humanitarian and technical assistance programs, the FREEDOM Support Act proposal included authorization of a U.S. commitment to an earlier agreed $12 billion increase in the U.S. quota to the IMF intended for all countries, but expected to benefit the former Soviet Union; an endorsement of U.S.

participation in amounts up to $3 billion for the proposed currency stabilization funds; and elimination of existing restrictive Cold War trade and aid legislation.

Finally, the President offered $1.1 billion in CCC agricultural credit guarantees — $600 million for Russia and $500 million for the other states. The credit offer did not require additional congressional approval. The Administration reiterated its humanitarian and technical assistance request for FY1992 ($150 million, eventually drawn from existing ESF resources rather than in new, supplemental funds as originally sought) and FY1993 ($470 million) that was included in the AID FY1993 congressional budget presentation.

The Administration asked Congress to approve the FREEDOM Support Act and any subsequent appropriations legislation prior to the visit to the United States of President Yeltsin in mid-June. The Senate Foreign Relations Committee marked-up the bill on May 13 with an extensive amendment of its own (S.Rept. 102-292). This bill, S. 2532, was extensively amended before its final adoption by the full Senate on July 2 (by a vote of 76-20). In the House of Representatives, the Foreign Affairs Committee used a previously introduced aid authorization measure, H.R. 4547, as the basis for its mark-up on June 10 (H.Rept. 102-569). The House approved H.R. 4547 on August 6 by a vote of 255 to 164. The Senate bill, S. 2532, was then brought up and amended by substituting the language of H.R. 4547.

In the end, The FREEDOM Support Act, as amended by Congress, was signed into law as P.L. 102-511 on October 24, 1992. As enacted, S. 2532 authorized $505.8 million in FY1993 divided into several broad areas: $410 million in humanitarian and technical assistance; $70.8 million for various educational exchange programs; and $25 million for State Department and USIA expenses for the region. In its most controversial provision, the bill authorized a $12 billion increase in the U.S. quota to the IMF intended for all countries, but expected to benefit the FSU. Although the provision would incur no new outlays (because the contribution, in budgetary terms, represented an exchange of assets) and would not affect the budget deficit, it did require an appropriation and was therefore perceived by some Members and the public as a large new foreign aid expense. The Act also endorsed U.S. participation in amounts up to $3 billion for the proposed currency stabilization funds (this, too, required no new outlays and did not require an appropriation as the IMF already held the necessary funds) and eliminated many existing restrictive Cold War trade and aid legislative provisions. For greater detail on the history of the debate on the FREEDOM Support Act, see CRS Report 93-907, *The Former Soviet Union and U.S. Foreign Assistance in 1992: The Role of Congress*).

FY1993 Appropriations. Funding for these activities were contained in a series of appropriations bills. The Foreign Operations Act for FY1993 (P.L. 102-391, H.R. 5368) appropriated $417 million for the FSU — largely for humanitarian and technical assistance — and $12 billion for the increase in the U.S. quota to the IMF. The Defense Appropriations Act, 1993 (P.L. 102-396, H.R. 5504) provided $400 million more for activities authorized under the Former Soviet Union Demilitarization Act of 1992 (Nunn-Lugar program) to assist the republics in the storage, transportation, dismantling and destruction of nuclear weapons, and $15 million for humanitarian aid transportation costs. The State Department Appropriations Act for FY1993 (P.L. 102-395, H.R. 5678) appropriated $25 million for USIA and State

Department to set up new diplomatic posts in the FSU, appropriated $2 million to establish a Russian Far East Technical Assistance Center at an American university, and funded educational and cultural exchange programs.

Tokyo Donors Conference. On October 29-30, 1992, the United States announced a $412 million aid package for the FSU at the Tokyo Conference for Assistance to the Newly Independent States, the third and final follow-on meeting to the January conference held in Washington, D.C. Composed of new aid, the assistance included $250 million in grant emergency food aid, $100 million in wheat and corn feed stocks, $38 million in DOD excess Meals-Ready-to-Eat and bulk processed foods, and $14 million in emergency medical supplies. This initiative did not require additional congressional approval.

The 70 donor countries and 19 international organizations that attended the conference expressed their concern over concentrating strictly on short-term, emergency aid. To stress medium- and long-term assistance, the World Bank was appointed to lead donor aid coordination in the future. The Bank set up Country Consultative Groups (CCGs) for each of the new republics to improve the overall efficiency of longer-term donor assistance.

Developments in 1993

Although Russia survived the winter of 1992-93 despite dire predictions made by various analysts, its economic and political status was increasingly precarious. Russia was roughly $6 billion behind in debt payments on a total $80 to $85 billion debt and suffered an inflation rate of 2,000% in 1992. The IMF had put the foreign official financing requirements of Russia at $22 billion for 1993. Many observers feared that social unrest resulting from the economic policy reforms needed to obtain further foreign financing endangered the entire venture into a market economy. Former President Richard Nixon, former U.S. Ambassador to Russia Robert Strauss, and Members of Congress, among others, argued that increased U.S. aid would be necessary to help the new republics succeed. The crux of their view was that the economic and political stability of the region was of vital importance to U.S. interests. Arguing in a floor speech on March 4, 1993, that the U.S. defense budget would be $100 billion greater in the next year if the Soviet Union still existed as a military threat, Senator Leahy, Chairman of the Senate Foreign Operations Subcommittee of the Appropriations Committee, called for a $1 billion aid program. He suggested that security assistance then provided to other parts of the world could be shifted to Russia, if it was deemed of greater importance to U.S. interests. It was in this atmosphere that the Clinton Administration took office.

Clinton Administration. In its original FY1994 foreign aid request, the new Clinton Administration proposed $703.8 million for the FSU humanitarian/technical assistance account, an increase of roughly $287 million from the FY1993 level of $417 million. It also requested $400 million from the FY1994 defense budget for nonproliferation activities.

However, increasing concerns regarding the economic and political stability of Russia and a consequent chorus in the United States calling for an aggressive U.S. response led the Clinton Administration to give high priority to Russia and the issue of further assistance in its incipient foreign policy pronouncements. On March 5, 1993, the President pledged to take new action to help provide innovative solutions to Russia's problems, including financial assistance efforts. The Administration also indicated its desire to work with the G-7 nations to formulate a package of assistance more efficacious than the $24 billion promised in April 1992 but that the Russians and some American analysts assert was never fully delivered (most estimates of actual "disbursements" range from $11 billion to $18 billion).

Rather than wait for the July Tokyo conference of G-7 heads of state, the President and other G-7 leaders agreed to have their representatives discuss the aid issue at a meeting on March 13-14 in Hong Kong. At the President's suggestion, a representative from Russia was invited to participate. That meeting was concluded with the promise that an aid package, expected to be targeted and more visible to the average Russian citizen affected by the economic reform process, would be forthcoming within several weeks.

Vancouver Summit Initiative. On April 4, 1993, immediately following his Vancouver summit meeting with Russian President Yeltsin, President Clinton announced a $1.6 billion package of U.S. assistance to Russia. All of the programs utilized FY1993 resources, and none of the funds required new appropriations from Congress. Of the total, $924 million — $700 million in Food for Progress Program agricultural loans, $194 million in food grants, and $30 million in medical and maternal/child health grants — was additional to that already designated for Russia and the FSU. Roughly $676 million was derived from FY1993 funds and programs previously expected to go to the FSU, if not for Russia specifically.

Although the package may not have been entirely new, aspects of it suggested a shift from the Bush Administration approach. The terms of loans for agricultural commodities were made more concessional, apparently responding to the view that the previously used CCC credit guarantee program was a trade program, not foreign assistance, and inappropriate for a country that was having difficulty repaying its debts. Another policy change was an increase in assistance levels targeted at privatization, from $20 million to $60 million. Many believed that the more quickly and extensively privatization occurred, the more irreversible the new revolution would be. The Clinton Administration also targeted funds at resettling Russian military officers to facilitate a withdrawal from the Baltics: $6 million would be used to build 450 houses for officers returning to Russia and to provide employment training to assist their return to civilian life. The Administration also proclaimed its intention to make its assistance more highly visible to the average Russian citizen than the earlier aid program. The President claimed that 75% of the assistance would be used outside Moscow and the same proportion would be provided to non-governmental bodies. The democracy initiatives announced at the summit were to be directly targeted at the average person. The Administration intended to bring together a range of exchanges and training programs to encourage person-to-person contacts between Americans and Russians.

The appointment of presidential friend Strobe Talbott as Ambassador at Large for the Newly Independent States was one sign of the Administration's desire to give the aid issue higher priority. At the summit, the President announced further moves in this direction, including appointment of Vice President Gore to co-chair a commission on technological cooperation with the Russian Prime Minister; Commerce Secretary Ron Brown to co-chair a business development committee with the Deputy Foreign Minister; and appointment of a full-time ombudsman to facilitate U.S. investment.

The importance of trade, often viewed as a substitute for large-scale assistance, was given some prominence in the summit announcement. The Administration stated its support of Russian membership in the General Agreement on Tariffs and Trade (GATT) and access to the Generalized System of Preferences (granted September 22, 1993). It included in the aid package credit and guarantee agreements that were being negotiated for some months — an $82 million Export-Import credit for Caterpillar Inc. machinery to be used on a gas pipeline project; and a $150 million guarantee from the Overseas Private Investment Corp for an oil project by DuPont's Conoco Inc. unit. It also promised to try to push to completion by April 14 a $2 billion Export-Import oil and gas loan (the deal was finally signed on July 6, 1993, and the first payment — $245 million — was approved in March 1994).

Finally, the Administration outlined $215 million in further proposed uses for the $800 million nonproliferation fund that was appropriated in the defense budget for FY1992 and FY1993. $130 million would go for dismantling nuclear delivery vehicles, $75 million for warhead storage facilities, and $10 million for nuclear materials accountability and control. There had been some criticism of the Bush Administration for moving slowly on utilizing the fund, although disagreements between Russia and Ukraine on nuclear disarmament were in part responsible for delays.

At Vancouver, President Yeltsin extracted a promise from President Clinton that the United States would review outmoded legal restrictions on trade and other relations that treated Russia "as though we were still a communist country." As a result of that review, the Administration transmitted to Congress on July 27, 1993, the FRIENDSHIP with Russia, Ukraine, and Other New Independent States Act, approved by Congress in November and signed into law on December 17, 1993 (P.L. 103-199). Although it eliminated many vestiges of Cold War legislation, it did not affect the two restrictions of greatest concern to Russia, the Jackson-Vanik amendment and COCOM restrictions on technology exports. The latter, however, were dismantled on March 31, 1994.

April 15, 1993 Bilateral U.S. Aid Proposal and Congressional Response. According to the President, the summit package was only the first step of a U.S. effort to assist Russia. The second step was the April 15, $28.4 billion G-7 package (not counting the $15 billion public debt rescheduling that occurred on April 2) which rested on IMF and other multilateral organization financial resources. The third step was a $1.8 billion U.S. assistance package announced at the conclusion of the mid-April G-7 meeting of finance and foreign ministers, and approved by Congress on September 30, 1993 along with the FY1994 request.

Arriving at a funding mechanism for the proposal, however, required extensive negotiations between the Administration and Congress. Meeting on May 26, the House Foreign Operations Subcommittee approved the $1.8 billion assistance proposal. Of that amount, $1.6 billion was included as an FY1993 supplemental attached to the FY1994 Foreign Operations appropriations bill. Because there was insufficient money left under the foreign assistance budget cap for FY1993, appropriators turned to the defense budget for additional funds. With the agreement of the Chairman of the House Defense Appropriations Subcommittee, $979 million of the package would be drawn from supplemental FY1993 defense funds; $630 million would come from a FY1993 foreign assistance supplemental appropriation. The remaining $200 million would be added to the FY1994 Foreign Operations appropriations bill. The House passed the measure, H.R. 2295, by a vote of 309-111 on June 17. An effort, sponsored by conservatives and members of the Congressional Black Caucus, to remove the $1.6 billion FY1993 supplemental increase for the FSU was defeated by a vote of 289-140.

Following weeks of negotiations over whether to use defense funds as part of the Russian aid package, the Senate Foreign Operations Appropriations Subcommittee met on September 12, 1993, and approved full funding of the President's request. Although the subcommittee followed the same formula used by the House, the Senate panel made two important modifications by earmarking $300 million specifically for Ukraine and shifting $300 million of the broad technical and humanitarian aid proposal to the Export-Import Bank for loans and guarantees of U.S. exports to the FSU. The bill further designated specific amounts of the combined FY1993/1994 $2.5 billion package for selected programs, amounts that were similar, but not exactly the same as those recommended by the President.

Prior to Senate consideration of H.R. 2295, a political crisis erupted in Russia on September 21, 1993, when President Yeltsin dissolved the legislature and called for elections. Yeltsin was challenged by parliament hard-liners who declared his actions unconstitutional and sought to take power. Congressional supporters of Russian assistance endorsed Yeltsin's decisions and argued that it was even more critical for Congress to move forward with the aid package to demonstrate continuing U.S. support for economic and political reform in Russia. Two days later, on September 23, the Senate approved H.R. 2295, including the full $2.5 billion FY1993/1994 aid proposal for the FSU. During debate, however, Senators added a number of conditions, many of which were adopted in modified form in the final bill.

While the political crisis in Moscow continued, Congress finalized action and the President signed H.R. 2295, including the $2.5 billion FSU aid package, on September 30. Rapid congressional consideration resulted from both Congress' desire to signal support for President Yeltsin and perhaps more importantly, to enact the legislation prior to the end of the fiscal year after which the FY1993 supplemental funds ($1.6 billion) for Russia would no longer have been available. Finding the necessary money entirely out of FY1994 appropriations would have presented considerable obstacles, given the declining budgets for foreign aid and defense, and the desire by many to maintain domestic spending levels. `

As shown in **Table 2**, Congress generally agreed with the Administration's plan for allocating the $2.5 billion. One of the most notable changes was the $300 million transfer to the Export-Import Bank, action taken primarily so that Eximbank loans and guarantees for Russia and the other FSU nations did not come at the expense of financial backing for other countries. Lawmakers also expressed their intent that this not be an aid package exclusively for Russia but that it provide at least one-third of the total for the other states. (This was consistent with Administration estimates.) The final bill further recommended that Ukraine receive at least $300 million and Armenia $18 million. Although Congress approved the package, Members attached conditions, some allowing a presidential waiver, that would affect whether Russia and the other former republics remained eligible for American aid. Among the most significant were:

- Russian government must be making progress in implementing comprehensive economic reforms; Russian government must not use aid to expropriate or seize ownership or control of assets, investments, or ventures;

- FSU governments must not direct any action in violation of the territorial integrity or national sovereignty of another FSU country (national interest waiver and exemption for humanitarian and refugee programs);No aid to enhance the military capability of any FSU country (demilitarization, defense conversion, non-proliferation exemption);

- Russian aid reduced by $380 million unless President certified on April 1, 1994, that Russia had not provided assistance to Cuba during past 18 months (national interest waiver); and no aid for Russia unless President certified that (1) Russia and Latvia and Estonia had set a timetable for withdrawal of Russian troops; or (2) Russia had continued to make substantial progress toward withdrawal.

Table 2. Russia and Other FSU Aid: $2.5 billion FY1993/1994 Package

(millions of dollars)

	Request	**Enacted (P.L. 103-87)**
Private Sector Development	647	894
Privatization & Restructuring	125	125
Trade and Investment	490	485*
Democratic Initiatives	295	295
Humanitarian Assistance	239	239
Energy and Environment	228	285
Officer Resettlement & Housing	190	190
Non-Russia FSU Special Funding	300**	—**
Total	**2,513**	**2,513**

* Includes $300 million transfer to the Export-Import Bank.
** Non-Russia FSU aid distributed among other sectors in enacted bill.

Other Donor Assistance. As noted above, the G-7 $24 billion aid package announced on April 1, 1992, in the view of many, went to some significant extent undelivered. The March 1993 parliamentary challenge to Russian President Yeltsin precipitated a G-7 effort to demonstrate support for Russian democracy prior to the Tokyo summit planned for July. G-7 "sherpas" met in March and finance and foreign ministers met on April 14-15 to come up with a package of assistance that might have an impact on the April 25 referendum on Yeltsin's leadership. The result was a $43.4 billion assistance plan. This included $14.2 billion in currency stabilization support efforts, utilizing the $6 billion stabilization fund approved by the G-7 in 1992, a $3 billion IMF Systemic Transformation Facility, a $4.1 billion IMF stand-by loan, and $1.1 billion in World Bank import assistance. A further $14.2 billion was to be drawn from World Bank, EBRD, and bilateral export credits and guarantees for import assistance. The package included an already announced (April 2, 1993) $15 billion Paris Club public debt rescheduling that allowed Russia to repay debts due in 1992 and 1993 over the succeeding ten years.

At the July 1993 Tokyo summit, the G-7 established a $3 billion Special Privatization and Restructuring Program that was expected to distribute funds over an 18-month period. It was made up of $500 million in bilateral grants, to be used largely for technical assistance to newly privatized companies; $1 billion in bilateral export credits, and $1 billion in World Bank and EBRD loans to be used by Russian companies to import Western goods; and $500 million in World Bank loans to be used by local governments to help them make up for health, education, and other services previously supplied to employees by state-owned companies.

The Tokyo summit also adopted a U.S. proposal to set up a permanent mission in Moscow specifically to better monitor its aid. The Support Implementation Group is chaired by an American, and the vice-chair is a German.

The bulk of G-7 aid proposals, past and present, rested on assistance provided, not bilaterally, but multilaterally by the IMF, the World Bank, and the European Bank for Reconstruction and Development (EBRD). However, until mid-1993, their participation in the assistance program was limited due to the failure of Russia to meet macroeconomic policy reform conditions. Pending appropriate policy reforms, the IMF, World Bank, and EBRD were expected to lend Russia as much as $4.5 billion during calendar year 1992 (not including the $6 billion ruble stabilization fund that was not implemented through 1993). However, only about $1.6 billion was offered. In 1993, members of the G-7 encouraged the multilaterals to alter their standard approach and to ease up on prior conditionality and provide assistance earlier as a way of encouraging later reform. Following the G-7 April 15 aid package announcement, the IMF opened a new loan window for this purpose — the Systemic Transformation Facility (STF). Despite pressure on the IMF from the United States and other donors, in early June 1993 the IMF held up approval of a $1.5 billion loan to Russia, intended to be the first under the STF, pending fulfillment of specific economic policy reform conditions. The loan was finally approved on July 1, 1993.

On June 17, the World Bank approved its largest project loan ever — $610 million to assist Russia in rebuilding its oil industry.

Germany continued to be the largest bilateral donor to the FSU and, along with the United States, German Prime Minister Helmut Kohl took a lead role in appealing to other members of the G-7 for increases in aid to the region. However, in August 1993, the German government announced it would stop providing export credit guarantees for Russia under its "Hermes" program until the Russian debt repayment record improved. In 1992, Germany was forced to pay roughly $562 million to cover defaults from former Soviet states. Its deficit in 1993 was a reported $2.6 billion.

Although Japan had been expected to be a major aid donor, its contributions had been limited largely to the Central Asian Republics, due to its dispute with Russia over ownership of the southern Kuril Islands. Concurrent with its hosting of the G-7 meeting on Russian aid in April, however, Japan bowed to heavy pressure from the United States and other G-7 nations and pledged $1.8 billion in bilateral aid for Russia, mostly in the form of credits and guarantees. Unlike previous years, it did not push its demands for return of the Kuril Islands at the July G-7 summit held in Tokyo.

Developments in 1994

Administration FY1995 Budget Proposal. The Administration's FY1995 budget, issued in February 1994, requested $900 million in humanitarian and economic assistance to the FSU, a two-thirds reduction from the $2.5 billion FY1994/FY1993 supplemental that had been appropriated in September 1993. It also proposed $400 million in Nunn-Lugar demilitarization funds for FY1995.

Russia Aid Debate. The December 1993 parliamentary elections and subsequent resignations of prominent economic reformers from the Yeltsin cabinet generated a debate among U.S. policymakers regarding the efficacy of U.S. and international assistance to Russia. Representative Lee Hamilton, then chairman of the House Foreign Affairs Committee, suggested that he would find it difficult to support further assistance if the Russian central bank continued to support state industries. Noting that reformers never received promised support from the international community, some observers, including economist Jeffrey Sachs, criticized the IMF for not being more forthcoming with assistance promised by the G-7 in both 1992 and 1993. Of the $28 billion offered in the G-7 package of April 1993, only an estimated $5 to $8 billion had been delivered a year later. In response, the United States put pressure on the IMF to more expeditiously move loans to Russia.

The Ames spy case that emerged in late February produced added pressures on the assistance program for Russia. Several Members of Congress, including Senators DeConcini and Dole, called for a freeze on assistance. Senator McConnell indicated that bipartisan support for the program might dwindle as a result of the incident.

These events may have strengthened support for the view that the United States should target more of its assistance on non-Russian republics rather than rely on Russia as the focus of reform in the region. In response, Ambassador Strobe Talbott indicated that the Administration would pursue a 50-50 split in future resource allocation decisions. On February 14, President Clinton pledged a significant increase in economic assistance to Kazakhstan due to its adherence to economic policy reforms and moves to eliminate nuclear weapons. Assistance, reportedly, was expected to go from $91 million in FY1993 to $311 million in FY1994. On March 4, the President also promised to double assistance to Ukraine to roughly $700 million through FY1995. On March 21, DOD Secretary Perry pledged an additional $100 million to Ukraine in Nunn-Lugar demilitarization assistance.

The increasingly negative mood regarding the Russia assistance program had a direct impact on already appropriated funds. On February 11, 1994, Congress approved the Emergency Supplemental Appropriations for FY1994 (H.R. 3759/P.L. 103-211), providing assistance to earthquake victims in southern California and for other purposes. To help pay for the relief, Congress rescinded previously approved funding, including $55 million of the $2.5 billion assistance package for the FSU that had been approved in September 1993. The Senate-passed version of the bill had proposed a $145 million rescission from this account. However, an effort to raise this amount to $253 million was defeated on the Senate floor. The Senate Committee report on the bill indicated that the large amounts that had been made available to the region in the previous year made the region's foreign aid account a likely candidate for sharing the costs of the supplemental.

FY1995 FSU Aid Debate. House debate on the FY1995 Foreign Operations appropriations bill, H.R. 4426, contained a mixed message on support for assistance to the FSU. The House Appropriations Committee had reported a bill fully funding the President's request of $900 million for the region. On the floor (May 25), an amendment (Callahan) was defeated by a vote of 286-144 that would have cut the appropriation by $348 million and excluded Russia from the remaining $552 million except for humanitarian assistance. However, a motion by Representative Callahan to reduce FSU funding by $24.5 million — leaving an appropriation of $875.5 million — was later adopted. Further diminishing available funding for the region, the Committee-reported bill allowed the NIS account to be used for Mongolia. Although the bill contained only a line-item appropriation for the region, the Committee report (H.Rept. 103-524) recommended a number of specific funding levels for various programs — $20 million for law enforcement training, $14 million for the Peace Corps, $50 million for agricultural commodities for children and women, $5 million for postdoctoral exchanges in the social sciences and humanities, and $20 million for family planning.

On June 16, the Senate Appropriations Committee reported its version of H.R. 4426, including $839 million for the FSU. The Committee recommendation, $61 million less than the Administration request, reflected congressional criticisms made public by the *Washington Post* on June 12. The article highlighted a memorandum written to the Administration by Representatives Gephardt and Michel that called the Russia aid program "simply inadequate in its strategy, its intensity and its implementation." The Senate Committee report (S.Rept. 103-287) echoed several of these criticisms. Unlike the House bill, the Senate Committee specifically earmarked funds for Ukraine ($150 million), Armenia ($75 million), and Georgia ($50 million). It also required that $15 million be used for family planning (of which $6 million was for Russia, $3 million for Ukraine, Moldova, and Belarus, and $6 million for Central Asia).

During floor debate, the Senate amended the Foreign Operations appropriations bill with new earmarks and other additional requirements. The Senate directed $15 million to be used to support and expand the hospital partnership program, $50 million for programs that match U.S. private sector resources with federal funds, $5 million to establish an enterprise fund for the Transcaucasus region, $15 million for the International Criminal Investigative Training Assistance Program (ICITAP) to conduct police development and training programs, and $15 million for the FBI to help combat organized crime in the FSU. By voice vote, the Senate approved an amendment that would end most assistance to Russia unless the President certified that it was complying with the 1972 Biological Weapons Convention and was disclosing the existence of its binary chemical weapons program. The Senate also approved (89-8) an amendment that would end most aid to Russia if its troops remained in the Baltics after August 31, 1994, or the status of those troops had not been otherwise resolved by mutual agreement of the countries involved. The original Senate Committee bill, like the House bill, had set a deadline of December 31, 1994. The Senate approved H.R. 4426 on July 15 by a vote of 84-9.

The conference report on H.R. 4426 was approved by the House on August 4 (341-85) and by the Senate on August 10 (88-12). It was signed into law (P.L. 103-306) on August 23. The conference report provided $850 million in bilateral economic assistance to the FSU. It replaced many of the Senate earmarks with *recommendations* for spending — $15 million for family planning; $150 million for Ukraine, of which $25 million should be for land privatization and small and medium business; $75 million for Armenia; $50 million for Georgia (the recommended funding levels for Armenia and Georgia could include funds from any other act); and $50 million for public/private partnership matching programs. The bill required that up to $30 million be used for police training and exchanges for East Europe and the FSU. It recommended that a Transcaucasus Enterprise Fund be established. It required a report from AID on steps being taken to include individuals and organizations with language and regional expertise in the program. The conference report prohibited funds unless the President certified that Russia and Latvia and Estonia had established a timetable for withdrawal of Russian forces, although it provided for a presidential waiver (the troops were withdrawn in August 1994). The explanatory statement recommended that at least half of appropriated funds should be used in republics other than Russia.

Implementation Concerns. While the debate on the aid program in 1992 and 1993 focused largely on issues of funding and conditionality, during 1994 many questions regarding the effectiveness of U.S. assistance efforts were raised. In April 1994, following a congressional delegation trip to Russia, House Majority Leader Richard Gephardt and Minority Leader Robert Michel wrote a memo to Secretary of State Warren Christopher suggesting that the program was poorly coordinated, not sufficiently visible to the Russian people, not well targeted, and not addressing issues of crime and taxation nor adequately responding to the needs of small entrepreneurs.

The Administration had already begun to address many of these questions and during the year there were some positive signs of improvement. The State Department's NIS Coordinator issued individual country strategies as guidelines to be followed by the numerous U.S. agencies involved in implementing the program. Susan Johnson, a Coordinator's Office liaison, took up residence in Moscow as an assistant to the ambassador there to further facilitate coordination in the field. By September 1994, a Senate delegation led by Senator Leahy found much to praise in the assistance program in its trip report. (For further and more detailed discussion on implementation issues, see CRS Report 95-170, *The Former Soviet Union and U.S. Foreign Aid: Implementing the Assistance Program,* and CRS Report 96-261, *Russia and U.S. Foreign Assistance: Current Issues*.)

Emerging Trends. Two events in autumn 1994 highlighted further emerging trends in the assistance program. A growing emphasis in the U.S. aid program on facilitating American private sector investment and trade with the FSU was stressed by both Russian President Yeltsin and President Clinton during the visit of the former to the United States on September 26-28, 1994. Over $1 billion in aid and trade agreements was approved, most of it the face value of coverage of Eximbank and OPIC export and investment guarantees.

Further, a move away from a predominant emphasis on Russia became more apparent during the visit to Washington of Ukraine President Kuchma on November 22. Ukraine, the second most populous and strategically important nation in the region, had at last begun to move forward with economic reforms. As a result, the United States began to offer more economic incentives. During this visit, the United States promised $200 million, $72 million in the form of a cash transfer — a precedent for the FSU. In addition, AID announced country allocations of the $850 million in FY1995 assistance to the FSU. Russia would receive $378 million or 44% of the total, while Ukraine would get $158 million or 18.5%, up from about 8.6% of FY1994 funds.

Following the November 1994 U.S. election, there were signs that the U.S. assistance program to the FSU would face critical scrutiny and possible cuts in 1995. On December 12, Senator McConnell, new Chairman of the Senate Foreign Operations Appropriations Subcommittee, issued a foreign aid proposal for FY1996, introduced as S. 422 in March 1995, that included a 12% cut from FY1995 levels to $750 million in assistance to the former Soviet Union. The suggested decrease, however, was considerably less than that proposed for the whole foreign aid program. The McConnell proposal earmarked 43% of the aid for three countries: Ukraine, Armenia, and Georgia, more than doubling their aid levels, and would prohibit most aid to Russia if it contributed in any way to territorial violations of any other state.

Other Donors. Unlike previous meetings, further financial assistance to Russia was not discussed at the July 1994 Naples summit of the G-7. Instead, Ukraine was a topic of concern. The G-7 offered Ukraine $4 billion in international financing if it acted to undertake genuine reforms. It also approved a $200 million plan to close the Chernobyl nuclear plant; total costs were expected to reach $1.5 billion.

Following the December 1993 Russian elections, the United States argued forcefully for an easing of credit terms by the IMF and other international lending institutions while at the same time calling for continued reform. A meeting of G-7 finance ministers on February 26, 1994, stressed the need for aid and debt restructuring to follow reform. On April 20, the IMF finally approved a new IMF loan to Russia of $1.5 billion.

Developments in 1995

In 1995, a Republican majority in Congress acted to cut the level of funding for the former Soviet Union and for Russia in particular. Russian aid was made subject to more conditions, and earmarks for other NIS states at higher-than-requested levels effectively restricted the amount of funds available for Russia programs.

Administration FY1996 Budget Proposal. On February 6, the Clinton Administration issued its FY1996 foreign aid budget request that included $788 million to be provided for the FSU through the NIS account under the Foreign Operations appropriations bill. An additional $92 million was requested for the region for trade and investment activities through the OPIC, TDA, and Export-Import Bank budgets, and $40 million for exchanges through USIA funds. The Peace Corps budget also now included $16 million in additional funding to cover costs associated with its program in the region. Previously, all these funds had come out of the NIS account and were transferred from USAID to other agencies. Total proposed economic assistance spending for the FSU, including all agencies, was, therefore, $936 million. The Administration also requested $371 million for FY1996 under the Nunn-Lugar cooperative threat reduction program.

The New Congress and FY1995 Aid Rescissions. At the onset of the 104th Congress, the new Republican majority proposed several initiatives to reduce spending, some of which affected aid to the former Soviet Union. Representative Callahan, Chairman of the House Foreign Operations Appropriations Subcommittee, noted on January 30, 1995, that he would seek to eliminate the assistance project that provided housing for Russian officers withdrawn from the Baltic states. On February 22, the House approved H.R. 889, a supplemental Defense Department appropriation, that included a $110 million cut in that particular aid program. On March 2, the Senate Appropriations Committee approved a version of H.R. 889 deleting the House cut, an action maintained in the floor-approved version. However, the full Senate approved an amendment to the bill that would eliminate $18 million from the overall NIS program ($12 million of which would have to come from Russia). The conference report on H.R. 889, approved April 6, rescinded $7.5 million from FY1994 and FY1995 from the NIS account and reallocated $15 million from the officer housing program to other NIS non-Russia programs. In addition, the House bill would have cut $80 million from the Nunn-Lugar program; the Senate version deleted this provision. The conference report rescinded $20 million for Nunn-Lugar cooperative threat reduction activities. H.R. 889 was signed into law (P.L. 104-6) on April 10, 1995.

On March 2, the House Appropriations Committee approved a non-emergency supplemental rescission measure, later passed by the House as H.R. 1158, that would cut an additional $47.7 million in FSU programs. The Committee did not specify which programs should be affected by the cut, except that reductions should not occur in small grassroots activities outside Moscow and Kiev. The Senate version, approved April 6, did not specifically rescind FSU funds, but would cut $125 million generally from the FY1994 and FY1995 Foreign Operations Appropriations that might ultimately affect FSU programs. The conference report (H.Rept. 104-124) rescinded $25 million of aid intended for Russia. President Clinton, however, vetoed the measure on June 7 for reasons unrelated to the Russia provision. H.R. 1944, a replacement bill that had White House support, passed the House on June 29 (276-151) and the Senate on July 21 (90-7). Like its predecessor, it cut the FY1995 NIS program by $25 million. The total FY1995 post-rescission appropriation for the FSU, therefore, was $817.5 million.

FY1996 FSU Aid Debate in the House. On May 19, 1995, the House International Relations Committee reported H.R. 1561 (Gilman), the American Overseas Interests Act of 1995 (H.Rept. 104-128, Part I) which authorized both foreign aid and foreign relations programs. On June 8, the House passed the bill by a vote of 222-192. Among other provisions, the bill authorized appropriations for foreign aid to the NIS — $643 million for FY1996 and $625 million for FY1997. It made $11.6 million of these sums available in each fiscal year for Peace Corps activities in the FSU. The bill also required that assistance be provided to the private sector "to the maximum extent feasible." As the full Senate never took up the Foreign Relations Committee's own foreign aid authorization bill, S. 961, the conference report on H.R. 1561 (H.Rept. 104-478, March 8, 1996) struck out most provisions on foreign aid, including assistance for the NIS.

H.R. 1561, as originally approved by the House, included two new conditions on assistance that were directed at the government of Russia. The government of Russia would be ineligible for most assistance — excluding humanitarian, democratic reform, nuclear safety, and many private sector activities — unless the President certified that it was "pursuing, without preconditions" a cease-fire and negotiated settlement in Chechnya. The President would also have to certify that Russia was providing unhindered access to Chechnya, was cooperating with the Organization for Security and Cooperation in Europe to investigate human rights violations in Chechnya, was cooperating in the unhindered delivery of humanitarian assistance, and was taking steps to repatriate refugees, among other provisions. The Committee bill also prohibited assistance — excluding humanitarian, democracy, and private sector aid — to the government of "any" FSU state that agreed to provide nuclear reactor components to Iran unless the President determined that the sale included safeguards consistent with U.S. national security objectives. In report language, the Committee emphasized the distinction between aid to governments and aid to assist reformers, and the private and non-government sectors. This distinction would likely allow significant amounts of U.S. assistance to continue in the event the bill's conditions were not met.

The bill added several prohibitions on assistance that appeared in past years in the annual Foreign Operations appropriations bill. These prohibited assistance (excluding humanitarian and democracy assistance) to FSU governments that directed any action in violation of the territorial integrity of any other FSU state, prohibited assistance for the purpose of enhancing the military capability of NIS states, and prohibited assistance to the Russian government if it was not making progress in economic reform or if it used assistance funds to expropriate assets or investments.

On July 11, 1995, the House approved H.R. 1868 (333-89), the FY1996 Foreign Operations Appropriations Bill (H.Rept. 104-143). It would provide $580 million for the NIS, a cut of $237.5 million from post-rescission FY1995 levels (-29%) and $208 million less (-26%) than the Administration request for the NIS account.

During House debate on H.R. 1868, several amendments were introduced regarding the FSU provisions of the bill. An approved amendment by Representative Miller, as amended (Wilson), cut $15 million from the original Committee-approved level, leaving $580 million for the region. There were two efforts to cut funds for Russia specifically. An amendment (Roemer), as amended (Obey), that limited the amount of funds going to Russia to $195 million passed 401-2. The original amendment would have set the limit at $150 million. Another amendment (Menendez) reduced funds to Russia by any amount it spent on completion of a nuclear power plant in Cuba. While an effort (Brownback) to restore $24 million in appropriations to the NIS was defeated (340-78), an amendment (Hefley) that would have cut funding for the region to $296.8 million was also rejected (104-320). Finally, language in the Committee-reported bill that would allow assistance to flow to the government of Azerbaijan — prohibited by the FREEDOM Support Act until it made progress on ending the conflict with Armenia — was deleted (Visclosky).

On June 15, the House passed H.R. 1530, the defense authorization. It authorized $200 million for Nunn-Lugar programs in FY1996, 46% less than the Administration request. On December 13, conferees agreed to a $300 million level for Nunn-Lugar. Funds could not be used for peacekeeping exercises with Russia or for defense conversion, and some funds could not be used unless Russia was in compliance with the Biological Weapons Convention or was making progress toward destruction of chemical weapons. The House version of H.R. 2126, the Defense Appropriations bill, approved $200 million for the program. On September 25, House and Senate conferees for DOD appropriations (H.R. 2126) agreed to $300 million for Nunn-Lugar programs in FY1996, a cut of $71 million from the President's request. The bill became law on November 30, 1995.

FY1996 FSU Aid Debate in the Senate. On June 23, 1995, the Senate Foreign Relations Committee reported S.961, the foreign aid authorization (S.Rept. 104-99). While the bill itself would have folded the FSU and other accounts into one Development Assistance Fund, the Committee report "expected" that $675 million for FY1996 and $620 million for FY1997 would be available to the region. The bill separately and explicitly authorized $12 million in FY1996 for a Transcaucasus Enterprise Fund. Another provision that would have benefitted the region permanently authorized "such sums as may be necessary" for transport of privately donated humanitarian assistance to parts of Central Europe and the former Soviet Union. An amendment, offered by Senator Snowe, that condemned the proposed sale by Russia of nuclear power plants to Iran and conveyed the sense of Congress that Russia would be ineligible for aid in the event the sale went forward, was approved during committee mark-up. The bill also provided that no loans could be offered to the NIS countries if they were not either keeping up with scheduled debt repayments or if the loans were not secured by revenues from exploitation of the states' natural resources. The measure never went to the full Senate for a vote.

The Defense authorization bill, S. 1026, approved by the Senate on September 6, authorized $365 million for the Nunn-Lugar Cooperative Threat Reduction Program. The Defense appropriations bill, S. 1087, approved on September 5, would appropriate $325 million. As noted above, conferees reached agreement on a $300 million authorization level, and Congress passed a $300 million appropriation.

Following the August recess, the Senate, on September 21, took up the House-passed Foreign Operations spending measure (H.R. 1868), approving $705 million for FSU aid. Although the Senate version was $125 million higher than the House level, the Senate expressed displeasure with Administration efforts to assist countries other than Russia. Consequently, the Senate bill earmarked amounts for Armenia ($85 million), Georgia ($30 million), and Ukraine ($225 million), with the Armenia and Ukraine levels significantly higher than those planned by the Administration. In addition, the Senate included extensive earmarks for Ukraine emphasizing the development of small and medium enterprises ($20 million) and nuclear energy safety and self-sufficiency ($50 million). For Armenia, the bill directed $35 million for food, $40 million for fuel, and $10 million in medical supplies. Other earmarks applying to the region in general included $20 million for hospital partnerships, $45 million for the Western NIS Enterprise Fund, $15 million for establishing a Transcaucasus Enterprise Fund, and over $17 million for the FBI to set up legal attache and training programs in the NIS and East Europe.

The Senate Foreign Operations measure also added a key restriction on Russian aid that was strongly opposed by the Administration. The bill prohibited aid to Russia unless Moscow terminated its planned transfer of nuclear energy technology to Iran. The Administration raised the prospect of a veto if this condition was not removed or softened with a presidential waiver authority.

Conference Report. House and Senate conferees reported H.R. 1868 on October 24, 1995. While agreeing to over 175 differences between the two versions, including those concerning the former Soviet Union, they failed to agree on international population language. On October 31, the House approved the conference report (351-71) but retained the controversial population language that might either be rejected in the Senate or provide grounds for a veto by the President. The Senate approved the conference report (90-6) on November 1, but continued to disagree with the House on population. Both bodies voted again in disagreement on November 15, causing further deadlock on final passage. In January 1996, the population issue was resolved and the conference report, including NIS language, was enacted by reference in the continuing resolution, H.R. 2880. The continuing resolution was approved by the House on January 25; it passed the Senate and was signed into law (P.L. 104-99) on January 26, 1996. Subsequently, H.R. 1868 was approved by Congress and signed by the President on February 12, 1996, as P.L. 104-107.

The conferees approved $641 million under the NIS account. They adopted many, but not all, of the Senate earmarks. These included the $225 million level for Ukraine, of which $50 million was designated for energy conservation and nuclear safety, $22 million for small and medium enterprise development, and $5 million for victims of Chernobyl. The bill further earmarked $85 million for Armenia. Georgia was to receive $30 million, although funds could come from other appropriations. The legislation targeted $20 million for hospital partnerships, infectious diseases, or contaminated drinking water mitigation, $12.6 million for law enforcement assistance, $50 million for the Western NIS and Central Asia Enterprise Funds, and another $15 million for a new Transcaucasus Enterprise Fund.

The $195 million limitation on funding for Russia contained in the House version was eliminated, but extensive country and program earmarks in the conference report were expected to effectively prevent Russia from receiving that much assistance in FY1996. The conference report also adopted Senate language that would prohibit assistance for Russia if it pursued arrangements with Iran to supply technical expertise, training, technology, or equipment necessary for the development of a nuclear reactor or related programs. However, the report allowed for a presidential waiver on the grounds that it would be in the U.S. national security interest to continue to provide assistance.

Finally, the legislation allowed humanitarian assistance to flow through the Government of Azerbaijan if the President determined that assistance provided through non-governmental organizations — the only kind permitted under the FREEDOM Support Act due to the dispute with Armenia over Nagorno-Karabakh — was not adequately addressing refugees.

Major Issues in 1995. As indicated by the appropriations debate described above, some efforts were made in 1995 to cut funding to the region and to Russia specifically. As in similar efforts in previous years, critics of the program based their arguments chiefly on the need to cut foreign aid generally, on their preference to see funds used for domestic purposes, and on specific grievances against Russian behavior. The broad FSU aid program continued to find its strongest support in the congressional leadership. In July 1995, during the debate on the Roemer amendment to limit aid to Russia to $150 million, Members, including both House Speaker Gingrich and Minority Leader Gephardt, argued the importance to U.S. foreign policy and defense interests in a democratic and free market FSU. They also argued that it was less expensive to assist a more cooperative Russia than it was to defend the United States from threatened Soviet aggression during the Cold War. However, these arguments had mixed success in the face of other pressures to cut aid to Russia.[2]

While Russia was the main focus and beneficiary of the assistance program in its first years, it bore the brunt of NIS cuts in 1995. Funding for Russia declined from roughly 60% of the NIS total during the first two years to roughly 40% of FY1995 funds and 21% of FY1996 funds. The decline in funding for the Russia program in part reflected the criticism that began in late 1994 regarding Russia's international and domestic behavior. In 1995, Russia increasingly became the target of efforts to impose specific conditionality in the assistance program. Early in the year, Russia's behavior in Chechnya was mentioned by congressional critics as a potential condition and was one reason given for acceptance of rescissions directed specifically at Russia. The sale of nuclear power plants to Iran was another issue that increased pressure for conditionality in Congress. The FY1996 foreign aid appropriations prohibited aid unless the President assured that Moscow had terminated its plans for the sale. However, this provision did allow the President to waive this restriction if he deemed it in the interest of U.S. national security. The Administration argued that it was inappropriate to condition aid to Russia on a particular desired behavior in either Iran or Chechnya inasmuch as the aid program was intended to benefit reformist elements

[2] Although the Roemer amendment was defeated (348-67), a $195 million cap was approved in the House version of the bill.

in Russia and ultimately facilitate a transformation that might ensure a more cooperative relationship in the future.

Another reason for the decline in Russia funding was the congressional concern, often expressed by Senator McConnell in 1994, that U.S. foreign policy had become too dependent on Yeltsin and that more funds should be funneled to other countries in the region. Consequently, what had been "recommended" funding levels in the FY1995 foreign aid bill became "hard" earmarks in the FY1996 bill. Congress specified amounts for Ukraine, Armenia, and Georgia, the effect of which was to decrease available amounts for Russia.

In 1994, defenders of the Administration program had argued the greater importance to U.S. national interest of Russia and pointed out that, on a per capita basis, Russia had been situated near the middle of recipients while a relatively strategically unimportant country, Armenia, had been near the top. They suggested that there was no point in providing large amounts of funding to then-non-reformers, such as Ukraine. In his March 28, 1995, testimony to the Senate Foreign Relations Committee, NIS Aid Coordinator Thomas Simons pointed out that the first reformist wave — in Russia, Kyrgyzstan, Moldova, and Kazakhstan — was where previous funding had gone. In the latter part of 1994, there was a second wave of reformers — in Ukraine, Armenia, Georgia, and Belarus — that were putting together IMF reform programs. These became beneficiaries of increased U.S. assistance.

In 1995, the aid program implementation concerns expressed by Congress and others the previous year were largely addressed. In early April 1995, Richard Morningstar, previously senior Vice President at OPIC, took over from Ambassador Thomas Simons as the Coordinator of the program. The latter had taken a number of steps to improve coordination, including the formulation of individual country strategic plans and requiring USAID to transfer funds to other agencies in a way that would reduce its continued responsibility for those funds. After taking office, Morningstar took a very assertive role in molding the assistance program. He conducted a comprehensive review of the program and enlarged the scope of the post's responsibility to include the DOD Nunn-Lugar program.

Developments in 1996

The tone of debate on the issue of aid to the former Soviet Union was more modulated in 1996 than in the previous year. The Administration did not request more than it received from Congress in 1995. Congress adopted many of the same earmarks and conditions as it had in the previous year.

Administration FY1997 Budget Proposal. In March 1996, the Administration presented its FY1997 budget proposal, requesting $640 million for the New Independent States (NIS) account, including $173 million for Russia (the FY1996 level was expected to be $168 million), $173 million for Ukraine ($205.7 million in FY1996), and $55 million for Armenia ($85 million in FY1996).

FY1997 FSU Aid Debate in the House. On May 29, 1996, the House Committee on Appropriations reported H.R. 3540, the FY1997 Foreign Operations appropriations bill (H.Rept. 104-600). The bill provided $590 million under the NIS account, 8% less than the Administration request. As in previous years, the House version did not contain country or project earmarks. The bill maintained prior year restrictions regarding U.S. assistance to Russia conditioned on its progress in economic reforms and the sale of nuclear reactor technology to Iran. These and most other conditions on aid to the region could be waived by the President on national security grounds.

The House bill departed from previous appropriations language by allowing NGOs and PVOs to use facilities of the Government of Azerbaijan in order to provide humanitarian assistance. It also attempted to establish a 7 to 1 ratio of assistance for the refugees in Azerbaijan to those in Nagorno-Karabakh. On June 11, 1996, the House approved H.R. 3540 by a vote of 366-57. No amendment was offered affecting the NIS assistance program.

On May 15, the House approved H.R. 3230, the FY1997 Defense Authorization bill, which provided $302.9 million for the Nunn-Lugar program, $25 million less than the Administration request. On June 13, the House approved H.R. 3610, the Defense Appropriations bill, providing $302.9 million for this program.

FY1997 FSU Aid Debate in the Senate. On June 18, 1996, the Senate Foreign Operations Subcommittee of the Committee on Appropriations approved its version of the FY1997 Foreign Operations Appropriations bill. The full Appropriations Committee reported the bill on June 27 (S.Rept. 104-295). The Senate approved the bill on July 26 by a 93-7 vote.

The bill provided $640 million for the NIS account, matching the Administration request and roughly the same as the FY1996 level of assistance. Unlike the House bill, the Senate version contained extensive country and program earmarks. Half of all the assistance would go to Ukraine ($225 million) and Armenia ($95 million). Another $25 million was earmarked for Georgia (although from all funding sources), leaving roughly $295 million for the 9 remaining republics, including Russia.

The Ukraine funds included $35 million for agriculture, $25 million to help decommission the Chernobyl reactor, $5 million for small business development, and $5 million for treatment of children affected by the Chernobyl incident. Another $50 million of the Ukraine funds was provided for nuclear reactor safety, including $20 million for safety panels for all reactors, and $20 million for simulators and training. Availability of funds for Ukraine was subject to a certification that there was no military cooperation between that country and Libya.

Funds for Russia could not be provided unless the President made a determination that Russia had ended its agreement to sell and provide training for a nuclear reactor in Iran. There was no waiver provision in the Senate Committee language.

Other earmarks in the Senate bill provided $15 million for hospital partnerships, $15 million for family planning, $2.5 million for the American-Russian Center in the Far East, $50 million for the Western NIS and Central Asian Enterprise Funds, and $10 million for the Trans-Caucasus Enterprise Fund. For Peace Corps operations in the region, $12 million would be made available. Of $12 million earmarked for law enforcement (from the NIS and SEED accounts), $1 million would have to be used for activities to combat violence against women in Russia.

During Senate floor debate, only two amendments affecting the FSU aid program were adopted. One required that $25 million of the total NIS account be used for legal reform efforts, including support for the development of commercial law, strengthening an independent judiciary and bar, and legal education for judges and law students. The other earmarked $5 million of the Ukraine allocation for a land and resource management institute to identify nuclear contamination at Chernobyl.

On July 10, the Senate approved S. 1745, the Defense Authorization bill, which authorized $327.9 million under the Nunn-Lugar Cooperative Threat Reduction Program. On July 18, the Senate approved H.R. 3610, the Defense Appropriations bill, providing $327.9 million for this program.

Conference Report. On September 28 and September 30, 1996, the House and Senate respectively approved an Omnibus Consolidated Appropriations Act, H.R. 3610 (P.L. 104-208), that included the FY1997 Foreign Operations Appropriations. It provided $625 million for the NIS account.

The FY1997 foreign operations appropriations maintained most of the Senate bill's country and program earmarks. The measure included $225 million for Ukraine, $25 million of which was to be used for decommissioning the Chernobyl plant, $35 million for agricultural projects, $5 million for the small business incubator project, $5 million for treatment of childhood illnesses resulting from Chernobyl, $5 million for a "land and resource management institute" to identify nuclear contamination at Chernobyl, and $15 million for legal restructuring to support creation of a market system economy. It also required that $50 million of funds from available FY1996 and FY1997 appropriations be used for nuclear reactor safety in Ukraine, of which $20 million should go to safety parameter display systems and $20 million to Full Scope and Analytical/Engineering simulators.

The appropriations act also earmarked $95 million for Armenia, $10 million for the Transcaucasus Enterprise Fund, $15 million for family planning in the NIS, and $2.5 million for the American-Russian Center in the Far East. Conference report language directed that $1 million be used for health and law enforcement efforts seeking to reduce violence toward women. It also called for continued assistance for law enforcement and training in the NIS and Central Europe at FY1996 levels. The report further supported the transfer of $12 million from the NIS account to Peace Corps for its activities in this region.

On July 30, conferees reported the Defense Department Authorization Act, H.R. 3230. The bill provided $364.9 million under the Nunn-Lugar Program and an additional $57 million for Department of Energy nuclear nonproliferation activities in the FSU. It was signed into law on September 23 as P.L. 104-201. The conference report on H.R. 3610, the omnibus appropriations act which included the Defense Appropriations, provided $327.9 million for Nunn-Lugar activities. The Department of Energy Appropriations, H.R. 3816, signed into law (P.L. 104-206) on September 30, 1996, provided $48.5 million for its FSU nuclear programs.

Major Issues in 1996. Concern for the future of the U.S. assistance program for Russia was raised by the January 1996 actions of President Yeltsin, who replaced a number of his key economic reformers in a bid to remake his image prior to the presidential election scheduled for June 16, 1996. Since Yeltsin had previously removed reformers only to continue reformist policies, Administration officials took a wait-and-see attitude. This approach was perhaps later justified by Yeltsin's post-election appointment of one of the country's leading reformists, Anatoly Chubais, as chief of staff.

Western leaders had to balance their concerns regarding the future of reform with the possible alternative of a communist victory in the election. In January, U.S. and other Western officials warned that Russia could lose a loan being negotiated with the IMF if it failed to maintain its reform program. In February, possibly bowing to U.S. and other Western country interest in bolstering the position of Yeltsin prior to the election, the IMF agreed to lend $10.2 billion to Russia over three years. However, in a move signalling continued caution, the IMF required that the loan be provided in monthly tranches that would follow monitoring reports to insure Russia kept to its promised reform track. On July 22, the IMF indicated that it would delay the disbursement of a $330 million tranche because of Russia's failure to meet reform conditions for the loan. The specific problem appeared to be the Yeltsin government's low cash receipts, stemming from the failure to enforce tax laws. The IMF went ahead with the loan on August 21. However, on October 24, the IMF again suspended loan disbursements. The October payment was made in mid-December 1996.

In 1996, Congress continued the pattern of conditioning aid to Russia. One new effort appeared in the Cuban Liberty and Democratic Solidarity (Libertad) Act of 1996 (H.R.927), signed into law on March 12, 1996 (P.L. 104-114). The new law requires a reduction of assistance to any country by the amount of aid it provided in support of intelligence facilities in Cuba or in support of the Cuban nuclear facility at Juaragua. However, the restriction does not apply to most, if not all, categories of assistance then being provided to Russia, including democratization, the development of a free market economy, the grassroots private sector, and secondary school exchanges.

In appropriations bills, a number of conditions on aid from the previous year were adopted at the Committee-level. These included the FY1996 language prohibiting aid unless the President assures that Moscow has terminated its plans for the sale of nuclear power plants to Iran. As in the previous year, it allowed the President to waive this restriction if he deemed it in the interest of U.S. national security. The President waived the FY1997 restriction on November 8, 1996, in Presidential Determination 97-01.

No efforts to cut aid were introduced during floor debate on bills affecting U.S. aid to Russia and other successor states of the Soviet Union. However, some recommended that aid to Russia be curtailed in future years. The Senate Foreign Operations Subcommittee suggested in its report that aid be phased out after FY1997, noting that, after that year, it intended to provide "modest support" only for "health and humanitarian needs, democracy and rule of law programs, nuclear safety, and security initiatives." In effect, Russia already received a significant cut in aid by the

FY1997 appropriations bill. Although the Administration sought $173 million for Russia, due to the extensive earmarking of other countries in that bill, Russia would end up with about $95 million, the lowest amount made available for Russia programs since the aid program began.

The decrease in aid to Russia reflected, in part, the continuing concern expressed by Senator McConnell since 1994 and again at a hearing on May 15, 1996, that U.S. foreign policy had become too dependent on Yeltsin and that more funds should be funneled to other countries in the region. Georgia, Armenia, and Ukraine were promoted as candidates for increased assistance and had been the beneficiaries of congressional earmarks. In response, the Administration continued to argue the strategic importance of Russia to U.S. foreign policy, while also noting that the other countries would get aid to the extent that they adopted economic policy reforms.

Despite its delay or rejection of privatization and other reforms, Ukraine remained the largest recipient of NIS aid in FY1997. Congress earmarked $225 million for Ukraine, a 30% increase over the Administration's request for that country. Congress earmarked $95 million for Armenia, although, by the end of 1996, serious questions were being raised regarding Armenia's commitment to democratic reform. A $25 million earmark for Georgia (from all sources) contained in the Senate version of the FY1997 bill was deleted from the conference report. Although conference managers noted that Georgia lagged behind it neighbors in political and economic reforms — a view that might have been disputed by experts — they recommended that funding be maintained at the FY1996 level to help insure that reforms were made. The conference report also recommended that no funds be provided to Belarus due to its movement away from political and economic reform.

Criticisms regarding implementation of the aid program were fewer in 1996 than in previous years. But disparate views were expressed regarding the extent to which certain sectors should be supported with U.S. assistance. During 1996, as parliamentary and presidential elections approached in Russia, a number of critics complained about the relatively small amounts going to democratic initiatives in that country (only 5% narrowly defined, 18% more broadly defined). The conference report to the FY1997 foreign operations appropriations specifically criticized USAID and the NIS Coordinator for not including health and environmental health as priorities. And, in its discussion of aid to Ukraine, it urged that programs to screen and treat childhood mental and physical illnesses related to Chernobyl "supersede any non-conforming 'strategic objectives' of USAID."

Developments in 1997

On February 6, 1997, the Administration proposed its FY1998 foreign aid budget. The request included $900 million for the NIS account, a 44% increase over the FY1997 appropriations level of $625 million. As described by the Administration, $372 million of the request would fund the predominantly technical assistance-type activities that have characterized the NIS account and $528 million would be used to fund a new Partnership for Freedom initiative.

Administration Introduces the Partnership for Freedom (PFF) Initiative. The Partnership for Freedom initiative, as proposed, had several significant features. Responding to the concern of many analysts that the United States must remain engaged in the region, the PFF would extend NIS programs into the foreseeable future. As the old "technical assistance" programs were winding down (by the year 2001), PFF activities would continue.

The PFF would reverse the decline in funding for the NIS region that occurred since FY1995. In doing so, the PFF proposal also responded to concerns regarding the imminent demise of the program for Russia and the relatively low levels of assistance that had gone to Central Asia and parts of the Caucasus. Under the new request, assistance to Russia would increase by 153% in FY1998 (to $242 million), assistance to Kyrgyzstan would nearly double, and Tajikistan's would nearly triple. Assistance to the other Central Asian countries as well as to Georgia and Azerbaijan would also rise substantially.

Finally, as noted above, the PFF was intended to emphasize a different mix of program activities than was the case up to 1997. The initiative would emphasize, to a greater extent than previously, exchanges and cooperative partnership activities at the grassroots level, trade and investment, and assistance to entities outside of the central government.

Authorization Debate. On May 9, 1997, the House International Relations Committee reported H.R. 1486, The Foreign Policy Reform Act (H.Rept. 105-94). The bill would have authorized $839.9 for the former Soviet Union in FY1998 — about 7% less than the Administration's FY1998 request, but 34% higher than the FY1997 appropriation level — and $789.9 million in FY1999. Another provision of the bill conditioned any assistance to Russia over $95 million on Russia's termination of all official cooperation with and transfers of nuclear-related technology to Iran and Cuba. It did not provide presidential waiver authority. The bill also eliminated all funds for Russia if it transferred an SS-N-22 missile system to China. Waiver authority was provided for this provision.

H.R. 1486 did not reach the House floor due to the leadership's belief that there was inadequate support for foreign aid provisions. Instead, a new bill, H.R. 1757 was introduced, incorporating provisions relating to State Department, USIA, ACDA, international organizations, and other general foreign policy issues. It was approved on June 11. Another bill, H.R. 1759, containing foreign aid provisions, was introduced, but was never debated.

During debate on H.R. 1757, several foreign aid-related amendments were adopted, including two on the NIS program. One (Rohrabacher, approved 225-190) would prohibit economic aid to Russia in FY1998 and FY1999 if Moscow transferred an SS-N- 22 missile system to China. No presidential waiver was included in this language. The second (Fox, 415-12) expressed the sense of Congress, commending Ukraine for certain foreign policy positions, including relinquishing nuclear weapons and not participating in construction of nuclear reactors in Iran, and its adoption of democratic reforms. It recommended that Ukraine move to insure compensation for U.S. investors who had been subjected to fraud and corruption. Finally, it recommended that the President provide Ukraine with the same level of funds it received in FY1997 — $225 million.

The Senate foreign relations authorization, S. 903, passed the Senate as H.R. 1757 (90-5) on June 17. It contained no NIS foreign aid provisions comparable to those in the House bill.

The conference report (H.Rept. 105-432), filed on March 10, 1998, removed the House NIS provisions from the final bill. It was vetoed by the President on October 21, 1998.

FY1998 FSU Aid Appropriations Debate in the House. On September 4, the House approved by a vote of 375-49 its version of the FY1998 foreign operations appropriations bill, H.R. 2159 (H.Rept. 105-176). It provided $625 million for the NIS account, the same as the year before, 30% below the President's $900 million request, and $175 million less than the proposed Senate level.

As in previous years, the House Committee bill contained no country earmarks. However, the bill placed significant conditions on assistance to Russia and Ukraine. Russia would be prevented from receiving assistance unless the President determined that it had terminated arrangements to provide Iran with technical expertise, training, technology, or equipment necessary to develop a nuclear reactor, related nuclear research facilities, or ballistic missile capability. Half of the funds allocated to Russia could be made available if the President determined that it was vital to the national interest of the United States. Half of the funds allocated to Ukraine would be withheld until the Secretary of State certified that the Ukraine government was enforcing a recent anti-corruption decree, had substantially completed privatization of state owned agricultural storage, distribution, equipment, and supply monopolies, and had fully resolved most of the commercial disputes involving complaints by U.S. investors and established a permanent legal mechanism for dispute resolution.

The bill restated the section 907 restriction on aid to Azerbaijan unless it took steps to end a blockade and other use of force against Armenia and Nagorno-Karabakh. However, it would allow democracy assistance to be provided in addition to the NGO humanitarian assistance which had been allowed in previous appropriations. Unlike the Senate version of the bill, it continued to apply 907 aid restrictions to OPIC, TDA, and Eximbank activities.

FY1998 FSU Aid Appropriations Debate in the Senate. On June 24, the Senate Appropriations Committee reported S. 955, the foreign operations appropriations bill for FY1998 (S.Rept. 105-35). It provided $800 million for the NIS account, 11% less than the Administration request, but a 28% increase over FY1997. As in previous years, the Senate bill contained numerous country and sector earmarks. It provided $225 million for Ukraine, of which $8 million was for law enforcement, $25 million for nuclear reactor safety, and $5 million for political party development. In response to concerns regarding corruption, slow economic reform, and the mistreatment of U.S. investors, the bill sought to withhold half of the Ukraine allocation until the President determined that Ukraine had taken steps to enforce an anti-corruption decree, privatize state-owned agricultural storage, distribution, equipment and supply monopolies, to resolve cases involving U.S. business complaints, and to establish a permanent mechanism to deal with commercial disputes.

S. 955 also earmarked $100 million for Georgia, of which $10 million was for energy development and privatization, $15 million for border security telecommunications infrastructure, $7 million for judicial reform and law enforcement, $5 million for border and customs control, $3 million for political party development, $5 million for Supsa urban and commercial development, and up to $7 million for business and education exchanges. The bill provided $95 million for Armenia. It also provided $10 million for a Trans-Caucasus Enterprise Fund.

The Senate bill also conditioned assistance to Russia on a presidential determination that it had terminated implementation of arrangements to provide Iran with technical expertise, training, technology, or equipment to develop a nuclear reactor or related research facilities. The bill repeated section 907 (of the Freedom Support Act) language prohibiting aid to the government of Azerbaijan, excluding aid to support electoral activities and political reform, and OPIC, TDA, and Export-Import Bank activities.

On July 17, 1997, the Senate approved S. 955 by a vote of 91-8. On the floor, several amendments regarding aid to the NIS were added. One (Smith, Oregon) would prohibit assistance to the government of Russia unless the President certified that Russia had not enacted a law that would discriminate against minority religions. This amendment was offered in response to the passage of legislation in the Russian legislature that Western observers believed would restrict religious freedom in Russia. The Senate also approved an amendment (Kyl) that added to the above mentioned restriction on aid to Russia if it transferred nuclear technology to Iran. The amendment would include "ballistic missiles" in its list of items that should not be provided to Iran. Another amendment adopted by the Senate (Kyl) earmarked $25 million of funds available to Ukraine for the legal restructuring necessary to support a free market economy.

Conference Report. On November 12 and 13, the House (333-76) and Senate (voice vote) respectively approved the conference report on H.R. 2159 (H.Rept. 105-401). It provided $770 million for the NIS account, 14% less than the Administration FY1998 request, but 23% higher than the FY1997 approved level. Included in the amount was an earmark of $225 million for Ukraine and $250 million for the southern Caucasus region. Of the latter, 37% ($92.5 million) was earmarked for Georgia and 35% ($87.5 million) for Armenia. The remaining $70 million of the southern Caucasus funds were to be used for reconstruction efforts related to the conflicts in the region — conferees recommended providing $12.5 million for victims of Nagorno-Karabakh and $5 million for victims of the Abkhazia conflicts.

The country earmarks left funding for Russia and Central Asia, both prime targets of the Administration's Partnership for Freedom Initiative, significantly short of requested levels. However, some previous year constraints on the NIS account were eliminated, providing the NIS Coordinator with greater flexibility than in the past. The bill increased appropriations for the Export-Import Bank, with the intention expressed by conferees that the Bank would participate significantly in the Initiative. This action conserved NIS account funds that might have been transferred to support export activities in the region. In addition, the Peace Corps was appropriated full funding in FY1998 with no proviso that funds for NIS activities be transferred from the NIS account The conferees also allowed the use of up to $43.7 million of the southern Caucasus funds to be used in other areas of the FSU if the Secretary of State reported that they could not be used effectively otherwise, and specifically if an interim settlement to regional conflicts was not achieved by May 30, 1998.

There were two key restrictions on aid to Russia, both aimed at the government of Russia and presumably not affecting aid to the grassroots private sector. One withheld half of aid allocated to the government until the President certified that it had terminated sales of nuclear reactor technology and missiles to Iran. Presidential waiver authority on the grounds of U.S. national security and that the Russian government was taking steps to curtail such transfers was provided. Second, no aid would be available for the government of the Russian Federation if it implemented its law restricting religious minorities. No waiver was provided for this provision which took effect roughly 6 months after enactment of the bill.

Aid to Ukraine was conditioned on its undertaking of significant economic reforms "additional to those which were undertaken in the previous fiscal year". Half of aid to Ukraine, excluding election and nuclear reactor-related aid, was withheld until the President certified Ukraine was making progress toward resolving complaints of U.S. businessmen. The conference report called for $25 million of Ukraine funds to be provided for the Department of Energy project on nuclear reactor safety.

Assistance to Azerbaijan, mostly prohibited under section 907, was allowed for democracy, Trade and Development Agency, and U.S. Foreign Commercial Service activities.

Nunn-Lugar Cooperative Threat Reduction. The Administration's FY1998 Department of Defense budget included a request of $382.2 million for the Nunn-Lugar Cooperative Threat Reduction Program. The proposed amount was 17% higher than the FY1997 appropriation. On June 25, the House passed H.R. 1119, the defense authorization and on July 29, it approved H.R. 2266, the appropriations bill. Both provided $284.7 million for Nunn-Lugar programs. The Senate version of the defense authorization, S.936, providing $382.2 million, was approved on July 11. The Senate appropriated $382.2 million for Nunn-Lugar programs on July 15 in S. 1005. The conference reports on both authorization (H.Rept. 105-340) and appropriation bills (P.L. 105-56) adopted the Senate and Administration request levels of $382.2 million.

Emerging Issues and Trends in 1997. Perhaps the most significant development for the aid program in 1997 was the turnaround in the three year decline in aid to the NIS. With the Partnership for Freedom initiative, the Administration articulated a longer-term strategy for the region, reversing the position held up to then that the aid program would achieve it goals by the year 2002. Despite indications in 1996 that Senate appropriators were prepared to see the Russia program continue its sharp decline, Congress partly accepted the Administration's strong defense of the NIS program in approving an FY1998 budget 23% higher than the previous year, thereby allowing a 40% increase in Russia aid.

Another striking departure from earlier trends was the growing criticism of aid to Ukraine. In fiscal years 1995 and 1996, Ukraine received a $225 million earmark, making it the largest NIS recipient in those years. Despite the support of a strong U.S. ethnic lobby, Ukraine's failure to adopt economic and political reform led some in Congress to question the level of funding provided to Ukraine. The Ukraine earmark came under fire by members of the House Foreign Operations Subcommittee at a hearing held on April 9, 1997. Members were particularly incensed by information in an article published the same day in *The New York Times* describing the failure of reform and the ill effects of corruption on U.S. business investment. Subsequently, on April 29, the House Appropriations Committee reported out a provision in the Emergency Supplemental Appropriations, H.R. 1469, that granted the President the authority to waive the FY1997 Ukraine earmark if that country was not taking steps to adopt reforms and eliminate corruption. This provision, except as it related to the sub-earmark on nuclear safety, was adopted in the conference report on H.R. 1469, later vetoed by the President for unrelated reasons. In the FY1998 appropriations, however, half of the $225 million earmarked for Ukraine was withheld until issues affecting U.S. investors were resolved.

In 1997, an erosion in the prohibition on aid to Azerbaijan became evident as many in Congress and the Administration did not want the United States to appear to be biased in favor of Armenia while playing a role in the Minsk Group that oversees the peace talks, and, perhaps more importantly, because U.S. economic interests in Azerbaijan had grown with the exploitation of oil resources by U.S. firms. The FY1998 foreign operations bill allowed both the U.S. Foreign Commercial Service and the Trade and Development Agency to function in Azerbaijan.

Developments in 1998

Administration FY1999 Request. On February 3, 1998, the Administration proposed its FY1999 budget, including $925 million for the NIS account, a 20% increase over the FY1998 level. Under the proposal, countries that benefitted least from the FY1998 increase in resources — Russia, the Central Asian states, Moldova, and Belarus — would receive substantial increases, while the other countries would face a small decline. Addressing a congressional committee on March 26, Ambassador Morningstar noted that the Partnership for Freedom initiative had not been fully funded in FY1998, and asserted that aid to Russia was "ridiculously low". At the same hearing, acting USAID Assistant Administrator Donald Pressley called for the repeal of section 907 which prohibits aid to Azerbaijan.

FY1999 FSU Aid Debate in the House. On July 15, the House Foreign Operations Subcommittee of the Committee on Appropriations approved a draft FY1999 appropriations bill — approved by the full Committee on September 10 and reported as H.R. 4569 (H.Rept. 105-719) — which provided $590 million for the NIS account, 36% below the Administration request and 23% less than the FY1998 level. Of the total NIS account, $194.7 million was earmarked for the Southern Caucasus region, including $77.9 million to support the peace effort between Armenia and Azerbaijan. The bill also limited the amount of assistance to any one country to one fourth of the total — $147.5 million. Although the Committee bill did not earmark specific amounts for NIS countries, in report language it "directed" specific percentages of the Southern Caucasus funds be provided to certain countries — 25% ($48.7 million) for Armenia and 25% ($48.7 million) for Georgia. The bill repeated the previous year's language with regard to the sale by Russia of nuclear technology to Iran, withholding half of the assistance for the Government of Russia unless it terminated such sales, but allowing for a presidential waiver.

The full Appropriations Committee adopted a Livingstone amendment that repealed section 907 of the FREEDOM Support Act, the section that had prohibited most U.S. assistance to Azerbaijan due to its conflict with Armenia. On September 17, the House approved H.R. 4569 by a vote of 255-161. The final bill was amended (Porter) to strike the repeal of section 907 adopted by the Appropriations Committee.

FY1999 FSU Aid Debate in the Senate. On July 21, the Senate Appropriations Committee reported, S. 2334, its version of the FY1999 Foreign Operations appropriations. The bill provided $740 million for the NIS, 20% below the Administration request of $925 million and 4% less than the FY1998 level of $770 million. Of total NIS account funds, the bill earmarked $210 million for Ukraine, $90 million for Armenia, and $95 million for Georgia.

The Senate bill contained numerous restrictions and earmarks. The bill withheld 50% of the amount earmarked for Ukraine, exclusive of funds for nuclear safety (earmarked at $25 million), Democracy Fund activities ($700,000), and law enforcement reforms ($8 million), until the Secretary of State reported that Ukraine had undertaken significant economic reform in FY1998. If funds were permanently withheld, they would be returned to the Treasury, rather than redistributed to other NIS countries. Of funds for Georgia, $35 million was earmarked for economic reforms, including small business development and banking institutions, $8 million for judicial reform and law enforcement, and $20 million for border and customs control training. Of funds for Armenia, $10 million was earmarked for the American University of Armenia, and $4 million for nuclear safety.

As was the case in the Senate version of the FY1998 bill, the FREEDOM Support Act section 907 restriction on aid to Azerbaijan was loosened to allow activities of the Overseas Private Investment Corporation (OPIC), the Trade and Development Agency, the Export-Import Bank, the Foreign Commercial Service, and activities supporting democracy and humanitarian assistance. At that time, OPIC and Export-Import Bank activities were prohibited.

The Senate bill would greatly toughen the FY1998 legislative language that restricted allocation of FY1998 assistance to Russia if it continued with its nuclear and missile sale cooperation with Iran. Unlike the FY1998 restriction which withheld half of the aid intended for the Government of Russia (as opposed to the private sector), the Senate bill would prohibit all FY1999 aid to Russia for all programs, not just Government, if the cooperation continued. Unlike FY1998, no national security waiver was allowed for this condition.

With few changes, the Committee proposals for the NIS were approved by the full Senate on September 2, 1998, in a 90-3 vote. The only relevant changes were the addition of an amendment that prohibited the Export-Import Bank from providing its loans or guaranties to NIS enterprises that were majority owned or managed by state entities, and an amendment that proclaimed the sense of Congress that the IMF should not provide funding to the Russian Government if its economic policies were significantly affected by the Communist party or under conditions less stringent than those imposed on Asian democracies.

FY1999 Conference Report. On October 20, the House approved H.R. 4328, the Omnibus Consolidated Emergency Appropriations for FY1999, containing the foreign operations bill, by a 333-95 vote. The Senate approved the measure on October 21, by a vote of 65-29. The President signed the bill into law on October 21 (P.L. 105-277). The Omnibus Appropriations bill provided $847 million for the NIS, $78 million less than the Administration request, $107 million more than the Senate earmark, and $257 more than the House earmark. Under the NIS account of the foreign operations section of the bill, $801 million was appropriated, and an additional $46 million was appropriated as an emergency supplemental.

The bill limited assistance appropriated to any one country under the NIS account section to no more than 30% (i.e. $240.3 million). It earmarked $228 million for the Southern Caucasus region, including $39.9 million for reconstruction activities related to the Abkhazia and Nagorno-Karabakh conflicts, $84.36 million for Georgia, and $79.9 million for Armenia. Of the amount allocated for Armenia, $9.58 million was expected to go to a one time interest-bearing endowment for the American University in Armenia. If by May 30, 1999, funds for reconstruction noted above could not be used, they could be used for other purposes in the Southern Caucasus region. The bill also earmarked $195 million for Ukraine, including $25 million for nuclear reactor safety. Half of the funds, excluding the reactor and law enforcement activities, were subject to withholding until the Secretary of State reported in February that Ukraine has undertaken significant economic reforms in FY1999.

As was the case in FY1998, 50% of funds allocated for the Government of Russia were to be withheld unless the President could certify that it had terminated sale of nuclear or ballistic missile technology to Iran. A national security waiver was possible if the President could certify that Russia was taking meaningful steps to limit contracts and curtail the transfer of technology. In FY1998, the President did not waive this provision. Unlike FY1998, the legislation's statement of conferees noted that, by "Government of Russia", they did not intend to affect U.S.-Russia partnerships between hospitals, universities, and environmental institutions.

The bill extended the number of U.S. aid programs excluded in previous years from the prohibitions of section 907 of the FREEDOM Support Act, which applied to aid to the Government of Azerbaijan, if it did not take steps to end the blockade and other force against Armenia and Nagorno-Karabakh. U.S. assistance could now go to the Government of Azerbaijan to support democracy, non-proliferation, TDA, and Foreign Commercial Service activities, as well as OPIC insurance, Export-Import Bank financing, and humanitarian assistance.

Nunn-Lugar Cooperative Threat Reduction. The Clinton Administration requested $442.4 million for the Nunn-Lugar program for FY1999. On October 17, 1998, the President signed P.L. 105-261, the FY1999 Defense Authorization (H.R. 3616). It provided $440.4 million for the Nunn-Lugar program. The Defense

Appropriations for FY1999, approved on October 17 (P.L. 105-262), also provided $440.4 million for CTR programs.

Major Trends and Issues in 1998. During 1998, the Administration responded to several prominent congressionally imposed conditions on assistance to NIS countries. On April 29, the Secretary of State made the determination that Ukraine had made "significant progress" toward resolving complaints by U.S. investors in order to unblock nearly half of the $225 million earmark for that country. At the same time, the Secretary continued to withhold $25 million of the total Ukraine allotment that would have gone to the Government of Ukraine, pending significant progress in adoption of economic reforms that would make the assistance more effective. These funds would be diverted to the private sector if reforms were not made in the following several months. The funds were eventually released.

On May 26, President Clinton determined that the Government of Russia had not taken actions that would discriminate against minority and foreign religious groups and had not implemented the new Russian Law on Religion to that effect (Presidential Determination 98-23). Such a determination was required under the FY1998 foreign operations appropriations in order for assistance to continue to the Government of Russia. However, the determination also noted that the issue required "continued and close monitoring."

The Administration was unable to determine that Russia had terminated its agreement to sell nuclear reactor technology to Iran, and, therefore, half of all assistance intended for the Government of Russia was diverted to other programs or countries. Under a State Department interpretation, the roughly $24 million cut affected regional and local governments, as well as the federal government of Russia.

Under the FY1999 appropriations bill, for the second straight year, Congress increased assistance to the NIS, although not to the level originally requested by the Administration. The higher level permitted an increased allocation of funds for Russia and Central Asia programs for FY1999.

The State Department and USAID were faced in mid-year with possible new demands created by the August 1998 financial crisis in Russia. On October 2, 1998, Secretary of State Albright said that the United States was reexamining the program and "retargeting money where it can be used effectively to support economic and democratic reform." The most significant early change in the economic aid program was a $10 million increase in assistance to independent media which had suffered financially due to the loss of advertising revenue.

In October 1998, the Yeltsin government formally asked the United States for food assistance to help it deal with the impact of the financial crisis that threatened to create a situation of severe hunger in parts of the country during the winter. On November 6, the U.S. Department of Agriculture announced an $885 million food assistance package, consisting of 1.5 million metric tons of donated U.S. wheat (under section 416(b)), 1.5 million metric tons of various foodstuffs provided through a low interest loan (P.L. 480, Title I), and 100,000 metric tons of humanitarian food aid provided to volunteer relief agencies for direct distribution to vulnerable groups

(Food for Progress). Included in the total estimated amount of the package was $260 million in transport costs.

U.S. economic interests in 1998 played a role in determining aid policy in two NIS countries. Congress earmarked only $195 million in FY1999 aid to Ukraine, a departure from the $225 million earmark it had received each year since FY1996. The decrease could be read as continuing concern regarding the slow progress of Ukrainian economic policy reform as well as concern regarding treatment of U.S. investors. The growing importance of U.S. economic interests in Azerbaijan is likely responsible for the further expansion of the types of U.S. assistance that may be provided that country, despite the formal continuation of the section 907 prohibition on aid.

Developments in 1999

Administration FY2000 Request. On February 1, the Administration presented its FY2000 budget request to Congress. It requested $1.032 billion in FY2000 funding for the NIS account, a 22% increase over the FY1999 level of $847 million. Of this amount, $241 million was expected to go for a new Expanded Threat Reduction (ETR) Initiative that would address proliferation issues arising out of the economic crisis facing Russia and other NIS countries. The ETR initiative was part of a larger $1.0 billion Administration FY2000 proposal for increasing amounts dedicated to proliferation issues in the NIS, the remaining funds coming from the Department of Defense ($485.5 million) and the Department of Energy ($264.7 million). Over five years, most of the $1.8 billion added by the initiative to amounts previously planned for non-proliferation activities would go to DOE and DOD. But in the first year, three-fourths of the higher funding level requested would be in State Department programs, mostly funded under the NIS account.

Table 3. Threat Reduction Funding
(in $ millions)

Agency	FY1992-1999 Approp.	FY1999 Approp.	FY2000 Req.	FY2000-2004 Req.
DOD	2,701.0	450.4	485.5	2,463.9
Energy	950.0	238.9	264.7	1,323.7
State	80.0	53.1	250.5	738.5
Total	3,731.0	742.4	1,000.7	4,526.1

Source: Department of State

State Department-managed programs — $53 million in FY1999 — included several efforts to forestall the proliferation of weapons expertise held by nuclear, chemical, and biological weapons scientists, who were likely to sell their knowledge to rogue nations unless offered alternative employment and income opportunities. In addition, the United States worked to strengthen NIS export controls and provide training and equipment to the border guards of Georgia and other NIS countries to prevent transfer of weapons of mass destruction. The ETR initiative proposed to fund a new effort to remove the Russian armed forces and equipment from bases outside Russia and to dispose of ammunition dumps vulnerable to theft.

The FY2000 request did not mark a major increase in support for the traditional efforts to build democracy and free market economies in the NIS that have characterized the FREEDOM Support Act program. After subtracting the nonproliferation request, traditional activities were funded at roughly $791 million.

Early in 1999, responding to conditions placed on NIS aid in the FY1999 foreign operations appropriations, Secretary of State Albright issued several determinations. On February 18, the Secretary certified to Congress that Ukraine had made sufficient progress in its economic reforms to enable release of the half of its economic aid that had been withheld under the legislation. On April 15, she certified that the Russian Federation had implemented no law that would discriminate against minority religions, thereby allowing all NIS account aid to Russia to continue. On the same day, she also determined that significant progress had been made in reaching an agreement with the government of the Russian Federation to exclude U.S. assistance from customs duties, thereby allowing aid directed at the central government of Russia to continue.

Emergency Supplemental Appropriations. On March 23, 1999, the Senate approved S. 544, the emergency supplemental appropriations bill. Among the offsets to pay for the appropriations was a rescission of $10 million from Russia program appropriations made for FY1995, FY1998, and FY1999. In addition, the Senate bill called for a 5% across-the-board cut in the FY1999 omnibus appropriation's non-defense emergency activities — $46 million of which had been appropriated to the NIS account (i.e., a $2.3 million cut). On March 17, the House Appropriations Committee reported H.R. 1141, its version of the supplemental, that would have rescinded $25 million of any unobligated funds appropriated for the NIS account. Bill conferees, however, dropped the House and Senate offsets that would have rescinded previous NIS and Russia program appropriations.

On May 21, the President signed H.R. 1141, the FY1999 Supplemental Appropriations, into law (P.L. 106-31). Although chiefly providing funds for Central America hurricane damages and Kosovo, the legislation also directed that up to $10 million from FY1999 appropriations for Senate operations be used for a Russian Leadership Program, to be implemented by the Librarian of Congress. It would bring emerging Russian political leaders to the United States for short visits to give them firsthand exposure to the U.S. free market economic system and democratic institutions.

FY2000 FSU Aid Debate in the Senate. On June 17, the Senate Appropriations Committee reported its version of the FY2000 foreign operations bill. S. 1234 (S.Rept. 106-81) would fund the NIS account at $780 million, 24% less than the Administration request and 8% less than the FY1999 level (including supplemental). On June 30, the full Senate approved S. 1234 by a vote of 97-2, leaving the NIS account mark intact but amending the Committee bill on a number of important policy points.

Two floor amendments on the Expanded Threat Reduction Initiative were adopted that appeared to challenge the Committee position on the issue. At the proposed level of funding, the Committee had, in effect, rejected the Administration's new Expanded Threat Reduction Initiative. In report language, the Committee noted concerns raised by recent audits — presumably referring to a GAO study on the DOE-funded and managed Initiatives for Proliferation Prevention (IPP) program — that had criticized that program's implementation and questioned the program's contribution to nonproliferation objectives because none of its projects was a commercial success. The Committee suggested that it would be "ill advised" to support a large funding increase for programs that may not have a "restraining effect" on proliferation. Fifty-seven percent of the foreign operations bill funds proposed for ETR projects were expected to be used for nuclear and chemical scientist alternative employment projects similar to the IPP program in their objective, but each was to be implemented differently and none was to be managed by DOE. The remaining funds were intended for export control, border security, and ammunition disposal activities, not addressed in the GAO report.

Both Expanded Threat Reduction Initiative amendments (Biden and Schumer) stated the sense of the Senate that Initiative programs were vital to U.S. national security interests. Both also supported the restoration of funding at or near the $250 million Administration request level when the bill reached conference. The Senate action appeared to presume that additional funding above the allocations provided by the budget resolution to the international affairs account would be available by the time a House-Senate conference on the foreign operations bill was held.

As in previous years, the Senate bill contained several country earmarks — $210 million for Ukraine (up from $195 million appropriated in FY1999), $95 million for Georgia ($84.4 million in FY1999), and $90 million for Armenia ($79.9 million in FY1999). There were few sub-earmarks in the bill — of Ukraine funds, $25 million had to be spent on nuclear reactor safety, $5 million for technology business incubator programs, and, added on the floor, $3.5 million for destruction of stockpiles of anti-personnel landmines. Of Georgia's allocation, $8 million was for judicial reform and law enforcement training. A floor amendment made $15 million of Armenia's funds available for earthquake rehabilitation and reconstruction. Other floor amendments to the bill provided $2 million of NIS funds for NGOs teaching graduates skills for the job market, and $200,000 for the REAP International School Linkage Program between North Dakota and the Russia Far East. The Senate also endorsed the activities of the Citizen's Democracy Corps, which provided business volunteers to the NIS. In report language, the Committee recommended assistance efforts to improve orphanage facilities, support independent media, develop health-related exchanges and partnerships, and target the Russian Far East, among others.

The Committee bill, as it had in 1998, would have prohibited all aid to Russia — government and non-government — unless the President determined that the government of Russia had terminated the transfer of technical expertise, training, and equipment to help Iran develop a nuclear reactor. A McConnell/Leahy floor amendment, however, made the prohibition only affect half of the aid allocated to the central government of Russia — relieving a concern raised in the FY1998 and FY1999 conditions that cut aid to local and regional governments in that country. A new condition in the legislation would prohibit aid to the government of Russia until the Secretary of State certified that Russia had not developed a separate zone of operational control in Kosovo and that Russian armed forces in Kosovo were fully integrated under NATO unified command and control arrangements. The bill also withheld half of all aid to Ukraine, excepting nuclear safety, law enforcement, and business incubator programs, until the Secretary of State certified that Ukraine had undertaken significant economic reforms additional to those achieved in FY1999. A floor amendment added Ukraine efforts to end corruption by its government officials as a further criterion.

As in the FY1999 bill, the legislation restated the prohibition on aid to Azerbaijan contained in Section 907 of the FREEDOM Support Act and permitted a number of exceptions, including democracy, OPIC, TDA, Export-Import Bank, and humanitarian assistance. During floor debate, Senator Brownback offered an amendment, the Silk Road Strategy Act, that would authorize U.S. assistance programs in the South Caucasus and Central Asia and amend Section 907 to allow the President to waive the provision on the grounds of national interest. Considerable debate took place on the waiver issue, which was resolved by its removal under a McConnell, Abraham, and Sarbanes amendment, adopted by a 53 to 45 vote.

FY2000 FSU Aid Debate in the House. On July 14, the House Foreign Operations subcommittee marked up its version of the FY2000 appropriations, and the full Appropriations Committee reported the bill on July 23. H.R. 2606 was approved by the House on August 3 by a vote of 385 to 35. It provided $725 million for the bill's renamed Independent States of the Former Soviet Union account, 30% less than the Administration request and 14% less than the FY1999 level (including supplemental). Like the Senate bill, the House version did not fully support the Administration's Expanded Threat Reduction initiative.

Only one amendment affecting the "Independent States" account was offered during House floor debate. The Traficant amendment, adopted without opposition, limited assistance provided to the Government of the Russian Federation under the account to $172 million. While it otherwise avoided the dollar earmarks that characterized the Senate bill, H.R. 2606 did require that allocations for Georgia and Armenia reflect the proportion provided in the FY1999 allocation (excluding, however, the amount in the total directed at nonproliferation activities), and that 17.5% of funds for the Southern Caucasus region be used for confidence-building measures that might lead to a peaceful resolution of local conflicts.

Like the bill that emerged from the Senate floor, the House version withheld half of the allocation for the central government of Russia unless the President determined that Russia had terminated its sale of nuclear reactor technology to Iran. However, the bill specifically excepted efforts to combat infectious diseases and child survival activities as well as nonproliferation programs from this condition, and report language noted the Committee intention that regional or municipal governments, hospital partnerships, and judicial training not be limited. The House bill also largely repeated Senate language excepting democracy, nonproliferation, TDA, Foreign Commercial Service, OPIC, Export-Import Bank, and humanitarian activities, specifically including those under the child survival account (this latter inclusion was new language, not in the Senate version), from the prohibition on aid to the Azerbaijan government contained in section 907 of the FREEDOM Support Act.

In report language, the Committee noted that it had dropped the requirement that half of Ukraine's assistance be withheld pending certification that it was taking steps to resolve U.S. business concerns and adopt policy reforms, remarking that certifications were made in 1999 despite the lack of action by Ukraine to resolve cases of primary concern to the Committee. The report also noted the Committee's failure to include specific amounts for the Administration's ETR initiative, stating that, although it found merit in many of the proposed activities, it was not convinced that the expansion of several projects was feasible or justified. The report, among other priorities, recommended support for partnerships between U.S. non-governmental organizations and Ukraine, partnerships between the private sector and Russian nuclear institutes, efforts to develop an independent media, iodine deficiency elimination efforts, the Russian orphans program, and the use of up to 5% of the child survival account for programs in the independent states.

In a separate action, on August 2, the House approved H.R. 1152, the Silk Road Strategy Act of 1999. The Senate had earlier approved similar language as an amendment to its FY2000 foreign operations bill. Although somewhat duplicative of the FREEDOM Support Act, the Silk Road Act authorized assistance and laid out congressional priorities with specific regard to the countries of Central Asia and the Caucasus. Both House and Senate versions omitted section 907 language with respect to Azerbaijan.

Conference Report on H.R. 2606. On September 27, the House-Senate conference issued its report on H.R. 2606 (H.Rept. 106-339), providing $735 million for the now-renamed Independent States of the Former Soviet Union account, 29% less than the Administration FY2000 request, and 13% less than the FY1999 level. The conferees also agreed to recommend a $180 million level for Ukraine, and to earmark 12.92% of the total account ($95 million) for Georgia, and 12.2.% ($90 million) for Armenia. For the first time, the conferees earmarked $6 million of the account for Mongolia. No country could receive more than 25% of the total account.

The recommended account funding level and country earmarks would likely reduce aid for Russia programs from FY1999 levels, and would prevent aid from increasing to the levels proposed by the Administration to permit full implementation of the Expanded Threat Reduction Program. Of those funds that would be allocated to Russia, the conference report directed that $20 million must be spent on the Far East and $10 million should be used to carry out the Russian Leadership Program, which was originally funded from the Senate operations budget when it was established in the May 1999 supplemental. The program, administered by the Library of Congress, brought promising Russian leaders to the United States to expose them to American democracy.

As in FY1999, the FY2000 bill withheld half of aid to the government of Russia until the President determined that the government of Russia had terminated any arrangements to provide Iran with technical and other assistance to develop a nuclear reactor or ballistic missile capability. Unlike previous years, however, the provision only affected the government of the Russian Federation, not aid to local and regional governments. Further, it exempted nonproliferation and child survival activities, and efforts to combat infectious diseases. The report contained a new condition, requiring that no aid to the central government of Russia be provided until the Secretary of

State certified that Russian armed forces had not established a separate sector in Kosovo and were operating under NATO command. As in previous years, aid was also prohibited to the government of the Russian Federation if it implemented a law discriminating against religious minorities.

The conference report required that, of funds allocated to the Caucasus, 15% should be used for measures to further a peaceful resolution of the regional conflicts there. Section 907 restrictions on aid to Azerbaijan were lifted for democracy, humanitarian, nonproliferation, TDA, Foreign Commercial Service, OPIC, and Export-Import Bank assistance. The bill also contained the Silk Road Strategy Act that, adding a new chapter to the Foreign Assistance Act of 1961, which has governed foreign aid programs since that date, authorized assistance and laid out congressional priorities with specific regard to the countries of Central Asia and the Caucasus.

The conferees' statement included a number of recommendations. For example, the conferees directed that $15 million of funds for Armenia be used to support recovery in areas affected by the 1988 earthquake, and that $25 million of funds for Georgia be used for border security and law enforcement training. They recommended that $25 million of funds for Ukraine be used for nuclear safety, and up to $10 million be used for regional initiatives. They also directed that $3 million be provided to Carelift International for transport of U.S. surplus medical equipment.

On October 6, Congress approved the conference report — the House by a vote of 214 to 211, the Senate by a vote of 51-49. The President vetoed H.R. 2606 on October 18, in part because of insufficient funding for the former Soviet Union.

H.R. 3196. On November 5, following the President's veto of H.R. 2606, the FY2000 foreign operations appropriations, the House approved H.R. 3196, a new version that provided $839 million for the former Soviet Union, $104 million more than H.R. 2606. Although providing 19% fewer funds than the Administration FY2000 request (but only 1% less than the FY1999 level), H.R. 3196 fully funded the foreign operations portion of the President's Expanded Threat Reduction Initiative at $241 million. Funds from previous foreign operations appropriations could be used to meet this earmark.

The former Soviet Union provisions of H.R. 3196 were identical to those of the conference report version of H.R. 2606, with several additions. As noted, $104 million was added to the total funding for the region in a supplemental Title VI, and an earmark of $241 million to come from the bill and previous foreign operations appropriations was made for the Expanded Threat Reduction program. Finally, a $14.7 million earmark was added for maternal and neo-natal health activities in the FSU, at least $8.8 million of which should be spent in Russia.

H.R. 3422 and the Consolidated Appropriations. Following the House passage of H.R. 3196, further negotiations between Congress and the White House led to a few additional changes and introduction on November 17 of a third foreign operations appropriation bill, H.R. 3422. That bill was enacted into law by reference as part of H.R. 3194, the Consolidated Appropriations Act for FY2000 (P.L. 106-113, signed into law on November 29) that was approved by the House on November 18 (296-135) and by the Senate on November 19 (74-24).

After subtracting an across-the-board 0.38% rescission mandated by the Consolidated Appropriations Act, H.R. 3422 provided $835.8 million (originally $839 million) for the former Soviet Union, 19% less than the Administration FY2000 request, but only 1% less than the FY1999 level. The bill earmarked 12.9 % of the account for Georgia ($107.8 million), and 12.2% for Armenia ($102 million). Unlike previous years, it only recommended that $180 million "should" be made available for Ukraine, a soft earmark instead of a hard one. The bill capped assistance to any one country at 25% of the total account ($209 million), with the exception of nonproliferation activities.

H.R. 3422 also required that $20 million be for programs in the Russian Far East and that $14.7 million be made available for maternal and neo-natal health activities, of which 60% should be made available in Russia. The bill provided $10 million for the Russian Leadership Program, which was originally funded from the Senate operations budget when it was established in the May 1999 supplemental.

Although the bill left funding allocations for the Expanded Threat Reduction Program up to the Administration, the recommended account funding level and country earmarks effectively prevented aid from increasing to the levels proposed by the Administration to permit full implementation of the Expanded Threat Reduction Program. The Administration eventually allocated $175 million of the appropriation to the Program, $66 million less than the Administration request.

As in FY1999, the FY2000 bill withheld half of aid to the government of Russia until the President determined that the government of Russia had terminated any arrangements to provide Iran with technical and other assistance to develop a nuclear reactor or ballistic missile capability. Unlike previous years, however, the provision only affected the government of the Russian Federation, not aid to local and regional governments. Further, it exempted nonproliferation and child survival activities, and efforts to combat infectious diseases. The bill contained a new condition, requiring that no aid to the central government of Russia be provided until the Secretary of State certified that Russian armed forces had not established a separate sector in Kosovo and were operating under NATO command. As in previous years, aid was also prohibited to the government of the Russian Federation if it implemented a law discriminating against religious minorities.

H.R. 3422 also recommended that, of funds allocated to the Caucasus, 15% should be used for measures to further a peaceful resolution of the regional conflicts there. Section 907 restrictions on aid to Azerbaijan were lifted for democracy, humanitarian, nonproliferation, TDA, Foreign Commercial Service, OPIC, and Export-Import Bank assistance. The bill also contained the Silk Road Strategy Act that, adding a new chapter to the Foreign Assistance Act of 1961, authorized assistance and laid out congressional priorities with specific regard to the countries of Central Asia and the Caucasus.

Cooperative Threat Reduction. For FY2000 CTR programs, the Administration requested $475.5 million. Congress authorized that amount in the National Defense Authorization Act for FY2000 (S. 1059, P.L. 106-65) and appropriated $460.5 million in the Department of Defense appropriations (H.R. 2561, P.L. 106-79).

Major Trends and Issues in 1999. In 1999, only two issues – the Expanded Threat Reduction Initiative (discussed above) and a spate of anti-Russia rhetoric that threatened to affect the aid program (discussed below) – received significant public and press attention. Several trends, however, were notable.

For the second year in a row, the final NIS account appropriation was higher than the amount provided by both Senate and House bills, resulting from last minute negotiations between Congress and the Administration on the overall foreign operations legislation. Further, an increasing amount of the account went to nonproliferation activities, rather than to meeting traditional economic and political reform objectives. Consequently, more money was funneled away from USAID to other agencies than was the case previously. As much as 54 percent of the FY2000 funds were expected to go to other agencies, compared to roughly a quarter in the first six years of the program.

In 1999, Congress appeared to continue a tougher line toward aid to Ukraine over the issue of its failure to adopt economic reforms. While it dropped a two year provision that had required a determination on the degree to which Ukraine was adopting economic reforms, for the first time since it began earmarking funds for Ukraine in FY1996, Congress made the earmark a soft one, recommending, instead of requiring, that $180 million be provided. Congress also showed signs of paying more attention to Central Asia, somewhat neglected in the aid program, by passing the Silk Road Strategy Act. However, after country and program earmarks, the region was expected to receive less in FY2000 than it had the year before.

Russia and the Bank of New York Scandal. In 1999, Russia became the subject of a debate that threatened to affect the U.S. assistance program and, tied to the U.S. presidential campaign, seemed likely to be revived in 2000. In August, newspaper reports of an investigation into the possible transfer of as much as $10 billion in Russian money through the Bank of New York inspired a number of political commentators to link the occurrence of widespread corruption and capital flight in Russia (neither new nor startling revelations) with mishandled assistance funds and an indictment of the Administration's foreign policy toward Russia and especially the role of Vice President Gore who was identified with U.S.-Russia policy by virtue of his co-chairmanship of the Joint Commission on Economic and Technological Cooperation. The Joint Commission acted as a conduit for discussion of key aspects of U.S.-Russia relations, including trade, investment, space, and the environment, and often made recommendations on use of assistance to facilitate these matters.

Some of the news reports implied that international aid funds may have been directed through the Bank of New York. If any donor funds were diverted, it was not likely to include U.S. bilateral economic assistance. The U.S. aid program had not been delivered in the form of a large monetary grant. Most aid had been in the form of U.S. technical expertise and equipment to the public and private sectors, credit assistance to small business, and project grants to NGOs. While serious abuse questions were raised with regard to the U.S. food aid program in 1993, the Department of Agriculture insisted that its current aid program was closely monitored.

Although balance of payments loans provided by the International Monetary Fund were liquid and provided on a large scale, there was no evidence that any IMF funds were among those involved in the Bank of New York investigation. The possibility of a diversion, however, prompted Representative Jim Leach to suggest that IMF loans be suspended until steps were taken to insure money was not diverted. The Administration pointed out that IMF loans approved in 1999 did not leave the IMF — they covered repayments of previous loans — an approach initiated largely because of concerns regarding possible misuse.

The Bank of New York issue was used by some political commentators to suggest that the Administration and Gore mishandled U.S.-Russia policy, partly by continuing to provide aid to Russia despite its descent into corruption, and by using aid to support the privatization process that some believe allowed the so-called oligarchs in Russia to achieve the vast wealth many in Russia associate with corruption. Other commentators variously pointed out that corruption long predated the current system and that U.S. support for privatization was an effort to rapidly ensure that communism could not return. Besides its support for privatization, U.S. assistance, they noted, had helped strengthen an incipient democratic system and free market economy through support for new businesses, a free press, a stock exchange, and local government, and continued to encourage the Russian federal government to develop a rule of law, including private land ownership and effective tax policy, despite the strong opposition of a communist dominated parliament.

Some observers believed that critics of U.S. policy overestimated the power of U.S. assistance to guarantee the realization of U.S. foreign policy objectives. While it was argued that both the Bush and Clinton Administrations might have exercised more influence to prevent corrupt practices and insure the adoption of economic reforms using the leverage of IMF and other international financial institution resources, others argued the bilateral aid program, often due to congressional constraints, was too small to have a decisive influence over events in Russia. In any event, some noted, not only was Russia not yet "lost," it was never ours to "lose."

Developments in 2000

Clinton Administration FY2001 Request. On February 7, 2000, the Clinton Administration proposed its budget for FY2001, including $830 million for the "Assistance for the Independent States of the former Soviet Union" account, less than 1% below the FY2000 appropriation. Of the total, $87 million was expected to go for Expanded Threat Reduction activities. An additional $45 million in ETR-related science center funding, previously provided in the FSU account, was requested under the nonproliferation account.

FSU Aid Debate in the Senate. On May 9, 2000, the Senate Appropriations Committee reported S. 2522, the FY2001 Foreign Operations Appropriations (S.Rept. 106-291). On June 22, the full Senate approved the measure by a vote of 95-4, and set it aside, pending completion of the House companion bill. On July 18, the Senate substituted the text of S. 2522 into H.R. 4811 and passed H.R. 4811. The Senate bill provided $775 million for the FSU, $55 million (7%) less than the Administration request.

As had been the case for many years, the Senate bill contained numerous country and project earmarks. It provided at least $175 million for Ukraine, of which $25 million was for nuclear reactor safety, $1 million for the University of Southern Alabama to study environmental causes of birth defects in Ukraine, and $5 million for the Ukrainian Land and Resources Management Center. It provided $94 million for Georgia, of which $25 million was for the Border Security Guard, and $5 million was for development and training of municipal officials in water resource management, transportation, and agri-business. The bill also provided $89 million for Armenia and required that at least $6 million of $12 million earmarked for Mongolia must come from the FSU account. In all, mandatory earmarks for these four countries totaled $364 million, 47% of the account, leaving little more than half for Russia and eight other FSU countries.

The bill did not earmark a total for Russia, but it did require that $20 million be spent for programs in the Russia Far East, $400,000 be used for the Cochran Fellowship Program that provides agricultural exchanges, $250,000 be used to support the Moscow School of Political Studies, and $10 million for non-governmental organization humanitarian relief programs in Chechnya and Ingushetia.

S. 2522 placed several conditions on aid to Russia. As in the FY2000 bill, it withheld half of funds planned for programs assisting the central government of Russia until the President determined that the transfer to Iran of nuclear reactor or ballistic missile expertise and equipment had been terminated. Nonproliferation and infectious disease aid were exempted from this restriction. The bill also repeated language that prohibited aid to the central government of Russia if it implemented a law discriminating against religious minorities. S. 2522 contained a few new conditions. One prohibited aid to the central government of Russia until the Secretary of State determined that Russia was cooperating with international investigations of war crime allegations in Chechnya and that Russia was providing full access to NGOs providing humanitarian aid to refugees in Chechnya. Another condition, added during floor debate by Senator Jesse Helms (R-NC), would, if Russia were found to be providing economic assistance to Serbia, reduce assistance to Russia by the amount of assistance it provided to Serbia, require that the United States oppose any loans from the international financial institutions, and suspend Export-Import and OPIC loans or guarantees. The President could waive this condition on national interest grounds. An amendment by Senator Bob Smith (R-NH) expressed the sense of the Senate that the United States should oppose international financial institution loans to Russia if it delivered additional SS-N-22 missiles to China.

S. 2522 repeated FY2000 language exempting democracy, humanitarian, nonproliferation, Foreign Commercial Service, Trade and Development Agency (TDA), Overseas Private Investment Corporation, and Export-Import Bank assistance from the Section 907 (of the FREEDOM Support Act) prohibition on aid to Azerbaijan.

FSU Aid Debate in the House. H.R. 4811, the FY2001 Foreign Operations Appropriations bill, was marked up by the House Foreign Operations subcommittee on June 20 and ordered reported by the full Appropriations Committee on June 27 (H.Rept. 106-720). The House approved H.R. 4811 on July 13 (239-185). It provided $740 million for the FSU, $90 million (11%) less than the Clinton Administration request.

Armenia and Georgia each received an earmark of 12.5% of the total account – $92.5 million each – and no more than 25% of the account ($185 million) could go to any one country. Of total funds allocated for the southern Caucasus, 15% had to be used for efforts to further the peaceful resolution of regional conflicts. Of the total FSU account, $45 million had to be used for child survival, environmental health, and infectious disease programs.

Conditions on aid to Russia included the withholding of half of funds allocated for the central government of Russia pending certification of the termination of the sale of nuclear reactor-related technology to Iran (infectious disease, child survival, and nonproliferation assistance were exempted). No funds could go to the central government of Russia until it was certified that Russia was in compliance in the Chechnya region with article V of the Treaty on Conventional Armed Forces in Europe which mandates a specific ceiling on certain forces.

H.R. 4811 continued the exemption of the section 907 restriction on aid to Azerbaijan for humanitarian, democracy, TDA, Eximbank, OPIC, and U.S. foreign commercial service activities.

Committee report language supported provision of $1 million to the Birth Defects Monitoring Program in Ukraine, recommended $3 million for the Primary Health Care Initiative of the World Council of Hellenes, recommended $500,000 for the Volgograd State Medical Academy and University of Arkansas for Medical Sciences partnership, supported the use of $78 million for the Expanded Threat Reduction Initiative, and encouraged provision of not less than $50 million in FY2001 and FY2002 for the U.S. Russia Investment Fund.

Conference Report on FY2001 Foreign Operations Appropriations. On October 24, House and Senate conferees submitted the conference report on H.R. 4811 (H.Rept. 106-997). On October 25, the House approved the report by a vote of 307-101 and the Senate by a vote of 65-27. It was signed into law on November 6 (P.L. 106-429). The conference report provided $810 million for the FSU, only 3% less than the FY2000 level and 2% less than the Administration request.

The bill earmarked $170 million for Ukraine, of which $25 million was for nuclear safety initiatives, and $5 million for the Ukrainian Land and Resources Management Center. Georgia received $92 million under the legislation, including $25 million designated for border guard security and other export control initiatives. Another $90 million was earmarked for Armenia. In their explanatory report, the conferees directed that $5 million of Georgian funds be used for training of water, transportation, and other sector management at the municipal and regional level. They also directed that $15 million of Armenia's funds be used for the Particle Accelerator project should it be selected as the host site. Conferees expected $1 million to be used to increase the analytical capacity of Ukraine in health areas, and that $3.3 million be used for industrial sector study tours and community telecommunications activities.

There was no country earmark for Russia, but aid to the Russian Far East was earmarked at $20 million. At least $10 million had to be drawn from the FSU and refugee assistance accounts together for NGO humanitarian relief in Chechnya. Conditionality for Russia changed slightly from the previous year. Major conditions were the requirement of presidential certification that Russia had terminated sales of nuclear reactor and other nuclear-related or missile technology to Iran, that it was cooperating with international efforts to investigate war crimes in Chechnya, that it was providing access to NGOs providing humanitarian relief to refugees in Chechnya, and that it was in compliance with article V of the Treaty on Conventional Armed Forces in Europe regarding its forces in the Chechnya region. In H.R. 4811, 60% of the funds allocated for the central government of Russia would be withheld if these certifications could not be made – in previous years half was withheld. Also, unlike recent years, this penalty applied to all the conditions listed here, whereas in the past it applied only to the Iran language. In addition, the legislation prohibited all funding to the government of Russia after 6 months if it was found to have discriminated against minority religious faiths. The conferees on H.R. 4811 noted in their report language that the restrictions on aid to the government of Russia did not include infectious disease activities, and partnerships with U.S. hospitals, universities, judicial training institutions, and environmental organizations. The conferees also directed that $3 million be used for University of Alaska activities in Chukotka.

The conferees also praised three Russia programs. They recommended that funding be increased for the Replication of Lessons Learned program, which helps indigenous volunteer organizations improve their management capacity. Conferees directed that $250,000 be provided to the Moscow School of Political Studies, which teaches democracy and free market economy, and $400,000 to the Cochran Fellowship program, which brings farmers to the United States.

H.R. 4811 contained the exemptions to section 907 restrictions on aid to the government of Azerbaijan that were included in the FY2000 appropriations – democracy, humanitarian, TDA, foreign commercial service, OPIC, and the Export-Import Bank. The bill permitted 15% of the funds allocated to the Caucasus region to be used for confidence building measures to resolve regional conflicts such as the one in Nagorno-Karabagh. Added to the latter language in the 2001 bill was the phrase "notwithstanding any other provision of law" – probably referring to section 907. In their explanatory report, the conferees directed that $900,000 be made available for confidence-building measures such as the International Peace Forum to be held in spring, 2001.

H.R. 4811 also earmarked $1.5 million for health and other needs of victims of trafficking in persons, and $45 million for child survival, environmental health, infectious diseases and related activities. In their explanatory report, the conferees directed that equal amounts for these health-related purposes should come from the Child Survival Fund.

Security Assistance Act of 2000. On September 22, the 106th Congress sent the Security Assistance Act of 2000 (H.R. 4919) to the White House for signature (P.L.106-280, October 6, 2000). Among other things, the legislation authorized nonproliferation activities, including science and technology centers and border control assistance provided to the former Soviet Union. While these were authorized originally under the FREEDOM Support Act, the authority was never integrated into the Foreign Assistance Act of 1961, the broad legislation that governs most foreign assistance. The legislation also provided the basis for separately funding nonproliferation activities managed by the State Department (as opposed to cooperative threat reduction managed by the Department of Defense) rather than under the Independent States of the Former Soviet Union account in the annual appropriations bill.

Russian Leadership Program. Created by Congress in 1999, the Russian Leadership Program had brought in two years more than 3,600 Russians to the United States for week-to-ten-day community visits and exposure to U.S. institutions. Administered by the Library of Congress, the program was funded in its first year through the legislative branch appropriations bill and in its second year from the FSU account. For FY2001, Congress provided $10 million ($9.978 million after the rescission) through legislative branch appropriations (H.R. 4577, P.L. 106-554), and established a Center for Russian Leadership to administer the program in the future.

Cooperative Threat Reduction (CTR). For FY2001 CTR programs, the Clinton Administration requested $458.4 million. On July 27, the House and Senate approved the conference report on H.R. 4576 (P.L. 106-259), the Department of Defense appropriations for FY2001, providing $443.4 million.

Major Issues in 2000. The debate on U.S.-Russia policy that had begun in 1999 intensified in 2000 as the presidential election drew nearer. Charges that the Clinton Administration mishandled U.S.-Russia policy, including its use of the assistance program, resurfaced in the September 2000 report *Russia's Road to Corruption: How the Clinton Administration Exported Government Instead of Free Enterprise and Failed the Russian People*, issued by the partisan House of Representatives Speaker's Advisory Group on Russia. Although focusing more broadly on the range of U.S.-Russia relations during the Clinton Administration, the report suggested that the aid program, especially aid from the IMF, abetted the failure of Russian reform.

One ramification of this debate during a presidential election year was that efforts to condition aid to Russia that were a fixture of annual legislative deliberations multiplied considerably, reportedly in part because of Vice-President (and presidential candidate) Gore's close association with the formulation of U.S.-Russia policy.

The perennial condition in the foreign aid bill that sought to punish the Russian central government for its ongoing sale of a nuclear power plant to Iran was strengthened by boosting the amount withheld from 50 percent in the previous year's legislation to 60 percent in the FY2001 foreign aid appropriations. Further, a number of conditions regarding Russian actions in Chechnya were introduced in the FY2001 bill that would also cut funding by 60 percent. These would withhold funds if Russia did not cooperate with international investigations of war crime allegations in Chechnya, did not provide access to NGOs doing humanitarian work in Chechnya, or was not in compliance with the Treaty on Conventional Armed Forces in Europe regarding forces deployed in the zone around Chechnya.

In the spring of 2000, Members of Congress had proposed a number of other conditions, some of which were adopted by one body or the other. One called for a reduction in U.S. assistance to Russia by an amount equal to any loan or other financial assistance or energy sales it provided to Serbia, and U.S. opposition to international financial institution loans and suspension of Export-Import and OPIC loans or guarantees to Russia in response to Russia's hosting of the Yugoslav Defense Minister, an indicted war criminal, and its provision of a loan to Serbia. The condition, sponsored by Senator Jesse Helms, was adopted as an amendment to S. 2522 (section 599D), after being modified with a presidential waiver authority. However, the provision was not included in the conference report agreement on H.R. 4811, the FY2001 foreign aid appropriations.

Another proposal expressed the sense of the Senate that the United States should oppose international financial institution loans to Russia if it delivered additional SS-N-22 Moskit anti-ship missiles to China. This amendment by Senator Bob Smith (R-NH) was added to S. 2522 during floor debate. It was not included in the conference report agreement on H.R. 4811, but, in their statement, the conferees expected the Secretary of the Treasury to urge U.S. executive directors to oppose loans if the sale continued. A related piece of legislation, H.R. 4022, introduced by Representative Dan Rohrabacher (R-CA), prohibiting rescheduling or forgiveness of bilateral debt until Russia terminated sales of the missiles, was approved by the House International Relations Committee on April 13, 2000, with a presidential waiver authority provision.

A further proposed condition would prohibit the rescheduling or forgiveness of any bilateral debt owed to the United States by Russia until the President certified that Russia had closed its intelligence facility at Lourdes, Cuba. H.R. 4118 (Rep. Ros-Lehtinen, R-FL) was approved by the House (275-146) on July 19. The International Relations Committee added presidential waiver authority that would permit the rescheduling of debt, but the bill did not provide a waiver for debt forgiveness. Further, the bill still would require U.S. opposition to rescheduling and forgiveness at the Paris Club, possibly making the rescheduling waiver meaningless. In the Senate, similar legislation was introduced (S. 2748, Senator Mack, R-FL) on June 16, 2000.

In addition to the above, the chairmen of the two congressional foreign policy committees sought to block rescheduling of Russian debt. On May 26, 2000, as required by law thirty days prior to its taking effect, the Administration submitted to Congress a report on a bilateral agreement with Russia to reschedule its 1999 and 2000 repayments of Soviet-era debt. While Paris Club creditors had opposed total forgiveness, they had favored rescheduling due to the burden the debt placed on Russian efforts to reform its economy. However, Senate Foreign Relations Committee Chairman Helms and House International Relations Committee Chairman Gilman (R-NY) in mid-June 2000, announced they would put the agreement on "hold" due to Russian actions in Chechnya and support for Serbia. What made this move particularly significant was that, of the roughly $485 million of U.S. debt that would be rescheduled, $155 million was part of Lend Lease debt, held from World War II. A provision of the Trade Act of 1974 required that arrears in this debt be punished by loss of MFN (most favored nation/normal trade relations) status. Therefore, if the debt could not be rescheduled, on July 1, when payment would otherwise be due, Russia would either be forced to make the payment or stand to lose its MFN status.

On June 30, 2000, the Clinton Administration announced that it would proceed with the rescheduling, regardless of the congressional leaders' views. The Administration argued that a refusal to reschedule would have no effect on Russian policy, would make it more difficult for Russia to repay its debts, and would create problems with the Paris Club donors. In response, a Gilman spokesman suggested that a "legislative remedy" would be sought. Although Senator Helms threatened to put all ambassadorial nominations on hold, in late July he lifted holds on 13 ambassadorial nominees.

Developments in 2001

Bush Administration FY2002 Request. For FY2002, the new George W. Bush Administration requested $808 million for the former Soviet Union account, nearly the same as was appropriated in FY2001 ($810 million appropriated; $808.2 million after rescission).

With two exceptions, the Administration's FY2002 individual country allocation requests were also nearly the same as allocated in FY2001. Although the requests for Armenia – a nearly $20 million decrease to $70 million – and Azerbaijan – a roughly $16 million increase to $50 million – might have attracted some attention in Congress, additional amounts for reconstruction in both countries were set aside from the regional pool of funds to be provided as part of an international donor effort once a settlement was reached in the Nagorno-Karabakh conflict.

In its congressional presentation documents, the new Administration promised to increase amounts allocated for grassroots level activities, such as exchanges, NGOs, and pro-reform and local governments.

Amid rumors of substantial cuts in funding, the Bush Administration launched a full-scale review of cooperative threat reduction and related nonproliferation programs in Russia. Although it had used $451 million as a placeholder in the budget request, in the end it requested $403 million. The chief cut was in funding for a plutonium storage facility (a $57 million decrease), and the chief increase was for chemical weapons destruction (an increase of $50 million).

FSU Aid Debate in the House. On June 27, the Foreign Operations subcommittee of the Appropriations Committee approved its version of the FY2002 Foreign Operations appropriations. It was reported by the full committee as H.R. 2506 on July 17 (H.Rept. 107-142), and approved by the House on July 24 by a vote of 381 to 46. No amendments were added on the floor that affected aid to the former Soviet Union.

H.R. 2506 provided $768 million, $40 million less than the Administration request and 5% less than the FY2001 post-rescission appropriation figure of $808.2 million. As in previous bills, funds were earmarked for three countries. Both Georgia and Armenia were assured at least $82.5 million each. However, in a departure from previous bills, a ceiling of $125 million was placed on aid to Ukraine. This was a response to the lack of economic reform and the recent deaths of journalists and dissidents in that country. A general limitation of 30% of the appropriation – $230.4 million – was placed on aid to any one country, not counting nonproliferation aid.

There were only three other specific funding recommendations. At least $1.5 million was directed to assist victims of trafficking in persons. Fifteen percent of funds allocated to the Caucasus could be used for confidence-building measures related to a possible peace in Nagorno-Karabagh and Abkhazia. At least $45 million was recommended for child survival, environment, family planning, and infectious disease purposes.

The bill contained several conditions and exceptions as in previous years. For Russia, 60% of funds allocated to assist the central government had to be withheld if the transfer of nuclear reactor technology to Iran continued or if Russia did not provide full access to NGOs aiding refugees in Chechnya. Exempted from this language were programs to combat infectious diseases and trafficking in persons, and nonproliferation activities. In committee report language, hospital and university partnerships, judicial training, regional and municipal governments, and environmental organizations were also exempted from the Iran condition. Previous year language prohibiting aid to Russia if it implemented laws discriminating against minority religions was continued in the FY2002 bill.

Finally, the bill continued to exempt democracy assistance, nonproliferation assistance, TDA, Foreign Commercial Service, OPIC, Export-Import Bank, and humanitarian assistance from the prohibition on aid to the government of Azerbaijan under section 907 of the FREEDOM Support Act.

In report language, the Appropriations Committee made a number of funding and programmatic recommendations. The Committee recommended at least $1 million be used for birth defects monitoring related to Chernobyl, additional funding for trafficking of women programs, additional funding for the primary health care initiative of the World Council of Hellenes, expansion of the American International Health Alliance primary health care partnership program, expansion of seed multiplication programs to countries beyond Armenia, allocation of $15 million for the U.S. Civilian Research and Development Foundation, $15 million for Georgia border security activities, $2 million for research grants for American and Russian scholars studying nonproliferation issues, provision of an additional $40 million to the U.S.-Russia Investment Fund over FY2002 to 2003, and provision of $4 million for the National Endowment for Democracy for NGOs.

FSU Aid Debate in the Senate. On July 26, the Senate Appropriations Committee approved its version of H.R. 2506, the FY2002 Foreign Operations appropriations, including the provision of $800 million for the former Soviet Union (S.Rept. 107-58). On October 24, the Senate approved H.R. 2506 by a vote of 96 to 2. On the floor, there were several key changes made to parts of the bill affecting the former Soviet Union.

First, the bill was amended reducing the appropriation for the former Soviet Union to $795.5 million, a reduction of $4.5 million from the Committee bill meant to offset increases in other accounts, especially global health. Second, language was added by Senator Sam Brownback (R-KS) allowing the President to waive section 907 of the FREEDOM Support Act prohibiting aid to Azerbaijan if he determined it was in the national interest to do so. This action was taken in part to allow unhampered U.S.-Azerbaijani military cooperation in the war on terrorism.

A third amendment to H.R. 2506 earmarked for the first time specific military aid funds for a former Soviet Union country. Armenia was to receive at least $600,000 in International Military Education and Training Program funds and $4 million in military financing. Concerns regarding possible increased U.S. military aid and cooperation with Uzbekistan led to the adoption of an amendment by Senator Paul Wellstone (D-MN) that would require a report every six months from the Administration on defense articles and services provided to that country, their use, and the extent of any human rights violations by the Uzbek government during that period. Finally, the Senate restored a provision that had appeared in legislation in recent years but was not included in the FY2002 Committee bill prohibiting aid to the government of Russia if it implemented a law restricting religious minorities.

As in the Committee version, the adopted Senate bill recommended that at least $180 million be provided for Ukraine, and earmarked $90 million for Armenia and $90 million for Georgia. Of the amount for Ukraine, it recommended $25 million for nuclear reactor safety programs. Of the amount for Armenia, it earmarked $5 million for education, including computer and Internet access in primary and secondary schools. Of the amount for Georgia, it recommended $3 million for small business development. From the whole account, it recommended at least $45 million be used for child survival, environmental and reproductive health, and infectious diseases.

Like the House bill, it would cut assistance to the central government of Russia by 60% if conditions relating to Iran and Chechnya were not met. In the case of Chechnya, it required that Russia allow access to NGOs, but, unlike the House, it continued previous year language requiring that Russia cooperate with war crimes investigators, and be in compliance with the Conventional Armed Forces Treaty that sets ceilings on troop levels. The bill also required that the Department of State provide a report on progress by Ukraine in bringing to justice the murderers of Ukrainian journalists.

Also, as in previous years, it exempted democracy, nonproliferation, TDA, foreign commercial service, OPIC, Export-Import Bank, and humanitarian assistance from the prohibition on aid to Azerbaijan under section 907 of the FREEDOM Support Act.

In report language, the Appropriations Committee recommended support for a number of programs and funding levels, including $5 million for the Title VIII program which funds academic research on the region, $3.5 million for aid to Russian orphans, $2 million for the primary health care initiative of the World Council of Hellenes, and funding for Russian domestic violence programs at no less than the FY2001 levels. Of nuclear safety funds provided for Ukraine, the Committee recommended that $21.5 million be used for installation of simulators for training.

FY2002 Foreign Operations Conference Report. On December 19, 2001, House and Senate conferees submitted the conference report on H.R. 2506 (H.Rept. 107-345), and the House approved the report by a vote of 357-66. On December 20, the Senate approved the report by voice vote. The conference report provided $784 million for the former Soviet Union account, 3% less than the FY2001 and Administration FY2002 request levels.

As had been the case in previous years, the final bill contained hard and soft earmarks for several countries. It recommended that Ukraine be provided not less than $154 million, a $16 million decrease from FY2001. Of Ukraine's total, at least $30 million was recommended for use for nuclear reactor safety. The State Department was required to report on progress made by the Government of Ukraine in investigating and prosecuting the murders of Ukrainian journalists. H.R. 2506 also provided at least $90 million for Armenia, but only recommended that $90 million be made available for Georgia. The bill required that at least $17.5 million be used for the Russian Far East.

The conference report further recommended that $1.5 million be used for health and other needs of victims of trafficking in persons, and recommended that $49 million be used for child survival, environmental and reproductive health and family planning, and for combatting HIV/AIDS, tuberculosis, and other infectious diseases.

The conference report maintained language cutting 60% of funds allocated for the central government of Russia (excepting nonproliferation, disease, and child programs) if it continued to implement its sale of nuclear reactor technology to Iran and if it did not provide access for humanitarian relief NGOs to Chechnya. It maintained language prohibiting aid to the central government of Russia if it implemented a law discriminating against religious minorities.

H.R. 2506 also continued to exclude nonproliferation, TDA, foreign commercial service, OPIC, Export-Import Bank, and humanitarian programs from the FREEDOM Support Act section 907 prohibition on aid to Azerbaijan. However, in a departure from previous years and a response to the war on terrorism, the bill provided specific waiver authority to the President for this provision running through the end of 2002. In what might be interpreted as an effort to compensate Armenia for this leniency toward Azerbaijan, the bill provided Armenia with no less than $4 million under the Foreign Military Financing account, and the conference managers directed that not less than $300,000 be provided Armenia under the International Military Education and Training (IMET) program.

In the statement of managers, conferees further recommended that, of the $49 million suggested for child survival, etc., $15 million be used for reproductive health/family planning. They also endorsed the use of $5 million for education assistance in Armenia and $3 million for small business start-up assistance in Georgia, recommended $2 million for the Primary Health Care initiative, and urged that the U.S.-Russia Investment Fund receive $50 million in FY2002.

Cooperative Threat Reduction (CTR). For FY2002 CTR programs, the Bush Administration requested $403 million. On December 20, the House and Senate approved the conference report on H.R. 3338, the Department of Defense appropriations for FY2002, providing $403 million.

Major Issues in 2001. As a result of the war on terrorism that began on September 11, 2001, U.S. foreign policy changed in numerous ways, and U.S. aid relations with the former Soviet Union were affected by these changes. For the war to succeed, the United States would require cooperation – intelligence, logistical, and diplomatic support – especially from countries in the southern flank of the FSU. The countries of the FSU were quick to offer cooperation, and U.S. officials indicated that cooperating countries would be rewarded.

Up to September 2001, the countries of Central Asia – the so-called "stans", Uzbekistan, Tajikistan, Turkmenistan, and Kazakhstan – were the most neglected of FSU aid recipients. While it was too early to tell at the end of 2001 whether there had been a significant shift in aid relations, some countries in the region appeared to reap benefits from close cooperation in the terrorism war. On November 9, the United States announced that Uzbekistan would receive $40.5 million in economic and law enforcement assistance, and additional military aid was also expected.

Some observers, including Members of Congress, expressed fear that the poor human rights records and lack of progress in democratization that have worked to limit U.S. assistance to some Central Asian countries in the past would, as a consequence of the war, now be disregarded when determining aid levels and programs. During floor debate on the FY2002 foreign operations bill, an amendment (Wellstone) was adopted by the Senate which would have required a report every six months on defense assistance provided to Uzbekistan and the extent of any human rights violations. While the language was omitted from the final version of the bill, authors of the conference report directed the Secretary of State to report on defense assistance and its use by Uzbekistan, but did not require a special report on human rights violations.

In the Caucasus region, the war appeared to generate sufficient impetus for Congress and the Administration to ease long-standing legislative barriers to assistance to Azerbaijan. The Administration asked Congress to lift the section 907 FREEDOM Support Act prohibition on aid to the government of Azerbaijan, and Congress, in the FY2002 foreign operations appropriations bill, provided the President with authority up to the end of 2002 to waive section 907 if he determined it was in the national interest. On December 15, Secretary of Defense Rumsfeld told the President of Azerbaijan that he expected that sanctions would be waived in the near future.

U.S.-Russia relations may also have been profoundly affected by the war. Prior to September, Congress, perhaps wishing to grant the President foreign policy flexibility, did not move to adopt new conditions to U.S. assistance as they had in the previous year. After September, with President Putin offering strong support for the U.S. war, Congress eliminated two existing conditions regarding aspects of Russian behavior in Chechnya which had long been a target of congressional ire, but which

Putin linked to the struggle against terrorism.[3] In the first half of 2001, the Administration undertook a review of nonproliferation assistance to Russia amid reports that it was thinking of substantial cuts to these programs. By the end of the year, with heightened concerns regarding terrorist access to nuclear and chemical weapons material, the Administration was reportedly preparing to substantially increase these programs in its next budget proposal.

Table 4. U.S. Bilateral Grant Assistance to the FSU

(millions of $ appropriations)

	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02
NIS Acct.*	230[a]	417	2,158[b]	818[c]	641	625	770	847	836[f]	808	784
DOD CTR**	188[d]	283	400	380[e]	300	328	382	440	461	443	403

* New Independent States Account under the Foreign Operations appropriations.
** Cooperative Threat Reduction (Nunn-Lugar) Program under the Department of Defense appropriations.
Note: Prior to the dissolution of the Soviet Union, in FY1991, the United States provided $5 million in Economic Support Funds and $5 million in USAID disaster assistance.
a. Economic Support Funds reprogrammed for FSU in early 1992.
b. Includes $1.6 billion FY1993 supplemental approved September 1993. P.L. 103-211 rescinded $55 million of the FY1994 and FY1993 supplemental appropriations for the FSU.
c. Original appropriation was $850 million. P.L. 104-6 rescinded $7.5 million. P.L. 104- 19 rescinded $25 million.
d. Original appropriation for FY1992 and FY1993 was $400 million. Of these amounts, $212 million from FY1992 and $117 million from FY1993 were "lost" due to failure to obligate funds by end of FY1993 and FY1994, respectively.
e. Original appropriation was $400 million. P.L. 104-6 rescinded $20 million.
f. Original appropriation was $839 million. P.L. 106-113 rescinded $.38%.

Table 5. Cumulative U.S. Bilateral Commercial Financing for the FSU (Face Value): 1992-2000

(millions of $)

Financing Programs	Total
USDA CCC Export Credit Guarantees	3,439
Eximbank Guarantees	5,819
OPIC Financing and Funds Support	2,679
Total Credits (Face Value)	**11,937**

Source: Department of State.

Note: Prior to the dissolution of the Soviet Union, in FY1991, the United States provided $1.9 billion in CCC credit guarantees, and $51 million in Eximbank guarantees.

[3] Putin's October 17 decision to withdraw from the intelligence listening post at Lourdes, Cuba, may also have positively affected congressional and Administration behavior.

Table 6. NIS Account Country Allocations: FY1995-2001
(in $ millions)

Country	FY95	FY96	FY97	FY98	FY99	FY00	FY01 (est)
Russia	344.2	137.0	94.8	133.2	161.2	186.6	167.8
Ukraine	182.5	225.0	225.0	225.0	203.6	174.2	169.6
Belarus	5.6	5.0	6.7	7.3	12.4	8.5	10.0
Moldova	23.6	23.0	27.6	33.1	45.4	50.4	43.7
Armenia	52.1	85.0	95.0	87.5	80.1	102.6	89.8
Azerbaijan	10.7	12.0	16.4	34.3	35.2	32.0	34.3
Georgia	37.5	22.0	26.8	97.5	84.6	108.5	91.8
Kazakhstan	47.2	33.0	35.4	40.3	50.5	44.8	44.6
Kyrgyzstan	22.7	19.0	20.8	24.3	32.0	30.1	30.4
Tajikistan	9.2	4.0	5.0	12.0	13.1	9.9	11.2
Turkmenistan	5.4	4.0	5.0	5.3	11.3	6.2	6.2
Uzbekistan	11.8	19.0	21.6	20.5	27.3	20.0	23.6
Regional	65.5	53.0	37.6	50.7	90.5	62.0	85.2
Total App.	**818.0**	**641.0**	**621.6**	**770.8**	**847.0**	**835.8**	**808.2**