

# CRS Report for Congress

## U.S. Assistance to the Former Soviet Union

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# U.S. Assistance to the Former Soviet Union

## Summary

Since 1992, the United States has provided more than \$28 billion in assistance to the 12 states of the former Soviet Union (FSU). It continues to provide nearly \$2 billion annually. This report describes the broad framework of U.S. assistance programs and policies in the region and then focuses on the FREEDOM Support Act (FSA) account under the foreign operations budget which, encompassing all U.S. objectives in the region, has often been the means by which Congress has expressed its views and sought to influence policy.

Three objectives have been most prominent in the U.S. assistance program to the region — facilitating the transition from authoritarianism to democracy, promoting the introduction and growth of free market economies, and fostering security by controlling the proliferation of nuclear, chemical, and biological weapons and expertise. More recently, a fourth objective, very much encompassing the other three, has emerged — supporting the war on terror. A fifth objective of U.S. assistance, humanitarian relief, was mostly applied in the early 1990s in response to countries experiencing food shortages.

Under the State Department's Coordinator of U.S. Assistance to Europe and Eurasia and encompassing all U.S. policy objectives, the FSA account has been a special interest of Congress since its creation in 1992. About \$11 billion of the \$28 billion in total U.S. aid provided between 1992 and 2005 has come from the FSA account. The FY2006 Foreign Operations appropriations (P.L. 109-102, H.R. 3057) provided \$509 million after a 1% across-the-board rescission. FY2007 funding is provided under the terms of a continuing resolution (H.R. 5631/P.L. 109-289, as amended) which provides spending at the FY2006 level or House-passed FY2007 level, whichever is less. The continuing resolution expires on February 15, 2007.

Perhaps the most notable feature of the FY2006 Administration foreign operations request was the proposed cuts in aid. With democracy challenged in Russia, leadership changes in Georgia, Ukraine, and Kyrgyzstan, that may open the door to long-delayed economic and political reform, as well as important U.S. interests in Central Asia, some observers argued for an increase in aid to the region. In the case of Russia, managers of the FY2006 appropriations allocated \$80 million instead of the \$48 million requested in the FSA account — the Administration FY2007 request was \$58 million.

The recent rise of democracy in Ukraine and Georgia and its evident decline in Russia have highlighted the role and possible need for U.S. democratization assistance. However, absolute levels of democracy aid to Russia in the FSA account have not increased since 1999 when it reached a level of \$64 million; it is \$40 million in FY2006. Aid to the FSU has always come with conditions. The majority of specific restrictions have been aimed at Russia. As a result, in most years as much as 60% of planned U.S. assistance to the federal Russian government has been withheld. Currently, the most difficult conditionality issue arises with respect to human rights and democracy in Central Asia. This report will be updated as events warrant.

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# U.S. Assistance to the Former Soviet Union

Since 1992, the United States has provided more than \$28 billion in assistance to the 12 states of the former Soviet Union (FSU). It continues to provide nearly \$2 billion annually. Over the years, various aspects of the program have drawn strong congressional interest and sponsorship; some country programs have been the subject of controversy and debate. The 110<sup>th</sup> Congress is likely to scrutinize these assistance programs as it seeks to address the range of U.S. foreign policy, strategic, and economic interests in the region. This report describes the broad framework of U.S. assistance programs and policies in the former Soviet Union and then focuses on the foreign operations FREEDOM Support Act (FSA) account which, encompassing all U.S. objectives in the region, has often been the means by which Congress has expressed its views and sought to influence policy.

## Background

### Objectives and Programs

With the demise of the Soviet Union and emergence of a dozen new independent states at the end of 1991, the United States launched assistance programs aimed at accomplishing varied foreign policy objectives. Three objectives have been most prominent — facilitating the transition from authoritarianism to democracy, promoting the introduction and growth of free market economies, and fostering security by controlling the proliferation of nuclear, chemical, and biological weapons and expertise. A fourth objective of U.S. assistance, humanitarian relief, was especially significant at discrete points in the 1990s when several countries experienced critical food shortages. More recently, a fifth objective, very much encompassing the other four, has emerged — supporting the war on terror.

**Democracy and Economic Reform.** Efforts to boost the objectives of democratization and economic growth have been supported chiefly through assistance programs authorized by the FREEDOM Support Act (FSA) of 1992 (P.L. 102-511). The assistance, usually in the form of expert advice and associated materiel support or grants to indigenous organizations, has sought to affect a range of sectors.

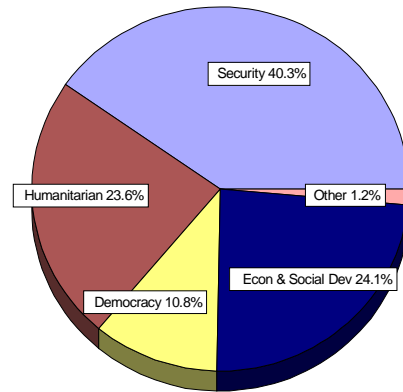
Among the **democratic initiatives** are technical assistance to political parties, parliaments, and independent media and grants to encourage the development of civil society non-governmental organizations (NGOs). Exchanges, most now funded under State Department appropriations, contribute to democratization by introducing FSU leaders and citizens to U.S. institutions and way of life. Nearly 11% of total U.S. assistance since 1992 has supported democratization.

**Economic and social reform programs** include efforts to assist private sector development — support for privatization of state-owned business; drafting of new tax, securities, and commercial law; distribution of credit to micro and small enterprise; equity investments in fledgling business; and provision of expertise to farmers and businessmen. Assistance has also addressed related health, environment, energy, and housing concerns, including efforts to combat infectious disease, promote policy reforms, and introduce innovations such as a mortgage lending system. About 24% of total aid has been devoted to economic and social development.

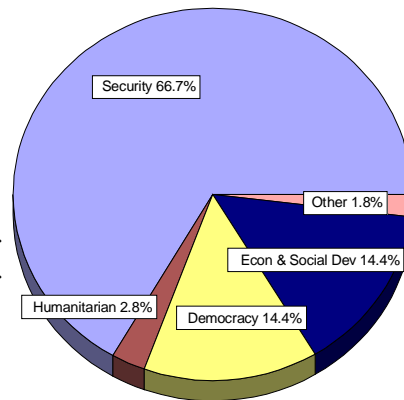
**Humanitarian.** Humanitarian programs include the PL480 food aid program (roughly 80% of humanitarian aid) and airlifts of food and medical supplies. The latter was of special importance in the first years of the transition, and the former was an especially significant part of the total aid program during discrete periods — 1993 and 1999 — when Russian farmers could not meet their country’s food requirements and the United States wished to bolster President Yeltsin’s position. About 24% of total aid has been employed to fill humanitarian needs.

**Security.**<sup>1</sup> Security programs mostly focus on non-proliferation concerns. They have been implemented mainly under the so-called “Nunn-Lugar” Cooperative Threat Reduction (CTR) Program legislation (P.L.102-228), much of the language of which is duplicated in the FREEDOM Support Act. Several government departments have been actively engaged in implementing security programs. Broadly, non-proliferation programs conducted by the Department of Defense (DOD) have included insuring the security of transport and storage and the elimination of nuclear, chemical, and biological weapons and materials. The Department of Energy’s Material Protection, Control, and Accounting (MPC&A) program sponsors numerous efforts to protect nuclear sites and thwart smuggling of material. Both the State Department and DOE have managed programs controlling the spread of weapons expertise by encouraging scientists to remain in the FSU. State also supports export control and border security assistance. More than 40% of total U.S. assistance to the FSU since 1992 has focused on security. Almost two-thirds of these funds were directed at Russia.

**Figure 1. Total U.S. Assistance to FSU: FY1992-2005**



**Figure 2. Total U.S. Assistance to FSU: FY2005**



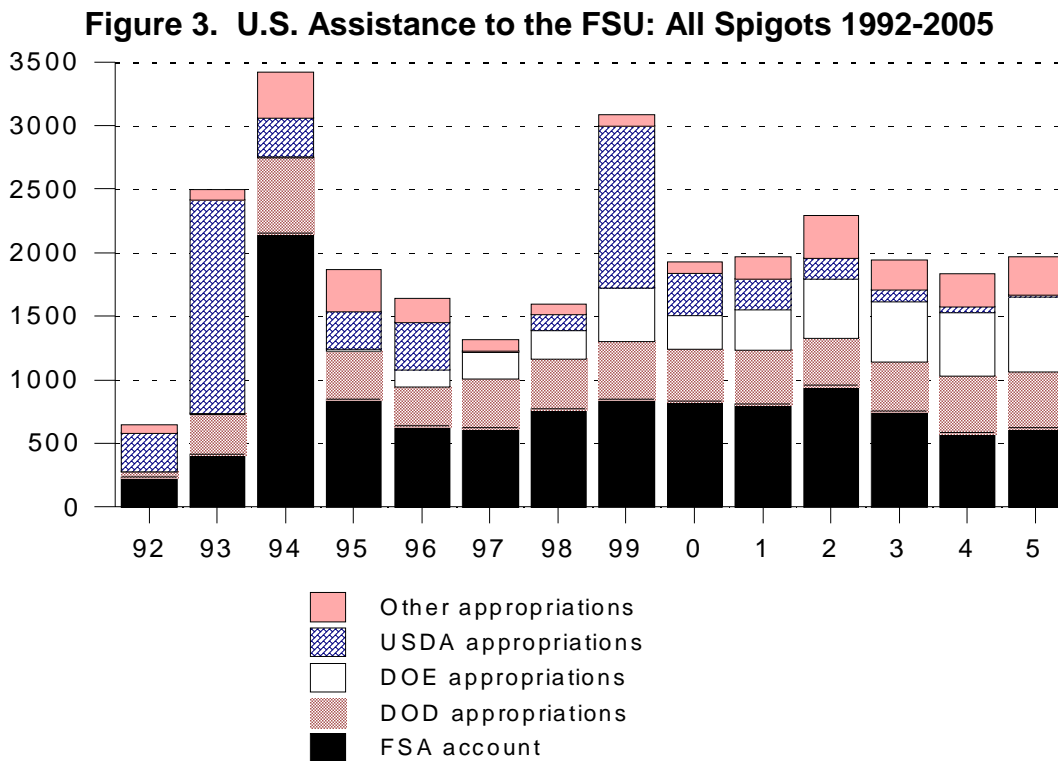
<sup>1</sup> For detailed discussion of FSU security programs see CRS Report RL31957, *Non-Proliferation and Threat Reduction Assistance: U.S. Programs in the Former Soviet Union*, by Amy Woolf.

In recent years, the proportion of aid directed at security concerns has risen substantially — in FY2005, it represented nearly 67% of total aid.

**Anti-Terrorism.** While there are discrete anti-terror programs aimed at the region — such as border security and anti-terrorism training — all other assistance objectives can be viewed as supporting this one. The securing of nuclear and other weapons has always been as much to keep them out of the hands of stateless terrorist groups as other nations. The achievement of economic growth and democracy are seen as helpful conditions to discourage the sale of weapons and technology and the eruption of discontent and instability that might offer havens to terrorist operations. The emergency supplemental that followed September 11, 2001, targeted for special funding Central Asian countries which provided bases for U.S. troops fighting in Afghanistan and are themselves viewed as threatened by radical Muslim organizations.

### Funding Accounts

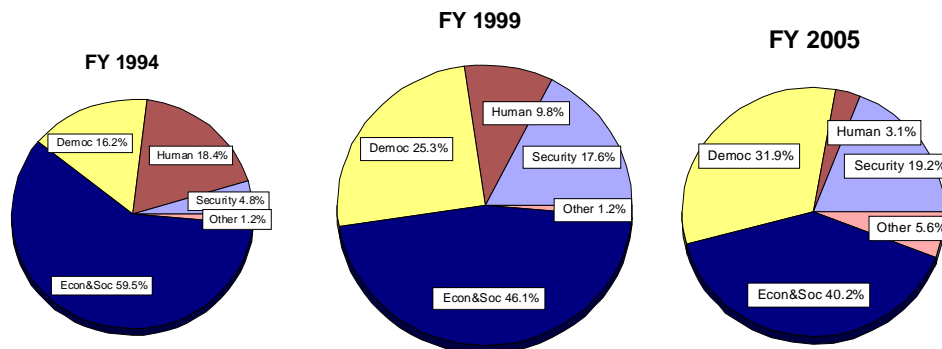
Multiple sources of U.S. funding (“spigots”) make up assistance to the region. Most security-related aid has been funded through Department of Defense (DOD) appropriations, but major related programs have also been funded under Department of Energy (DOE) and Foreign Operations appropriations, in the latter case primarily the FSA, Foreign Military Financing, and NADR (Non-proliferation, Anti-terrorism, Demining) accounts. DOD, DOE, and Foreign Operations appropriations — mostly for State Department programs — respectively account for \$5.2 billion, \$3.6 billion, and \$2.4 billion of total U.S. security aid to the FSU since 1992.



Humanitarian programs are predominately composed of the PL480 food aid program funded from Department of Agriculture (USDA) appropriations. Airlifts of humanitarian supplies were funded out of both State and DOD appropriations.

Roughly two dozen U.S. government agencies and department offices have implemented aid programs in the FSU. Among these are the Peace Corps volunteer program, the State Department's exchange and non-proliferation programs, and Environmental Protection Agency, Department of Labor, and Treasury Department activities. Many of these programs were originally supported largely or entirely by the FSA account, but as that account has decreased in size, some agencies have gradually been required to provide their own-agency appropriated funds (included in the "other" category in the figure above).

**Figure 4. FSA Account by Sector**



Most democratization, economic, and social programs, have been funded annually in the Foreign Operations appropriations bill under the "Independent States of the Former Soviet Union" account (FSA account). Only the FSA account has supported the whole range of U.S. policy objectives at one time or another.

**FSA Account Current Program.** Under the control of the State Department's Coordinator of U.S. Assistance to Europe and Eurasia, the FSA account has been a special interest of Congress since its creation in 1992. About \$11 billion of the \$28 billion in total U.S. aid provided between 1992 and 2005 has come from the Foreign Operations-funded FSA account. Unlike DOE or DOD security programs, funding for which has trended upward in the past dozen years, the FSA account has fluctuated considerably. Since 2002, however, it has been falling and, at \$509 million in FY2006, is at its lowest level since 1993. The decline may in part be explained by the view that some countries have progressed sufficiently in their economic and political development that they no longer require U.S. assistance (see issues below).

The composition of the account has also changed significantly over 15 years. In the early 1990s, economic and social reform was the largest component — as much as two thirds of the account in some years. In 2005 it was down to only 40% of the account, but still the largest component at \$251 million. Hovering near the 15% mark during the early and mid-1990s, democratization efforts rose to make up

25% by late in the decade. In 2005, at nearly \$200 million, it represented about one third of the account. Security aid was only 5% of the account in the first part of the program, but rose to a high of 25% in 2000 as a result of the so-called Expanded Threat Reduction Initiative that increased the State Department role in non-proliferation. As the State Department has moved non-proliferation program funding to the NADR and other accounts, security as a component of the FSA account has declined somewhat. It was 19% in 2004 at \$120 million.

**Millennium Challenge Account (MCA).** When the MCA was established in 2004, a new funding resource became available to some states of the former Soviet Union. Implemented by the Millennium Challenge Corporation (MCC), the MCA provides significant assistance to countries that meet certain standards of accountability and commitment to economic and democratic reform. Currently, four FSU states — Georgia, Armenia, Moldova, and Ukraine — meet the criteria that make them candidates for MCA funds. On September 12, 2005, an agreement, or compact, was signed with Georgia, providing \$295.3 million over five years for the purposes of improving transport, energy, and other infrastructure and to stimulate enterprise development, especially in agriculture. A five-year \$235.7 million compact with Armenia was approved by the MCC board on December 19, 2005. Its purpose is reduction of rural poverty through rehabilitation of rural roads and improved irrigation. Moldova and Ukraine became candidate countries in November 2006 and must now develop acceptable program proposals in order to gain financial assistance.

Three FSU countries — Kyrgyz Republic, Moldova, and Ukraine — have “threshold” status, meaning, in the case of Moldova and Ukraine, they had not at the time of selection or, as in the case of the Kyrgyz Republic, currently have not met qualifications for MCA Compact funding and need to improve their performance in select eligibility criteria in order to do so. Such countries can receive limited funds to help them meet the gaps in their performance. In December 2006, the MCC signed anti-corruption assistance packages with both Ukraine (two-year, \$45 million) and Moldova (\$24.7 million). Both will be managed by USAID and the Department of Justice.

## Legislation

### FY2007 Appropriations

In February 2006, the Administration requested \$441 million under the FSA account for FY2007, a \$68 million or 13% decrease from the FY2006 level.

On June 16, the House approved H.R. 5522 (H.Rept. 109-486), the FY2007 Foreign Operations appropriations. As recommended by the Appropriations Committee, it would provide \$371.3 million for the FSU, a 27% decline from the previous year and \$70 million less than the request. However, to arrive at its recommendation, the Committee reduced the FSU account by \$64.2 million in order to provide for a new Trade Capacity Enhancement Fund. Adding back in the trade capacity building amounts that would, presumably, be used for FSU activities, the



FSU could expect to receive \$435.5 million, a 15% decline from FY2006 and only \$5.5 million less than the request.

Although, under the House bill, appropriations from a variety of accounts were funneled into the proposed Trade Capacity Fund, some in the Administration may have particular concerns regarding its impact on FSU funding. According to the Coordinator’s Office, the anticipated budget for FSU trade capacity building in FY2007 is \$18.6 million, not the \$64.2 million designated by the Committee. USAID had calculated a \$64.2 million level for this activity for FY2005, but, under the FY2007 request, the region’s total aid would fall by more than \$100 million and may not accommodate as large a trade program. Complicating the issue, definitions of what programs fit under trade capacity building vary widely, and the Coordinator’s definition likely does not match that of USAID, nor is it clear how it fits the House Committee definition. Moreover, efforts to carve out funds for a specific purpose are often opposed by the executive branch because they restrict an Administration’s programming flexibility.

<b>FSA Account Country Allocations</b> (in \$ millions)				
<b>Country</b>	<b>FY04</b>	<b>FY05</b>	<b>FY06 (est)</b>	<b>FY07 (req)</b>
Armenia	74.6	74.4	74.3	50.0
Azerbaijan	38.8	37.6	34.7	28.0
Belarus	8.1	6.9*	11.9	10.0
Georgia	71.7	86.0	66.3	58.0
Kazakhstan	33.3	26.7	24.8	19.0
Kyrgyzstan	36.2	35.1	24.8	32.0
Moldova	22.5	17.4	17.8	16.0
Russia	96.4	85.0*	79.2	58.0
Tajikistan	24.5	24.5	23.8	22.0
Turkmen- istan	5.7	6.5	5.0	5.0
Ukraine	94.3	78.6*	83.2	85.0
Uzbekistan	35.9	31.5	17.8	15.0
Regional	42.6	45.2	45.5	43.0
<b>Total app.</b>	<b>584.5</b>	<b>555.5*</b>	<b>508.9</b>	<b>441.0</b>

\* Not shown here is an additional \$60 million for Ukraine, \$5 million for Belarus, and \$5 million for Chechnya appropriated in the FY2005 emergency supplemental (P.L. 109-13).  
**Source:** Department of State

Reporting its version of the Foreign Operations bill on July 10 (S.Rept. 109-277), the Senate Appropriations Committee provided \$293.077 million for the FSU account, \$147.9 million below the Administration request. However, as the House did with its Trade Capacity Fund, the low number here is largely because funds normally provided to the FSU account — for health, basic education, and democracy — are, instead, appropriated directly under accounts that specialize in those activities — the Child Survival Health (CSHPF), \$52 million; Development Assistance (DA), \$1.4 million; and the Democracy Fund (DF), 105.5 million, accounts respectively. If the proposed appropriations diverted to those accounts are included in the total, the FSU account would be funded at \$452 million, an increase of \$11 million over the Administration request. Unlike the House bill’s Trade Capacity Fund, the amount diverted by the Senate to the Democracy Fund is below Administration estimates for democracy activities. This provision would likely not hinder Administration use of the remaining FSA account to make up the deficit for democracy or for other purposes.

Currently, however, FY2007 funding for the FSU is provided under the terms of a continuing appropriations resolution (H.R. 5631/P.L. 109-289 Division B, as

amended) which provides foreign aid spending at the FY2006 level (\$509 million) or the House-passed FY2007 level (\$435.5 million with trade capacity funds restored), whichever is less. The continuing appropriations resolution expires on February 15, 2007.

The FY2007 request for DOD CTR programs is \$372 million. The conference report on H.R. 5631 (P.L. 109-289), the FY2007 Defense appropriations bill (H.Rept. 109-676), met the Administration request.

## Issues

Several concerns have been raised in recent years regarding U.S. assistance for democracy and economic reform. (For non-proliferation aid issues see footnote 1).

### Cuts in FSA Account

The FY2007 Administration FSA account request under the foreign operations appropriations continued an effort to cut aid to the region — as with the FY2006 request, the account would be cut by 13% from the previous year regular budget to \$441 million, continuing a decline from levels which in the past 10 years averaged \$725 million. With democracy challenged in Russia, leadership changes in Georgia, Ukraine, Kyrgyzstan, and Turkmenistan that possibly open the door to long-delayed economic and political reform, as well as important U.S. interests in Central Asia, some observers have questioned the decline in aid to the region. In recent years, Congress reflected this division of views. The FY2006 appropriation was \$27 million above that year's request. However, congressional and Administration figures are much closer in FY2007. The FY2007 request, \$68 million less than the FY2006 appropriation, is only \$5.5 million above the House-approved figure and \$11 million below the Senate Committee level, after counting the excluded sectors (trade capacity building and democracy) in both bills.

The Administration's proposed FY2006 cuts were to have fallen mostly on three of the four countries which have perennially been the chief recipients of FSA aid in the past 14 years — Armenia, Georgia, and Russia. In the end, Congress insured that only Georgia suffered a severe reduction — by 23% — and Uzbekistan — by 43%. For FY2007, the Administration proposed modest decreases for many countries in the region. The most significant changes would be a 33% cut for Armenia and a 27% cut for Russia. The House Committee on Appropriations would increase amounts to Armenia so that the cut from FY2006 is only 16%, but would closely follow the Administration proposals in other respects. Noting its recent Millennium Challenge Account agreement, the Senate left the Administration level for Armenia unchanged, but it would increase Georgia's request level by 12%, Ukraine's by 7%, and Russia's by 5%. Under the current FY2007 continuing resolution, funding allocations below the account level are not firmly fixed.

**Figure 5. FSA Account and Russia Aid (\$ millions)**



FSA>	235	417	2158	846	641	622	771	847	836	808	958	755	585	556	509	441
Rus>	150	192	1289	344	135	92	132	179	186	164	162	144	96	85	79	58

**Cuts in the Russia Program.** In 2005 and 2006, Russia was the country most threatened by proposed Administration cuts; in FY2007, as noted above, it was again targeted for a severe reduction meant, as before, to lead to a total “phase-out” of its aid program in the next several years. Even at \$80 million in FY2006, rather than the proposed \$48 million, aid for Russia was at its lowest level. Although the Russia program has until recently been the largest recipient on an absolute basis (but annually only 7<sup>th</sup> or more in per capita terms — Armenia and Georgia have consistently been the highest in per capita terms), it was often the target of those who were dissatisfied with former President Yeltsin’s leadership and both his and Putin’s positions on issues such as the transfer of nuclear reactor expertise to Iran and the war in Chechnya. Russia’s importance to U.S. foreign policy and the view that aid is intended to address the need for democracy and free markets have been the chief rationales for maintaining the aid program at a higher level.

Although the FSA program was not established with any firm deadline in mind, most observers assumed that the program was “transitional” and would not run as long as programs in developing countries. A State Department strategy in 1994 suggested the Russia program would end around 1998. In 1997, the Partnership for Freedom initiative, which chiefly sought to reverse a sharp decline in Russia aid, made explicit a plan to wind down large-scale technical assistance to the whole FSU in 2002, but with smaller grassroots cooperation programs continuing beyond then to about 2006. In 2003, the Bush Administration decided to phase out Russia programs over several years, beginning with economic sector programs by 2006.

The questions these or any proposed cuts raise is whether they are desirable or justified in terms of what has been accomplished or remains to be achieved in each country. In the case of Russia, the Administration argues that economic reform programs are not required now that Russia is growing economically and that these

programs will be phased out first while democracy programs will be maintained. Some might argue that much more remains to be done in the economic and social development sectors, especially with regard to grassroots private sector activities that might contribute as well to democratization. The claim that democracy activities will be maintained at recent levels might be scrutinized more closely. In FY2002 and 2003, Russia FSA-funded democracy programs amounted to \$63 and \$61 million respectively. However, in subsequent years, funding declined to \$33 million in FY2004, \$43 million in FY2005, and \$40 million in FY2006. The Administration request for FY2007 contained about \$32 million for democracy programs. When all other accounts are included, funding for democracy in Russia has gone from \$80 million in FY2003 to \$63 million in FY2005.

## Support for Democratization

Although from the beginning declared a major U.S. policy objective in the region, democracy has never risen above 15% of total all-spigots spending in any year. It is, however, now a significant part of FSA account spending, rising from 15-18% in most of the 1990s to 24% by 1998, and 34% in 2003. It is 30% in 2006. However, as overall account levels have fallen, democracy funding actually declined significantly between 2003 and 2006 — in the FSA account, from \$254 million to \$152 million. The FY2007 request would provide nearly \$150 million for democratization.

The recent rise of democracy in Ukraine and Georgia and its evident decline in Russia have highlighted the role and possible need for U.S. democratization assistance. The latter case, in particular, has elicited repeated calls for increased aid by expert observers during the last five years as Putin has chipped away at democratic institutions and practices. Congress indicated its concern by passing the Russian Democracy Act of 2002 (P.L. 107-246) which called for increased aid and emphasized the role of NGOs and independent media in democratization.

One aspect in the creeping diminution of democratic practices in Russia is the attacks on aid recipients in civil society and especially NGOs that promote democracy. In mid-2005, a U.S.-supported human rights organization found itself accused of evading taxes, even though its U.S. foreign aid income is supposed to be tax free. Similar problems occurred in the early 1990s until they were resolved diplomatically by formal agreement with the U.S. embassy. This time, however, they are combined with attacks from the head of the Federal Security Service on other NGOs — as well as the Peace Corps which left Russia several years ago amid similar attacks — and a statement by President Putin that foreign funding of political activities would not be permitted. Legislation to control Russian NGOs and severely restricting the ability of foreign organizations to assist them was approved by the Duma in December 2005 and signed into law by President Putin. It took effect on April 13, 2006. Analysts suggest that Russian authorities fear a Ukraine-like situation which has been blamed on U.S. and other donor-funded NGOs.<sup>2</sup>

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<sup>2</sup> “Putin Says Foreigners Use Private Groups to Meddle in Russia,” *New York Times*, January 26, 2006; “Secretary Criticizes Russia’s NGO Law,” *Washington Post*, December (continued...)

It is not possible to say to what degree U.S. assistance is responsible for the positive developments in Georgia, Ukraine, and Kyrgyzstan.<sup>3</sup> Although the United States had previously pumped \$807 million in FSA account aid to Georgia, \$2.1 billion to Ukraine, and \$408 million to Kyrgyzstan (including \$138 million, \$453 million, and \$94 million respectively in democracy aid), these countries remained corrupt, economically stagnant, and authoritarian up to the time of their democratic revolutions. U.S. programs, however, may have planted seeds of change, especially in support for civil society and political party training, both of which emphasize ways in which advocacy groups can make their voices heard.

All U.S. democratization support carries the danger of charges of U.S. interference in a country's internal affairs. Implementors have been careful, especially in providing aid to political parties, to be evenhanded and open to all comers. But, if the government is authoritarian, then democracy aid may be viewed as inherently subversive. Accordingly, NGOs throughout Central Asia are reportedly being harassed, some U.S. officials believe, at the instigation of Russia.<sup>4</sup>

## Conditionality

Aid to the FSU has always come with conditions. Both the FREEDOM Support Act and annual foreign operations bills contain general and specific conditions that all the states of the FSU are expected to meet in order to receive assistance. Conditions left to the broad discretion of the President include whether these countries are undertaking economic and political reform, are following international standards of human rights, are adhering to international treaties, and are denying support to terrorists. Other conditions established by Congress have been more firm and specific. Among these is Section 907 of the FSA which for a decade prevented, with some exceptions, policy reform and other direct assistance to the government of Azerbaijan unless it took steps to cease blockades and other uses of forces against Armenia and Nagorno-Karabakh. Beginning in 2002 and in each year following, the President has waived this prohibition.

The majority of specific restrictions have been aimed at Russia. These include directions that aid be cut or withheld if Russia implemented a law discriminating against religious minorities, if its troops remained in the Baltics, if it did not provide NGO access to Chechnya, or if it did not cooperate with war crime investigations in Chechnya. Since FY1996, direct assistance to the government of Russia has hinged on its continuing sale of nuclear reactor technology to Iran. As a result, in most years

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<sup>2</sup> (...continued)

8, 2005; "Putin Vows to End Foreign Political Funding," *Financial Times*, July 21, 2005; "Russia Hounds Human Rights Group That Gets U.S. Help," *New York Times*, Sept. 18, 2005.

<sup>3</sup> Some suggest that the U.S. role was critical to events in Kyrgyzstan. "U.S. Helped To Prepare the Way for Kyrgyzstan's Uprising," *New York Times*, Mar. 30, 2005.

<sup>4</sup> "Pro-Democracy Groups are Harassed in Central Asia," *New York Times*, December 4, 2005.

as much as 60% of planned U.S. assistance to the federal Russian government has been cut.

The new Millennium Challenge Account compacts also come with their own conditionality. To become eligible for the program, countries must meet certain standards of behavior related to governance, social development, and economic freedom. While Armenia, for example, appears to have met those standards sufficient to warrant a compact agreement, it also has been warned that it must maintain them or risk losing aid. Even as its \$236 million award was announced in December 2005, a letter from the MCC to Armenia's President Kocharian suggested that steps be taken to correct problems, particularly with regard to charges of electoral fraud and media restrictions in the November 2005 constitutional referendum.<sup>5</sup>

Currently, the most difficult conditionality issue arises with respect to human rights in Central Asia. The authoritarian governments of the so-called "stans" were not seen as fertile territory for U.S. assistance in the 1990s. Consequently, most received minimal aid. However, after 9/11, these states became potential targets for Muslim radicalism as well as front lines in the war on terrorism. In FY2002, they received an additional \$174 million in FSA account funds from anti-terrorism supplemental appropriations. Although their strategic value has increased, their poor record in supporting human rights has raised concerns reflected in succeeding appropriations bills. In the FY2006 Foreign Operations appropriations, for example, aid to the central government of Uzbekistan is conditioned on its making "substantial and continuing" progress in human rights and democratization. Aid to the government of Kazakhstan similarly depends on its improvements in protection of human rights, although the condition can be waived on national security grounds; Secretary of State Rice most recently employed the waiver in May 2005. The House version of the FY2007 foreign operations bill, H.R. 5522, does not contain the Uzbekistan or Kazakhstan language. Foreign assistance appropriators reportedly expect the Administration to respect FY2006 terms and conditions under the current FY2007 continuing resolution.

In 2004, the Secretary of State was unable to make a determination allowing Uzbek government aid to go forward, and \$18 million planned for the central government was withheld. At the same time, DOD waived a human rights requirement under the Nunn-Lugar Cooperative Threat Reduction legislation to allow non-proliferation aid to Uzbekistan.<sup>6</sup> Following a violent Uzbek government response to unarmed demonstrators in mid-May 2005 and critical comments by the United States, relations between the United States and Uzbekistan have been strained. Although the United States had been negotiating for long-term use of the

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<sup>5</sup> "U.S. Approves Grant to Armenia, but Urges Greater Political Rights," *New York Times*, December 20, 2005.

<sup>6</sup> Although it is not unusual for different types (and objectives) of aid to be subject to different legislative conditions and to be treated differently, the *Washington Post* reports the unusual recent circumstance of the Chairman of the Joint Chiefs of Staff, General Myers, criticizing the State Department's aid cut-off while praising Uzbekistan's cooperation with DOD. "Barriers to Freedom," *Washington Post*, Apr. 10, 2005.

base there, the Administration was forced to consider whether a military relationship was viable in a situation of authoritarian rule and civil unrest. The decision appears to have been made for it when, on July 31, 2005, the Uzbek government formally evicted U.S. forces from the base, effective within six months, and, reportedly, has stopped cooperating with the United States on counterterrorism activities. In 2005, the Secretary of State was again unable to make the determination that would allow some kinds of aid to the government of Uzbekistan to go forward. As of early December 2006, a determination regarding FY2006 assistance had not yet been made.<sup>7</sup>

Increasingly, non-democratic countries in the region have placed constraints on civil society and other non-governmental organizations that U.S. assistance targets. In June 2005, the Peace Corps suspended the program in Uzbekistan, because the Uzbek government did not renew the visas of volunteers. In September 2005, the FSA account-funded organization IREX, which had been working in the country since 1994, was ordered by a Uzbek court to stop its programs — exchanges, internet access, and community development — for six months. And, in March 2006, the U.S. human rights group Freedom House was ordered to end operations. Expecting a similar action, the Eurasia Foundation announced it would close its office.<sup>8</sup> Counterpart International's office was closed by the government in May 2006. In addition to U.S. organizations, thousands of local NGOs have been forced to disband, raising the question of how the United States can implement democracy programs in Uzbekistan without appropriate partners.

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<sup>7</sup> Department of State Budget Justification for Foreign Operations, FY2007, p. 524; "Uzbeks Stop Working with U.S. Against Terrorism," *Washington Post*, Sept. 30, 2005.

<sup>8</sup> "Uzbekistan Jails Opposition Leader and Rights Worker," *Washington Post*, March 7, 2006. For more detail, see CRS Report RS22295, *Uzbekistan's Closure of the Airbase at Karshi-Khanabad: Context and Implications*, by Jim Nichol.