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

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Summary

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

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

Issues of concern in the 113th Congress regarding the South Caucasus may include Armenia’s independence and economic development; Azerbaijan’s energy development; and Georgia’s recovery from Russia’s August 2008 military incursion. At the same time, concerns have been raised about the status of human rights and democratization in the countries; the ongoing Armenia-Azerbaijan conflict over the breakaway Nagorno Karabakh region; and ongoing threats posed to Georgia and the international order by Russia’s 2008 incursion and its diplomatic recognition of South Ossetia and Abkhazia. Congress has continued to oversee the region’s role as part of the Northern Distribution Network for the transit of U.S. and NATO military supplies to and from Afghanistan. Georgia’s aspirations for NATO membership have received ongoing congressional support. Many Members of Congress have raised concerns about recent political trends in Georgia following the peaceful transfer of party control in the October 2012 legislative election.

Some Members of Congress and other policymakers believe that the United States should provide greater support for the region’s increasing role as an east-west trade and security corridor linking the Black Sea and Caspian Sea regions, and for Armenia’s inclusion in such links. They urge greater U.S. aid and conflict resolution efforts to contain warfare, crime, smuggling, and terrorism, and to bolster the independence of the states. Others urge caution in adopting policies that will increase U.S. involvement in a region beset by ethnic and civil conflicts.
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Most Recent Developments

Meeting with visiting Georgian President Mikheil Saakashvili on April 25, 2013, Vice President Joe Biden stressed the United States’ enduring and strong commitment to partnership with Georgia, and called on the country’s president, government, and legislature to cooperate to maintain democratic and economic reforms. Saakashvili met with Secretary of State John Kerry on May 1. Kerry urged continued democratization in Georgia, and the two sides indicated that they would discuss Georgia’s progress in meeting requirements for membership in NATO.

Background

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

Overview of U.S. Policy Concerns

By the end of 1991, the United States had recognized the independence of all the former Soviet republics. The United States pursued close ties with Armenia, because of its profession of democratic principles, and concerns by Armenian-Americans and others over its fate. The United States pursued close ties with Georgia after Eduard Shevardnadze (formerly a pro-Western Soviet foreign minister) assumed power there in early 1992. Faced with calls in Congress and elsewhere for a U.S. aid policy for the Eurasian states, then-President George H. W. Bush sent the FREEDOM Support Act to Congress; it was signed with amendments into law in October 1992 (P.L. 102-511). Appropriations under the authority of the FREEDOM Support Act are currently included in the State Department’s Economic Support Funds (ESF), Global Health Programs (GHP), and International Narcotics Control and Law Enforcement (INCLE) accounts.

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

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

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

In his annual worldwide threat assessment, Director of National Intelligence James Clapper testified in March 2013 that heightened rhetoric, distrust, and recurring violence along the line of contact between Armenian and Azerbaijani armed forces could “escalate the situation with little warning.” He raised hopes that the victory of Georgia Dream in Georgia’s legislative election would contribute to improved Georgia-Russia relations, but also voiced concerns that Georgia faces a “challenging political transition and an increased risk of domestic political instability;”

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presumably referring to the run-up and aftermath of the prospective October 2013 Georgian presidential election.3

The United States has endeavored to reassure Azerbaijan that it continues to be a “strategic partner” in counter-terrorism cooperation and energy security and has appeared to balance these U.S. interests against its concerns about democratization in Azerbaijan. According to some observers, relations between the United States and Azerbaijan had cooled after the Administration supported efforts in 2009-2010 by Armenia and Turkey to improve relations that Azerbaijan opposed (see below, “The Armenia-Turkey Protocols of 2009”) and after President Aliyev was not invited to the U.S. Nuclear Security Summit in April 2010. Also, according to this view, Azerbaijan may have pursued closer working relations with Russia in the wake of the August 2008 Russia-Georgia conflict, which showed that Russia remained a major power in the region. Countering such an assessment, Azerbaijan continues troop support for NATO operations in Afghanistan (see below, “Regional Support for Military Operations in Iraq and Afghanistan”) and plays an increasingly significant role as part of the Northern Distribution Network for the transit of U.S. and NATO supplies to and from Afghanistan. Also, Azerbaijan has aimed to step up gas supplies to Europe.

To underline the significance of U.S.-Azerbaijan relations, then-Secretary of Defense Robert Gates visited Azerbaijan in June 2010 and Secretary of State Hillary Clinton visited in July 2010, and President Obama met with President Aliyev on the sidelines of the U.N. General Assembly in September 2010. During her July 4, 2010, visit to Azerbaijan, former Secretary Clinton stressed that Azerbaijan was an important bilateral partner of the United States. She claimed that Azerbaijan had made “tremendous progress” in democratization and respect for human rights since its independence, but that “there is a lot of room for improvement” on such problems as restrictions on the media and civil society.4 President Obama also stressed the importance of U.S.-Azerbaijani relations when he met with President Aliyev on September 24, 2010. President Obama expressed his appreciation for Azerbaijan’s contributions to supporting the NATO mission in Afghanistan, and the two presidents pledged to support closer bilateral ties.5

U.S.-Azerbaijani relations appeared to generally improve—with some fits and starts—in 2011 and thereafter with the recess appointment of Ambassador to Azerbaijan Matthew Bryza, after more than a year without an ambassador (the appointment expired at the end of 2011, however). In October 2011, Deputy Secretary of State William Burns visited the three South Caucasian states. In Baku, he reportedly stated that “Azerbaijan is an important U.S. ally,” praised Azerbaijan’s troop support in Afghanistan and its important role in the diversification of energy exports to Europe, and stressed that resolving the NK conflict is a priority U.S. interest.6 In late 2011, the United States backed Azerbaijan’s successful bid for a two-year term on the U.N. Security Council (UNSC).

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4 U.S. Department of State. Remarks by Secretary Clinton: Joint Press Availability With Azerbaijani Foreign Minister Mammadlyar, July 4, 2010. She did not directly respond to a question about why she thought democratization was advancing rather than declining.
5 The White House, Office of the Press Secretary, Read-out of President Obama’s Meeting with Azerbaijani President Ilham Aliyev, September 24, 2010.
In early 2012, Azerbaijan’s National Security Ministry and other sources reported that alleged Iranian-backed terrorists had planned attacks against the U.S. and Israeli embassies in Baku and their personnel and other targets, but that Azerbaijani security forces had carried out several arrests and operations that appeared to vitiate the threat. In April 2012, the Obama Administration “re-launched” meetings of the U.S.-Azerbaijan Intergovernmental Commission on Economic Cooperation, which had last convened in 2008. At the session in Washington, DC, Azerbaijani co-head Samir Sharifov reported that President Aliyev had instructed the delegation to “intensify efforts” to expand the current “strategic partnership” between the two countries.

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

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

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

In the wake of the September 11, 2001, terrorist attacks in New York and Washington, DC, the former Bush Administration obtained quick pledges from the three South Caucasian states to support Operation Enduring Freedom (OEF) in Afghanistan, including overflight rights and Azerbaijan’s and Georgia’s offers of airbase and other support. Congressional attitudes toward Azerbaijan and Section 907 shifted, resulting in presidential waiver authority being incorporated into Foreign Operations Appropriations for FY2002 (H.R. 2506; P.L. 107-115). The President may use the waiver authority if he certifies that U.S. aid supports U.S. counter-terrorism efforts, supports the operational readiness of the Armed Forces, is important for Azerbaijan’s border security, and will not harm NK peace talks or be used for offensive purposes against Armenia. The waiver may be renewed annually, and 60 days after the exercise of the waiver, the President must report to Congress on the nature of aid to be provided to Azerbaijan, the military balance

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

Regional Support for Military Operations in Iraq and Afghanistan

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

In Afghanistan:

- Azerbaijan deployed troops to serve with the International Security Assistance Force (ISAF) in late 2002, and 94 were deployed as of early 2013. Azerbaijan has pledged aid to help Afghanistan build up its security forces and to provide other support for Afghanistan after 2014.

- On November 16, 2009, Georgia sent 173 troops for training in Germany before their scheduled deployment at the end of March 2010 to support ISAF. These troops were boosted to 925 in mid-2010. On December 20, 2011, the Georgian legislature approved sending an added Georgian battalion of 749 troops to Afghanistan. The troops were deployed in October 2012, boosting the size of the Georgian contingent to 1,570 troops. The added deployment made Georgia the largest contributor to the International Security Assistance Force (ISAF) among non-NATO member countries (surpassing Australia with 1,550 troops). The U.S. European Command’s Georgia Deployment Program supports Georgian troop training and rotations. Defense Minister Alasania has stated that the Georgian troops will remain beyond 2014 to assist the Afghan National Security Forces. The Labor Party in Georgia is one of the few parties that opposes troop deployments to Afghanistan and calls for the troops to be recalled.

- In January 2010, Armenia sent 40 troops for training in Germany before their deployment to Kunduz, Afghanistan, to serve with German forces. The number of troops was increased to 45 at the end of 2010. Currently, 126 Armenian troops are deployed in Kunduz and Balkh provinces.

Azerbaijan and the Northern Distribution Network (NDN)

Azerbaijan and Kyrgyzstan reportedly are the main over-flight, refueling, and landing routes for U.S. and coalition troops bound for Afghanistan, and Azerbaijan also is a major land transport route for military fuel, food, and construction supplies. The Azerbaijani route is one of three main routes through Russia, the South Caucasus, and Central Asia to Afghanistan, together termed the NDN, that have supplemented—and for several months in 2011-2012, supplanted—supply routes through Pakistan. According to former Ambassador to Azerbaijan Matthew Bryza, in recent years, “virtually every U.S. soldier deployed to Afghanistan has flown over Azerbaijan.” He also
reported that over one-third of all non-lethal equipment, fuel, clothing, and food used by U.S. troops in Afghanistan transited by ground and sea through the Port of Baku. One media source reported in late 2012 that USCENTCOM was discussing shipping equipment and materials out of Afghanistan and across the Caspian Sea to Azerbaijan, where the goods would then be transported through Turkey to Europe. According to this account, USCENTCOM envisaged using this route for about 5% of goods exiting Afghanistan over 2013-2014.

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

Strong U.S. support for Georgia is reflected in the U.S.-Georgia Charter on Strategic Partnership, signed in January 2009, which states that “our two countries share a vital interest in a strong, independent, sovereign, unified, and democratic Georgia.” The accord is similar to a U.S.-Ukraine Charter signed in December 2008 and a U.S.-Baltic Charter signed in 1998 with Estonia, Latvia, and Lithuania.

- In the security realm, “the United States and Georgia intend to expand the scope of their ongoing defense and security cooperation programs to defeat [threats to global peace and stability] and to promote peace and stability.” Such cooperation will “increase Georgian capabilities and ... strengthen Georgia’s candidacy for NATO membership.”

- In the economic realm, the two countries “intend to pursue an Enhanced Bilateral Investment Treaty, to expand Georgian access to the General System of Preferences, and to explore the possibility of a Free-Trade Agreement.” Energy security goals include “increasing Georgia’s energy production, enhancing energy efficiency, and increasing the physical security of energy transit through Georgia to European markets.”

- In the realm of democratization, the two countries “pledge cooperation to bolster independent media, freedom of expression, and access to objective news and information,” and to further strengthen the rule of law. The United States pledged to train judges, prosecutors, defense lawyers, and police officers.

Then-Deputy Assistant Secretary Bryza stressed that the charter did not provide security guarantees to Georgia. According to some observers, the Charter aimed to reaffirm the United States’ high strategic interest in Georgia’s fate, to counter perceptions that the United States (and the West) had acquiesced to increased Russian dominance in the South Caucasus.

Some in Georgia expressed concern that the “reset” in U.S.-Russian relations enunciated by the Obama Administration in 2009 could lead the United States to downgrade ties with Tbilisi, or even make concessions to Russia at Georgia’s expense. At the U.S.-Russia summit in July 2009, however, President Obama stated that one area where the two presidents “agreed to disagree” was on Georgia, where he stressed that he had “reiterated my firm belief that Georgia’s sovereignty and territorial integrity must be respected.” Perhaps in order to calm the concerns of some

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14 The White House. Office of the Press Secretary. Press Conference by President Obama and President Medvedev of (continued...)

In 2011-2013, there were further high-level U.S.-Georgia bilateral visits. In January 2011, President Saakashvili met with President Obama during a U.S. visit, and reportedly gave the U.S. President a report detailing Georgia’s defense needs. According to some reports, Presidents Obama and Saakashvili briefly met on the sidelines of the opening of the U.N. General Assembly in New York in September 2011. Some congressional delegations also visited. During his state visit to the United States in January 2012, President Saakashvili met with President Obama, who praised efforts in Georgia to increase the honesty of police, the rule of law, and free market reforms, and called for free elections in the future. He stated that these democratic and free market reforms could serve as examples for other Eurasian countries. He reiterated the call in the Charter for exploring a free trade agreement, and thanked Saakashvili for Georgia’s troop contributions in Afghanistan. He mentioned in a press conference that the two presidents had discussed “strengthen[ing] our defense cooperation,” and he voiced continuing support for Georgia’s NATO aspirations. In response at the press conference, President Saakashvili stated that “we are grateful for elevating our defense cooperation further and talking about Georgia’s self-defense capabilities and developing it.”15 Russia’s then-Prime Minister Putin and others in Russia denounced what they inferred was a change in U.S.-Georgia defense ties, although the Administration claimed that its defense cooperation policy toward Georgia had not changed (but see directly below, and below in “Security Assistance to Georgia since the August 2008 Conflict”). President Saakashvili visited the United States in late April-early May 2013, and met with Vice President Biden, Secretary Kerry, and Senator John McCain, among others.

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

Sustaining robust bilateral security and defense cooperation with Georgia will also remain a high priority... Our plans for security assistance and military engagement with Georgia are to support Georgia’s defense reforms, to train and equip Georgian troops for participation in the ISAF mission and to advance Georgia’s NATO interoperability.16

At her meeting with Saakashvili on June 5, 2012, former Secretary Clinton stated that she reaffirmed U.S. support for Georgia’s sovereignty and territorial integrity within its internationally recognized borders, and announced that U.S. consular officials would recognize so-called status-neutral travel documents issued by the Georgian government to residents of Abkhazia and South Ossetia who wished to visit the United States. She stated that by recognizing such travel documents, the United States was facilitating reconciliation in Georgia. She stated that

(...continued)

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

the two sides had agreed on new areas of defense cooperation, including training and support for monitoring the seacoast and skies, upgrades for the utility helicopter fleet, and enhanced officer training (see also below, “Security Assistance to Georgia since the August 2008 Conflict”).

Secretary Kerry first met with Foreign Minister Maia Panjikidze on April 24, 2013, on the sidelines of a NATO foreign ministerial meeting in Brussels. The U.S. side issued few details.

Some observers have called for a reevaluation of some aspects of U.S. support for Georgia. These critics have argued that many U.S. policymakers have been captivated by Saakashvili’s charismatic personality and pledges to democratize and have tended to overlook his bellicosity. They have raised concerns that although the 2012 legislative election was progressive, the post-election arrests of former government officials and the harsh rhetoric of political actors highlight problems of democratization. They have warned that U.S. acceptance of Georgian troops for coalition operations in Afghanistan must not lead to U.S. defense commitments to Georgia, and a few have suggested that the United States should not unquestionably back Georgia’s territorial integrity, but should rather encourage reconciliation and the consideration of options short of the near-term reintegration of the regions into Georgia. In contrast, other observers have called for a more robust U.S. and NATO effort to resupply Georgia with defensive weaponry so that it might deter or resist Russian aggression (see also below, “U.S. Security Assistance”). At the same time, most observers advise against extending diplomatic recognition to breakaway regions without an international consensus.17

The External Security Context of the South Caucasus

Russian Involvement in the Region

After Vladimir Putin was elected president in 2000, Russia appeared to place great strategic importance on increasing influence in the South Caucasus region. Several developments over the next few years, however, appeared to jeopardize Putin’s influence efforts. These included the “rose revolution” in Georgia that appeared to usher in democratic reforms, NATO’s increased ties with the regional states, the completion of the Baku-Tbilisi-Ceyhan oil pipeline and an associated gas pipeline, Russia’s ongoing concerns about security in its North Caucasus area (including Chechnya), and Russia’s agreement to close its remaining military bases in Georgia. These challenges to Russian influence, however, appeared to be reversed as a result of the August 2008 Russia-Georgia conflict.

The Russian leadership has appeared to place its highest priority on exercising influence in the region in the military-strategic sphere and slightly less priority on influence in the economic

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

The South Caucasian states have responded in various ways to Russian influence. Armenia has close security and economic ties with Russia, given the unresolved NK conflict and concerns about Turkey. Azerbaijan has been concerned about Russia’s ties with Armenia and has eliminated Russia’s military presence. At the same time, Azerbaijan has appeared to value having cooperative relations with Russia to increase its options and leverage in diplomacy and trade. From 2006 until recently, Georgia suffered from trade restrictions imposed by Russia and has had no formal diplomatic relations with Russia since the Russia-Georgia conflict.

Military-Strategic Interests

Russia’s armed presence in the South Caucasus has been multifaceted, including thousands of military base personnel, border troops, and until 2008, “peacekeepers.” The first step by Russia in maintaining a military presence in the region was the promulgation of the Commonwealth of Independent States (CIS) Collective Security Treaty (CST) in 1992, which pledged members to consult in the event of a threat to one or several members, and to provide mutual aid if attacked. A follow-on Collective Security Treaty Organization (CSTO) with a charter reiterating these pledges was established in 2002 (current members include Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan). Russia also secured permission for two military bases in Armenia and four in Georgia (on the latter bases, see below). The total number of Russian ground forces troops in Armenia has been estimated at about 3,300, and an additional number of Air Force personnel.18 In addition, Russian border troops guard Armenia’s borders with Turkey and Iran. Various statements have appeared by CSTO and Armenian officials about whether or not the CSTO would defend NK and Armenia against an Azerbaijani military operation (see also below).

During a visit by Russian President Dmitriy Medvedev to Armenia in August 2010, Armenia agreed to extend the basing agreement with Russia to the year 2044. In the basing accord, Russia also pledged that its forces would help safeguard Armenia’s national security and that it would supply more modern weaponry for Armenia’s armed forces. Although some officials in Armenia hailed the accord as providing greater assurance that Russia would intervene if Azerbaijan began operations against NK, Medvedev argued during a September 2010 visit to Azerbaijan that the accord was not aimed against Azerbaijan. Georgian Foreign Minister Grigol Vashadze, however, criticized the accord as strengthening Russia’s military influence in the region, as compromising Armenia’s independence, and as raising tensions that are inimical to the settlement of the NK conflict.19

In December 2012, President Sargisyan stated that in case of war with Azerbaijan, Armenia was counting on the support of its allies in the CSTO, rhetorically asking “why else are we in the

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In January 2013, President Sargsyan stressed in a speech at the Defense Ministry that the strategic partnership between Armenia and Russia is “the nucleus of Armenian security,” and that membership in the CSTO also is the “real guarantee of Armenia’s security.”

The CSTO has refused to state what it would do in case of the escalation of conflict between Armenia and Azerbaijan. In September 2012, however, the CSTO Rapid Reaction Forces simulated repulsing an invasion of Armenia by “terrorists.” One Russian newspaper reported in January 2013 that Russia recently had transformed its forces in Armenia to primarily professional contract troops, in anticipation of possible Azerbaijani military action against Armenia or Israeli action against Iran. The report depicted Azerbaijan as making unfriendly moves against Russia and quoted a Russian lieutenant general as stating that whether Russia will defend Armenia from an Azerbaijani action will be a “political decision,” but that the forces should be ready.

In addition to the Russian troops in the South Caucasus, about 88,000 Russian troops are stationed nearby in the North Caucasus, naval forces of Russia’s Caspian Sea Flotilla are based in Astrakhan, and some naval forces of the Black Sea Fleet are docking at the port of Ochamchira in Abkhazia, Georgia. In 1993, Azerbaijan was the first Eurasian state to get Russian troops to withdraw, except at the Qabala (Gabala) radar site in northern Azerbaijan. Giving up on closing the site, in January 2002 Azerbaijan signed a 10-year lease agreement with Russia permitting up to 1,500 troops there. After months of reportedly contentious negotiations, during which Azerbaijan purportedly demanded a lease increase from the present $7 million per year to $300 million, Russia announced in early December 2012 that it would relinquish the radar site. A new radar in the North Caucasus reportedly will take over the functions of the Qabala radar. In April 2013, President Aliyev explained that the country had asked for a higher lease payment because of the scenic value of the land. He averred that Russia should pay market value for leasing the land, just as Russia charges world market value for weaponry it sells to Azerbaijan. He denied that the lease decision harmed Azerbaijani-Russian relations or that Azerbaijan had been influenced by the United States regarding the lease negotiations.

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

Some Russian and regional observers have speculated that in case of a possible U.S.-Israeli military action against Iran, Russia would take advantage of the operation to move militarily against the South Caucasus. Russia might quickly secure an air and land route through Georgia to its military facilities in Armenia, and occupy the rest of the region, ostensibly to safeguard

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21 Interfax, January 16, 2013.
22 CEDR, January 18, 2013, Doc. No. CEP-305001.
southern Russia from Iranians fleeing into the South Caucasus or to protect against other claimed disorder, these observers warn.23

**Russian “Peacekeepers” and Bases in Georgia**

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

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

Not even one year had passed, however, before Russia announced—following the August 2008 Russia-Georgia conflict—that two army brigades would be deployed to new military bases in Abkhazia and South Ossetia. In addition to these army brigades, Russian border troops were deployed along regional borders with Georgia, along which engineer brigades were creating revetments, trenches, and minefields. A part of the Black Sea Fleet also was deployed to Ochamchira in Abkhazia. The British publication *The Military Balance* reports that as of early 2013 there were 6,900 Russian military troops in Abkhazia and South Ossetia.24

**Caspian Energy Resources**

Russia has tried to play a dominant role in future oil and gas production and transportation in the Caspian Sea region. A major lever has been the prices it charges the South Caucasian countries for gas. In 2006, Russia charged all three regional states much more for gas. Armenia agreed to relinquish various energy assets to Russian firms as partial payment for this price increase. Some critics have alleged that Russia now has virtual control over Armenia’s energy supplies. Russia again hiked gas prices in 2007. Georgia negotiated an agreement to receive some Azerbaijani gas via the new South Caucasus Pipeline (SCP, see “Building the Baku-Tbilisi-Ceyhan and South Caucasus Pipelines,” below) and another small existing pipeline. It also agreed to continue to

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purchase some higher-priced gas from Gazprom. Russia’s requests for higher prices and reductions in the amounts of gas and electricity supplied to Azerbaijan led President Aliyev to announce that the country would no longer purchase Russian gas. Following the August 2008 Russia-Georgia conflict, Gazprom’s arrangement with Georgia involving the transit of Russian gas to Armenia remained in place. Armenia pays a share of gas to Georgia as a transit fee. According to BP, Russia in 2010 provided 7.4 billion cubic feet of gas to Georgia and 45.6 billion cubic feet of gas to Armenia. Georgia received a much greater share of its gas—36.4 billion cubic feet in 2010—from Azerbaijan than from Russia, according to BP. (See also below, “Energy Resources and U.S. Policy,” for more information on Russia’s efforts to gain control of regional energy resources and infrastructure.)

The Roles of Turkey, Iran, and Others

The United States has generally viewed Turkey as able to foster pro-Western policies and discourage Iranian interference in the South Caucasus states, even though Turkey favors Azerbaijan in the NK conflict. Critics of Turkey’s larger role in the region caution that the United States and NATO might be drawn by their ties with Turkey into regional imbroglios. Turkey seeks good relations with Azerbaijan and Georgia and some contacts with Armenia, while trying to limit Russian and Iranian influence. Azerbaijan likewise long viewed Turkey as an ally against such influence, and as a balance to Armenia’s ties with Russia (see below for recent developments). Georgia has an abiding interest in ties with the approximately 1 million Georgians residing in Turkey and the approximately 50,000 residing in Iran, and has signed friendship treaties with both states. Turkey is one of Georgia’s primary trade partners. Existing and planned east-west oil and gas pipelines reflect cooperation between Azerbaijan, Georgia, and Turkey.

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

The Armenia-Turkey Protocols of 2009

In September 2008, Turkey’s President Abdullah Gül visited Armenia, ostensibly to view a soccer game, and this thaw contributed to the two countries reaching agreement in April 2009 on a “road map” for normalizing ties, including the establishment of full diplomatic relations and the opening of borders. After further negotiations, Turkish Foreign Minister Ahmet Davutoğlu and Armenian Foreign Minister Edvard Nalbandian initialed two protocols “On Establishing Diplomatic Relations,” and “On Development of Bilateral Relations” on August 31, 2009, and formally signed them on October 10, 2009. New Secretary of State Clinton reportedly met with Turkish leaders in March 2009 in Ankara to encourage them and President Obama reportedly actively supported the negotiators during a meeting in Istanbul in April 2009.25 The protocol on diplomatic relations called for the two sides to establish embassies in each other’s capitals within two months after the mutual legislatures approved the protocols and after the exchange of the articles of ratification of the protocol. The protocol on foreign relations called for the two sides to “agree to open the common border within two months after the entry into force of this Protocol,”

that is, after ratification of the protocols by the legislatures of the two states, to “implement a
dialogue on the historical dimension with the aim to restore mutual confidence between the two
nations, including an impartial scientific examination of the historical records and archives to
define existing problems and formulate recommendations,” and to undertake other cooperative
efforts.26

A ruling of the Armenian constitutional court on January 18, 2010, that the protocols could not
affect Armenia’s policy on genocide recognition was criticized by the Turkish government as not
being in conformity with the text of the protocols. The Armenian government stated that the
ruling did not affect the conditions of the protocols. Azerbaijan strongly criticized Turkey for
moving toward normalizing relations with Armenia without formally linking such a move to a
peace settlement of the NK conflict. This criticism quickly elicited pledges by Turkey’s leaders
that the Turkish legislature would not approve the protocols until there was progress in settling
the NK conflict. On April 22, 2010, the ruling Armenian party coalition issued a statement that
“considering the Turkish side’s refusal to fulfill the requirement to ratify the accord without
preconditions in a reasonable time, making the continuation of the ratification process in the
national parliament pointless, we consider it necessary to suspend this process.”27

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

Iran

Iran’s goals in the South Caucasus include discouraging Western powers such as Turkey and the
United States from gaining influence (Iran’s goal of containing Russia conflicts with its
cooperation with Russia on these interests), ending regional instability that might threaten its own
territorial integrity, and building economic links. Armenia and Georgia have through the ages
upheld their Christian heritage within the wider Islamic region (although many Georgian Ajarians
are Sunni Muslims). Azerbaijani are mainly a Turkic people and practice Shiite Islam, as do the
bulk of Iranians, but many Azeris reject the strict Shiism of Iran and its cleric-led politics. A
major share of the world’s ethnic Azerbaijanis reside in Iran (The World Factbook estimates about
12 million, although other estimates are far higher), as well as about 200,000 Armenians. Ethnic
consciousness among some “Southern Azerbaijanis” in Iran has grown. Azerbaijani elites fear
Iranian-supported Islamic extremism and object to Iranian support to Armenia. Baku banned the
pro-Iranian Islamic Party of Azerbaijan (IPA) in 1995. To block the West and Azerbaijan from
developing Caspian Sea energy, Iran long has insisted on either common control by the littoral
states or the division of the seabed into five equal sectors. There is some trade between the two.


countries, reportedly between $240 million and $300 million in turnover in 2011, but amounts have been declining.

In recent months, Iran has boosted its diplomacy in the region, perhaps to counter growing international concern about its nuclear programs and to counter U.S. influence. Iran has proposed to build a railroad link to Armenia and another to Azerbaijan. The latter railroad will permit not only greater trade with Azerbaijan but also with Russia. Iran sells some gas to Armenia, and Azerbaijan sells some gas to Iran. Iran’s efforts to improve relations with Azerbaijan have appeared to be complicated, however, by its reported suppression of rising dissent among “Southern Azerbaijani” as well as alleged support for Islamic extremism in Azerbaijan. U.S. policy aims to contain Iran’s threats to U.S. interests in the region.28

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

Attempts to ease Azerbaijani-Iranian tensions included a meeting between the foreign ministers of Iran, Azerbaijan, and Turkey in Nakhichevan, Azerbaijan, on March 7, 2012, and a trip by Defense Minister Safar Abiyev to Tehran a week later. Abiyev stressed that Azerbaijani territory would not be used to launch attacks on Iran. Two days later, however, the Azerbaijan National Security Ministry announced that nearly two dozen terrorists trained in Iran had been arrested, who had been planning attacks on Israeli and U.S. embassies and other Western interests, and at the end of the month, the ministry reported that two other Iranian spy networks had been uncovered in 2011. Also in late March 2012, Iran increased its accusations that Azerbaijan was providing Israel with military access to launch attacks on Iran after such allegations appeared in Western media. In early April, Iran arrested some individuals it claimed were Israeli agents being directed from an unnamed nearby country, presumably Azerbaijan. On April 12, Azerbaijani media reported that the government had arrested several Iranians and Azerbaijani involved in weapons and drug smuggling from Iran.

In early May 2012, Iran recalled its ambassador to Azerbaijan for “consultations” following anti-Iranian protests outside Iran’s embassy in Baku against Iranian criticism of the Eurovision Song Contest to be held on May 22-26, 2012, in Baku. The Azerbaijani Foreign Ministry reportedly responded to the recall by announcing that “some people are jealous about Azerbaijan’s development [and] the organization of a grand event such as Eurovision,” and requested that Iran apologize for “insulting statements” about Azerbaijan.29

In early September 2012, Iran released two Azerbaijani poets it had convicted in August on spy charges, and Azerbaijan paroled an Iranian reporter convicted on drug charges, just before a visit by the Iranian vice president to Azerbaijan. In October 2012, President Ahmadinezhad met with President Aliyev on the sidelines of the Economic Cooperation Organization summit in Baku, and both leaders reportedly expressed satisfaction with the development of political, economic, and

cultural cooperation between their two countries, and called for further expanding economic ties. Azerbaijani officials reportedly have pledged to Iran that Azerbaijan will not be used as a launching pad for third-party aggression against Tehran, but also have vowed to support international sanctions against Iran.

Bilateral relations appeared further strained after a conference by a “Southern Azerbaijan” liberation group was held in Baku at the end of March 2013. Iranian officials condemned the meeting, expressing dismay that the Azerbaijani government permitted it and accusing U.S. and “Zionist” interests of orchestrating the meeting to spoil Azerbaijani-Iranian relations. Seemingly in retaliation, the Iranian legislature began debate on redrawing Iran’s borders to incorporate modern-day Azerbaijan.

Others

Among non-bordering states, the United States and European states are the most influential in the South Caucasus in terms of aid, trade, exchanges, and other ties. U.S. and European goals in the region are broadly compatible, involving integrating it into the West and preventing an anti-Western orientation, opening it to trade and transport, obtaining energy resources, and helping it become peaceful, stable, and democratic. As part of its European Neighborhood Policy, the EU signed Action Plans with the three regional states in November 2006 that it hoped would foster both European and regional integration. The EU took the international lead in mediating the August 2008 Russia-Georgia conflict and in deploying observers after the ceasefire (see “The August 2008 Russia-Georgia Conflict,” below). The EU launched an Eastern Partnership program in 2009 to deepen ties with the South Caucasus states. Under the program, the EU plans “deep and comprehensive free trade agreements with those countries willing and able to enter into a deeper engagement, gradual integration in the EU economy, and ... easier travel to the EU through gradual visa liberalization.”30 Some observers have viewed these objectives as being set back by the EU’s recent economic problems.

The South Caucasus region has developed some economic and political ties with other Black Sea and Caspian Sea littoral states, besides those discussed above. Azerbaijan shares with Central Asian states common linguistic and religious ties and concerns about some common neighbors (Iran and Russia). The South Caucasian and Central Asian states are concerned about ongoing terrorist threats and drug trafficking from Afghanistan. Central Asia’s increasing ties with the South Caucasus make it more dependent on stability in the wider region.

Obstacles to Peace and Independence

Regional Tensions and Conflicts

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

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the limited ability of the region or outside states to fully exploit energy resources or trade and transportation networks.

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

Nagorno Karabakh Conflict

In 1988, the Nagorno Karabakh (NK) Autonomous Region of Azerbaijan petitioned to become part of Armenia, sparking armed conflict between ethnic Armenians and ethnic Azerbaijanis. In December 1991, an NK referendum (boycotted by local ethnic Azerbaijanis) approved NK’s independence and a Supreme Soviet was elected, which in January 1992 futilely appealed for world recognition. A ceasefire agreement was signed in July 1994 by Armenia, Azerbaijan, and NK Armenians (and mediators Russia and Kyrgyzstan), and the sides pledged to work toward a peace settlement. The conflict over the status of NK has resulted in about 15,000 casualties and hundreds of thousands of refugees and displaced persons in Armenia and Azerbaijan. According to the OSCE, an average of about 30 troops and civilians have been killed each year along the 137-mile “line of contact” and along the Armenia-Azerbaijan border dividing the conflicting sides.31

The “Minsk Group” of concerned member-states of what is now termed the OSCE was established in 1992 to facilitate peace talks. The United States,32 France, and Russia co-chair the Minsk Group, and other participants include (besides Armenia and Azerbaijan) Belarus, Germany, Italy, Portugal, the Netherlands, Sweden, Finland, and Turkey. An OSCE high-level planning group composed of military officers also was set up to plan for multi-national peacekeeping after a peace agreement is signed. In 1995, the OSCE chairman-in-office appointed a personal representative to help facilitate a peace settlement, including by carrying out monitoring missions along the line of contact and the Armenia-Azerbaijan border. This personal representative is based in Tbilisi, Georgia, and has small staffs in Yerevan, Armenia; Baku, Azerbaijan; and NK.

The U.N. High Commissioner for Refugees (UNHCR) has reported that at the beginning of 2012, there were still about 3,000 people considered refugees in Armenia. Armenia has granted citizenship and acted to permanently house most of the ethnic Armenians who fled Azerbaijan.

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32 The status of the U.S. envoy was downgraded in 1993. In early 2006, the State Department eliminated the post of U.S. Special Negotiator for Eurasian Conflicts and divided its responsibilities among the Deputy Assistant Secretary of State and the Office of Caucasus Affairs and Regional Conflicts. In 2009, a separate post of U.S. OSCE Minsk Group Co-Chair was filled by Ambassador Robert Bradtke. In December 2012, Ian Kelly became the acting U.S. co-chair.
UNHCR has reported that at the beginning of 2012, there were still over 600,000 people considered refugees or displaced persons in Azerbaijan. The non-governmental International Crisis Group estimates that about 13%-14% of Azerbaijan’s territory, including most of NK, is controlled by NK Armenian forces (The World Factbook estimates about 16%).

The Minsk Group reportedly has presented four proposals as a framework for talks, but a peace settlement has proved elusive. Since 2005, officials in both countries have reported negotiations on a fourth “hybrid” peace plan calling for initial agreement on “basic principles.” In November 2007, then-Under Secretary of State Nicholas Burns, Russian Foreign Minister Sergey Lavrov, and then-French Foreign Minister Bernard Kouchner presented the foreign ministers of Armenia and Azerbaijan with a draft text—Basic Principles for the Peaceful Settlement of the Nagorno-Karabakh Conflict—for transmission to their presidents. These officials urged the two sides to accept the Basic Principles (also termed the Madrid principles, after the location where the draft text was presented) that had resulted from three years of talks and to begin “a new phase of talks” on a comprehensive peace settlement.

On November 2, 2008, Russian President Medvedev hosted talks in Moscow between Armenian President Serzh Sarkisyan and Azerbaijani President Ilkham Aliyev on a settlement of the NK conflict. A joint declaration signed by Aliyev and Sarkisyan (also termed the Meindorf declaration after the castle where talks were held) upheld a continued mediating role for the Minsk Group, but the talks represented Russia’s intention to play the major role in mediating the conflict, some observers argue. The joint declaration was the first document on the NK conflict signed by the leaders of Armenia and Azerbaijan since the ceasefire in 1994.

As “updated” by the presidents of the co-chairing countries in July 2009 at L’Aquila, France, the Basic Principles call for the phased return of the territories surrounding NK to Azerbaijani control; an interim status for NK providing guarantees for security and self-governance; a corridor linking Armenia to NK; future determination of the final legal status of NK through a legally binding expression of will; the right of all internally displaced persons and refugees to return to their former places of residence; and international security guarantees that would include a peacekeeping operation. The co-chairs presented the “updated” Madrid principles to President Aliyev in Baku in December 2009 and to President Sarkisyan in Yerevan in January 2010. Then-President Medvedev hosted Aliyev and Sargisyan in Sochi, Russia in late January 2010, and the two sides reportedly agreed on many parts of a preamble to an agreement. However, in July 2010, the Russian and French foreign ministers and the U.S. deputy secretary of state issued a statement criticizing Armenia and Azerbaijan for not making more progress in reaching a peace agreement, and deplored recent negative trends, including violence along the line of contact that resulted in several casualties and bellicose statements by officials.


At the December 1-2, 2010, summit meeting of the OSCE, hopes that the attending presidents of Armenia and Azerbaijan would hold talks and make progress in resolving the NK conflict proved unfounded. The co-chairs of the Minsk Group and the two presidents instead issued a statement that called for “more decisive efforts to resolve the NK conflict.” The presidents pledged to seek a final settlement based on international law.37

Meeting in Sochi, Russia, on March 5, 2011, Presidents Medvedev, Sargisyan, and Aliyev issued a statement vowing “to tackle all disputable issues peacefully and to probe incidents along the ceasefire line together under the aegis of the OSCE Minsk Group co-chairs and with assistance from the OSCE chairman-in-office’s special envoy.”38 On March 9, 2011, the Minsk Group co-chairs condemned ceasefire violations along the line of contact that occurred before and after the Sochi meeting, including the alleged sniper shooting of an Azerbaijani child. On March 17, 2011, a prisoner exchange occurred, as agreed to by Presidents Aliyev and Sargisyan at Sochi, but the next day, a sniper allegedly killed a member of the NK Self-Defense Army. The chairman-in-office of the OSCE reiterated past calls by the OSCE and others for the removal of snipers from the line of contact. On March 17, 2011, Azerbaijani Defense Minister Safar Abiyev reportedly stated that the “worthlessness” of the Minsk Group talks had forced Azerbaijan to build up its military capabilities in order to “take serious and necessary measures to liberate” NK and surrounding areas.39

In late March 2011, the Minsk Group co-chairs released the executive summary of a report of their findings and recommendations following an October 2010 Field Assessment Mission to the occupied areas surrounding NK. The last such assessment had been carried out in 2005. The new report appeared to generally echo the findings of the 2005 report that most of the “towns and villages that existed before the conflict are abandoned and almost entirely in ruins,” although some land was being farmed. They reported that there are an estimated 14,000 persons living in small settlements and in the towns of Lachin and Kelbajar, for the most part ethnic Armenians who were relocated from elsewhere in Azerbaijan. The “harsh” living conditions in the areas, the co-chairs emphasized, reinforced their view that “only a peaceful, negotiated settlement can bring the prospect of a better, more certain future to the people who used to live in the territories and those who live there now.”40

In May 2011, the presidents of the United States, France, and Russia issued a statement on the sidelines of a Group of Eight (group of industrialized nations) meeting in Deauville, France, that urged the Armenian and Azerbaijani presidents to finalize agreement on the Basic Principles at an upcoming late June 2011 meeting in Kazan, Russia. At this meeting, Presidents Sargisyan and Aliyev issued a joint statement that agreement had been reached on some issues and that further talks would be held. Many observers had heightened expectations of progress, perhaps illustrated by President Obama’s phone calls to the Armenian and Azerbaijani presidents before the meeting to urge them to reach a settlement. A couple of weeks later, then-President Medvedev, reportedly

38 Meeting with Presidents of Armenia and Azerbaijan, President of Russia, March 5, 2011, at http://eng.kremlin.ru/news/1859.
39 Interfax, March 17, 2011.
disappointed that there had been scant progress at the talks, sent letters to the two leaders requesting suggestions on how to move the talks forward.

In October 2011, the Minsk Group co-chairs issued a statement after talks with Presidents Aliyev and Sargsyan that the two presidents had agreed in principle on some border incident investigation procedures that the presidents had called for developing at their meeting in Sochi in March 2011. A call for finalizing these procedures was issued at the OSCE Ministerial Council Meeting in Vilnius in early December 2011.

Before a planned meeting of the Armenian and Azerbaijani presidents in Sochi, Russia, on January 23, 2012, President Aliyev stressed that “no one wants war, least of all Azerbaijan, which has made such great achievements. However, this does not mean that negotiations ... will be focused on the prevention of war.” At the Sochi meeting, the two presidents issued a joint statement requesting Russia to act to facilitate humanitarian ties between the two countries and pledging to speed up efforts to agree to the basic principles, which raised expectations among some observers. The co-chairs of the OSCE Minsk Group also presented the Armenian and Azerbaijani presidents with a draft plan for setting up a group to investigate incidents along the line of contact, and the presidents called for further work on the plan.

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

On June 19, 2012, the presidents of the United States, France, and Russia, meeting on the sidelines of the Group of Twenty (G-20; grouping of major developed and developing countries) summit in Mexico, issued a joint statement regretting that there had not been substantial progress since their last such appeal in mid-2011. The presidents called on both sides to eschew hostile rhetoric, and argued that “military force will not resolve the conflict and would only prolong the suffering ... by peoples of the region.” Appearing to reflect the rejection of the creation of an incident investigation mechanism, Azerbaijani Foreign Minister Mammadyarov stated on July 9, 2012, that “the problem is not in mechanisms, it is in the presence of the Armenian troops in the occupied Azerbaijani lands. If troops are withdrawn, both the problems with the incidents and mechanisms will be solved. This is Azerbaijan's position and we will not change it.”

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

41 Interfax, January 16, 2012.
it was communicating its “disappointment” to Azerbaijan and several Members of Congress were critical of the pardon.

The OSCE Minsk Group met individually with the Armenian and Azerbaijani foreign ministers in Paris on September 2-3, 2012, and raised “deep concern” that the pardon had harmed peace efforts. Appearing to respond to the OSCE statement, President Aliyev argued in a speech on September 11, 2012, that the Minsk Group had been unsuccessful during its two-decade efforts in moving Armenia to settle the NK conflict, so that the solution might depend on Azerbaijan’s use of military force. He asserted that since NK was “occupied” by Armenia, Azerbaijan’s main focus was on “isolating Armenia from all international and regional [economic] projects.”45

At the opening session of the U.N. General Assembly in late September 2012, the Armenian and Azerbaijani foreign ministers harshly characterized each other’s positions on the NK conflict as “blatant distortions” and “lies.” At the OSCE Ministerial Council Meeting in Dublin on December 6, 2012, the three Minsk Group co-chairing countries issued a statement regretting that there had been no progress in talks since the Armenian and Azerbaijani presidents had pledged more rapid progress in Sochi in January 2012. They also raised concerns about increased tensions between the two states in recent months, and called on the presidents to “prepare their populations for the day when they will live again as neighbors, not enemies.”46

In a presidential campaign speech in January 2013, President Sargsyan reportedly advised against Armenian recognition of the independence of NK “at the moment,” stating that such recognition would end the peace talks and “in that case, we must be ready for military actions.”47

The Armenian and Azerbaijani foreign ministers met jointly with the Minsk Group co-chairs in Paris in late January 2013, but no progress was reported. A joint meeting of the foreign ministers is planned to be held in Krakow, Poland, in mid-May 2013. Tensions over possible Armenian air flights to NK continue to roil the peace process.

Civil and Ethnic Conflict in Georgia

Several of Georgia’s ethnic minorities stepped up their dissidence, including separatism, in the late 1980s and early 1990s, resulting in the loss of central government control over the regions of South Ossetia and Abkhazia. Some observers argued that Russia’s increasing controls over South Ossetia and Abkhazia over the years transformed the separatist conflicts into essentially Russia-Georgia disputes. Most residents of Abkhazia and South Ossetia had been granted Russian citizenship before the August 2008 Russia-Georgia conflict and most had appeared to want their regions to become independent or parts of Russia.48

48 Vladimir Socor, Eurasia Insight, November 20, 2006. According to an issue of the Rossiyskoye Voyennoye Obozreniye (Russian Military Review) published by the Defense Ministry in early 2008, 80% of residents of Abkhazia were citizens of Russia at that time, and most had voted in the December 2007 Russian legislative election. CEDR, April 21, 2008, Doc. No. CEP-358004.
U.S. diplomacy long appeared to urge Georgia to work within existing peace settlement frameworks for Abkhazia and South Ossetia—which allowed for Russian “peacekeeping”—while criticizing some Russian actions in the regions. This stance appeared to change during 2008, when the United States and other governments increasingly came to support Georgia’s calls for the creation of alternative peace settlement mechanisms, particularly since talks under existing formats had broken down.

This U.S. policy shift was spurred by increasing Russian actions that appeared to threaten Georgia’s territorial integrity. Among these, the Russian government in March 2008 formally withdrew from CIS economic sanctions on Abkhazia, permitting open Russian trade and investment. Of greater concern, President Putin issued a directive in April 2008 to step up government-to-government ties with Abkhazia and South Ossetia. He also ordered stepped up consular services for the many “Russian citizens” in the two regions. He proclaimed that many documents issued by the separatist governments and businesses which had been established in the regions would be recognized as legitimate by the Russian government (For other Russian actions during 2008 specific to a breakaway region, see “Developments in Abkhazia before August 2008,” “Developments in South Ossetia before August 2008,” or “The August 2008 Russia-Georgia Conflict,” below.)

**Developments in Abkhazia before August 2008**

In July 1992, Abkhazia’s legislature declared the region’s effective independence, prompting an attack by Georgian national guardsmen. In October 1992, the UNSC approved sending a U.N. Observer Mission in Georgia (UNOMIG), the first to a Eurasian state, to help the parties reach a settlement. Russian and North Caucasian “volunteers” (who reportedly made up the bulk of Abkhaz separatist forces) routed Georgian forces in 1993. Georgia and Abkhazia agreed in April-May 1994 on a framework for a political settlement and the return of refugees. Russian troops (acting as CIS “peacekeepers”) were deployed in a zone between Abkhazia and the rest of Georgia. The conflict resulted in about 10,000 deaths and over 200,000 displaced persons, mostly ethnic Georgians.

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

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

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

**Developments in South Ossetia before August 2008**

In 1989, the region lobbied for joining its territory with North Ossetia in Russia or for independence. Repressive efforts by former Georgian President Gamsakhurdia triggered conflict in 1990, reportedly contributing to an estimated 2,000-4,000 deaths and the displacement of tens of thousands of people. In June 1992, Russia brokered a cease-fire, and Russian, Georgian, and Ossetian “peacekeeping” units set up base camps in a security zone around Tskhinvali, South Ossetia. Reportedly, the units totaled around 1,100 troops, including about 530 Russians, a 300-member North Ossetian brigade (which actually was composed of South Ossetians and headed by a North Ossetian), and about 300 Georgians. OSCE monitors did most of the patrolling.

In 2004, President Saakashvili increased pressure on South Ossetia by tightening border controls and by breaking up a large-scale smuggling operation in the region that allegedly involved Russian organized crime and corrupt Georgian officials. He also reportedly sent several hundred police, military, and intelligence personnel into the region. Georgia maintained that it was only bolstering its peacekeeping contingent up to the limit of 500 troops, as permitted by the cease-fire agreement. Georgian guerrilla forces also reportedly entered the region. Allegedly, Russian officials likewise assisted several hundred paramilitary elements from Abkhazia, Transnistria, and Russia to enter. Following inconclusive clashes, both sides by late 2004 ostensibly had pulled back most undeclared forces. In November 2006, a popular referendum was held in South Ossetia to reaffirm its “independence” from Georgia. After October 2007, no more peace talks were held.

**The August 2008 Russia-Georgia Conflict**

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

On August 8, Russia launched large-scale air attacks across Georgia and dispatched seasoned troops to South Ossetia that engaged Georgian forces in Tskhinvali later in the day. Reportedly,

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49 *ITAR-TASS*, May 6, 2008.
Russian troops had retaken Tskhinvali, occupied the bulk of South Ossetia, reached its border with the rest of Georgia, and were shelling areas across the border by the morning of August 10. Russian warplanes bombed the outskirts of the capital, Tbilisi, as well as other sites. Russian ships landed troops in Georgia’s breakaway Abkhazia region and took up positions off Georgia’s Black Sea coast.

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

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

On September 8, 2008, then-President Medvedev and visiting then-President Sarkozy signed a follow-on ceasefire accord that fleshed out the provisions of the six-point peace plan. Among its provisions, it stipulated that Russian forces would withdraw from areas adjacent to the borders of Abkhazia and South Ossetia by October 11; that Georgian forces would return to their barracks by October 1; that international observers already in place from the U.N. and OSCE would remain; and that the number of international observers would be increased by October 1, to include at least 200 observers from the EU, and perhaps more later. The EU called for Russia to permit these observers to patrol in Abkhazia and South Ossetia. Russia’s position has been that these observers cannot patrol in the regions without the approval of the regions, and the regional leaders have refused to permit such patrols. Although Sarkozy strongly implied that the international conference would examine the legal status of Georgia’s breakaway Abkhazia and

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


54 The EU fact-finding mission on the causes and outcome of the Russia-Georgia conflict stated that according to overwhelmingly accepted principles of international law, “only former constituent republics such as Georgia but not territorial sub-units such as South Ossetia or Abkhazia are granted independence in case of dismemberment of a larger entity such as the former Soviet Union. Hence, South Ossetia did not have a right to secede from Georgia, and the same holds true for Abkhazia.... Recognition of breakaway entities such as Abkhazia and South Ossetia by a third country ... runs against Principle I of the Helsinki Final Act which states “the participating States will respect each other’s sovereign equality and individuality ... including in particular the right of every State to juridical equality, to territorial integrity and to freedom and political independence.” The fact-finding mission also pointed out that the founding documents of the Commonwealth of Independent States, to which Georgia belonged from 1993 to 2008, called for upholding the territorial integrity of the members. Council of the European Union, Report of the Independent International Fact-Finding Mission on the Conflict in Georgia, September 2009, Vol. 1, p. 17; Vol. 2, pp. 127-146.
South Ossetia, Medvedev asserted that the regions had been recognized as independent by Russia on August 26, 2008, and that disputing this recognition was a “fantasy.”

Many observers have argued that Russia aimed both to consolidate control over South Ossetia and Abkhazia and to depose Georgian President Saakashvili when it launched the August 2008 military incursion into Georgia. Russia hoped to achieve this latter goal either directly by occupying Georgia’s capital of Tbilisi and killing or arresting Saakashvili, or indirectly by triggering his overthrow, according to these observers. They state that Saakashvili’s survival as the popularly elected president was a major accomplishment of the diplomacy of the EU and the United States that ended Russia’s offensive.

By October 1, 2008, the EU Monitoring Mission (EUMM) had deployed over 200 monitors and Russia announced on October 9 that its troops had withdrawn from buffer zones. Georgia has maintained that Russian troops have not pulled out of Akhalgori, a district that Russia asserts is within South Ossetia’s Soviet-era borders, and the Kodori Gorge, and that no Russian military bases are permitted in the regions. In December 2008, Russia objected to continuing a mandate for about 200 OSCE observers in Georgia—including some observers authorized before the August 2008 conflict and some who were added after the August 2008 conflict—and they pulled out on June 30, 2009. Similarly, in June 2009 Russia vetoed a UNSC resolution that extended the UNOMIG mandate, and they pulled out of Abkhazia. The EUMM is now the sole international group of monitors. It reported in early 2013 that the number of staffers was 300 (of which 200 are monitors) and that the monitors are based in three field offices near the contested borders.

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

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55 CEDR, September 28, 2008, Doc. No. CEP-950425; CEP-950440.
56 U.S. House of Representatives. Committee on Foreign Affairs. Hearing on U.S.-Russia Relations in the Aftermath of the Georgia Crisis. Testimony of Daniel Fried, Assistant Secretary of State for European and Eurasian Affairs, September 9, 2008. Saakashvili also highlighted this Russian aim during his testimony to the Georgian legislative commission investigating the causes of the conflict. See “Saakashvili Testifies Before War Commission, Analysts Comment,” The Messenger (Tbilisi), December 1, 2008. Georgia’s Ambassador to the United States, Davit Sikharulidze, argued that Russia’s “aim was to overthrow the [Georgian] government and it would have come true but for the U.S. interference.” CEDR, December 1, 2008, Doc. No. CEP-950233. Russia officially has denied such an aim.
An international conference to discuss security, repatriation, and status issues related to the conflict held its inaugural session in Geneva on October 15, 2008. Facilitators at the talks include the U.N., the EU, and the United States. Russia, South Ossetia, and Abkhazia reject any challenges at the conference to the claimed independence of the breakaway regions. Russia has insisted at these meetings and elsewhere that the international community impose an arms embargo on Georgia. Russia also has insisted at these meetings that Georgia sign non-use-of-force agreements with the breakaway regions. In March 2010, Russia stated that, as a preliminary to the signing of such agreements, Georgia, South Ossetia, and Abkhazia could provide written pledges of the non-use of force to the United Nations (see below).  

Among significant Geneva conference meetings:

- In February 2009, the sides agreed to set up an “incident prevention and response mechanism” along the South Ossetian border with the rest of Georgia in order to defuse tensions before they escalate. On April 23, the first meeting of the Georgia-South Ossetia Incident Prevention and Response Mechanism was convened in the Georgian town of Ergneti, with the participation of the Georgian and South Ossetian sides, as well as representatives of the Russian Ministry of Defense, the OSCE and the EU.

- At the July 2009 Geneva conference meeting, the sides discussed setting up an incident prevention group to resolve issues such as cross-border travel between Abkhazia and the rest of Georgia. A meeting in Gali, Abkhazia, to establish the group was held on July 14, 2009.

- At the October 14, 2010, meeting, Russia announced that it was pulling its troops out of the town of Perevi, Georgia, near the border with South Ossetia. The troops pulled out on October 18, 2010. Russia declared that this pullout marked its complete fulfillment of the ceasefire accords. South Ossetia refused to discuss problems of refugees and displaced persons after a Georgian-sponsored resolution on the return of displaced persons and refugees to South Ossetia was approved by the U.N. General Assembly in September 2010.

- At the June 7, 2011, meeting, Georgia raised concerns about alleged Russian terrorist attacks and plans (see below) and stated that it might reconsider participation in the Geneva conference if the terrorism persisted.

- At the December 14, 2011, meeting, the moderators, the United States, and Georgia argued that if binding nonuse-of-force agreements are signed, they logically should include provisions for international monitors to patrol in the breakaway regions, a stance rejected by Russia, South Ossetia, and Abkhazia. Georgia and South Ossetia agreed to exchange over two dozen detainees who allegedly had illegally crossed disputed borders. The prisoner exchange—under the aegis of the incident prevention mechanism—took place at the end of December 2011.

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60 The Georgian Foreign Ministry issued a statement that the withdrawal of Russian troops from Perevi was welcome but was “just a miniscule step in comparison with commitments envisaged by the ceasefire agreement of August 12, 2008, which Russia still has to comply with.” *Statement of the Ministry of Foreign Affairs of Georgia on the Withdrawal of the Russian Armed Forces*, Ministry of Foreign Affairs of Georgia, October 19, 2010.
• At the June 7-8, 2012, meeting, the Russian side criticized then-Secretary Clinton’s announcement during her just-concluded visit to Georgia that U.S. embassies and consulates would recognize the validity of status-neutral travel documents issued by Georgia to residents of Abkhazia and South Ossetia who wished to travel or study in the United States. Russia claimed that the announcement set back the peace process.

• The new Ivanishvili government hoped for progress at the December 11-12, 2012, Geneva meeting, but voiced disappointment after the meeting and criticized Russia for failing to consider its proposals. Abkhaz authorities also rejected a conciliatory proposal by the Ivanishvili government to restore rail service from Georgia through Abkhazia to Russia, viewing it as a ploy to avoid extending recognition to the region.

• At the March 26-27, 2013, meeting, Russia’s Deputy Foreign Minister, Grigoriy Karasin, accused Georgia of hindering the talks and claimed that the only point of the talks was to convince Georgia to sign a non-use of force agreement with the breakaway regions. At the same time, Russia continued to refuse to pledge not to use force against Georgia (see below).

In late 2010, President Saakashvili gave speeches at sessions of the European Parliament and the OSCE in Astana, Kazakhstan, pledging the non-use of force except in cases of self-defense. In an interview about the pledge, he stated that “we must display strategic patience, which can lead not only to the complete liberation of our territory but also to reconciliation with Russia.”61 South Ossetia and Abkhazia followed suit with oral statements, but Russia refused to issue such a pledge on the grounds that it was not a party to the conflict. In March 2013, the Georgian legislature approved a resolution on foreign policy that reaffirmed the non-use of force pledge.

The International Crisis Group (ICG), a non-governmental organization, estimated in June 2010 that there may be fewer than 30,000 people residing in South Ossetia, and that the population continues to decline (a 1989 census, taken before the beginning of conflict, reported a regional population of 98,500). The ICG suggests that the region is increasingly less able to govern or sustain itself economically, and so must rely on Russian aid and thousands of Russian construction and government workers, troops, and border guards that are deployed there.62

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

We don’t know what else to call it.... We believe that Russia used disproportionate force and remains present in what we consider to be sovereign Georgia. So it’s not meant to be a particular provocation, it’s just a description of what we think the situation is and we’ve very active in the Geneva talks and bilaterally with Russia to try to bring about an end to what we consider to be a military occupation.63

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On June 2 and June 6, 2011, Georgia announced that it had apprehended Russian terrorist infiltrators who were planning attacks in Georgia, including against the NATO Liaison Office in Tbilisi. Georgia alleged that Russian security agencies were behind the planned attacks. Russia termed these allegations “artificially fabricated arrays of data.” In late July 2011, the Washington Times alleged that the U.S. intelligence community had backed up a Georgian claim that Russian intelligence operatives had orchestrated a bombing in September 2010 near the U.S. Embassy in Tbilisi.

In late August 2012, over two dozen alleged terrorists affiliated with the Caucasus Emirate supposedly entered Georgian territory from Russia’s Dagestan or Chechnya republics and took hostages. Georgian police forces battled the terrorists, killing or apprehending most of them. President Saakashvili declared that he would not permit instability in Russia to spill over into Georgia. On April 1, 2013, the Georgian legislature’s human rights ombudsman alleged that Georgian police had been assisting the terrorists to carry out operations in Russia, but that the terrorists had turned on the Georgians.

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

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

**Economic Conditions, Blockades, and Stoppages**

The economies of all three South Caucasus states greatly declined in the early 1990s, affected by the dislocations caused by the breakup of the Soviet Union, conflicts, trade disruptions, and the lingering effects of the 1988 earthquake in Armenia. Gross domestic product (GDP) began to rebound in the states in the mid-1990s. Investment in oil and gas resources has fueled economic

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64 Ministry of Foreign Affairs of the Russian Federation, June 13, 2011.
growth in Azerbaijan at the expense of other sectors of the economy, although there are efforts to strengthen non-oil sectors. Problems of poverty and regional conflict have contributed to high emigration from all three states, and remittances from these émigrés have provided major support for the remaining populations.

The global economic downturn that began in 2008 hampered Armenia’s economic growth and added to Georgia’s economic stresses in the wake of the August 2008 conflict. Azerbaijan’s energy revenues, although reduced, helped it weather the downturn with continued GDP growth. The influx of international assistance to Georgia ameliorated to some degree the impact of the conflict and the world economic crisis. In October 2010, Russia announced a $500 million loan to Armenia to assist it in economic stabilization and recovery. Perhaps surmounting the downturn, all the regional economies reported GDP growth in 2011. Despite the downturn, major economic accomplishments in recent years have included the reduction of a high rate of poverty in Azerbaijan and the World Bank’s 2012 assessment that Georgia had made the most progress among 183 countries in making business regulatory reforms and ranked 16th worldwide in the overall ease of doing business.

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

Armenia has hoped for the reopening of a section of railway transiting Georgia to Abkhazia and Russia, but while Georgian Prime Minister Ivanishvili in late 2012 called for reopening the railway, Abkhazia rejected the offer unless it was accompanied by Georgia’s recognition of its independence. President Saakashvili criticized this proposal, stating in January 2013 that the completion of the Baku-Tbilisi-Kars railway was of strategic importance to Georgia because it did not transit Russia. Azerbaijani officials and others likewise condemned the proposal, since the railway would benefit Armenia, and stated that Baku might respond by restricting economic projects in Georgia.

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68 ITAR-TASS, October 20, 2010.
69 Armenia long opposed the construction or revamping of a section of railway from Kars, Turkey, to Tbilisi (and thence to Azerbaijan) that would bypass Armenia, arguing that an existing section of railway from Kars that transits Armenia into Georgia could be returned to service “in a week.” The Export-Import Bank Reauthorization Act of 2006 (P.L. 109-438) prohibits the Bank from guaranteeing, insuring, or extending credit in support of any railway construction that does not traverse or connect with Armenia and does traverse or connect Baku, Tbilisi, and Kars. Work on the railway began in late 2007 and is planned to be completed in 2013.
Turkey closed its land borders with Armenia in 1993. These obstructions have had a negative impact on the Armenian economy, since it is heavily dependent on energy and raw materials imports. Turkey’s closure of land borders in effect barred direct U.S. shipments of aid through its territory to Armenia. Foreign Operations Appropriations for FY1996 (P.L. 104-107) and Omnibus Consolidated Appropriations for FY1997 (P.L. 104-208) have mandated U.S. aid cutoffs (with a presidential waiver) to any country which restricts the transport or delivery of U.S. humanitarian aid to a third country. These provisions were designed to convince Turkey to allow the transit of U.S. aid to Armenia. (See also above, “The Roles of Turkey, Iran, and Others.”)

Azerbaijani Civil Aviation official Arif Mammadov reportedly warned in late March 2011 that Azerbaijan could shoot down airplanes that have not received Azerbaijani permission to land at an airport being constructed in Stepanakert (Xankandi), the capital of NK. Armenia’s defense ministry reportedly responded that its air defenses were capable of protecting the country’s airspace. Then-U.S. Ambassador Bryza reportedly condemned the idea of attacking civilian aircraft and the Azerbaijani Foreign Ministry pledged that the country would not attack civilian aircraft. In late July 2012, however, Azerbaijan’s Civil Aviation Department asserted that air flights into NK without Azerbaijani permission would be considered a violation of airspace and “relevant action” would be taken. As the airport neared completion, an Azerbaijani air force official in January 2013 reportedly reiterated that “unpermitted flights ... will be prevented.” Reportedly, new Azerbaijani government regulations call for forcing an intruding airplane to land, and if it does not comply and there is no information on civilian passengers, for shooting it down.

Recent Democratization Problems and Progress

According to the NGO Freedom House, in 2013 Armenia and Georgia ranked as “partly free,” while Azerbaijan ranked as “not free,” in terms of political rights and civil liberties. Armenia and Azerbaijan were assessed as having very restricted political rights, where elections have been marred by serious irregularities. Armenia’s government was assessed as slightly better in respecting civil liberties than was Azerbaijan’s, where the media have been severely restricted. Georgia was assessed as improving in political rights and civil liberties in 2011-2012, due in part to increasing media diversity and the holding of a “free and fair” legislative election. Among the disputed territories, Nagorno Karabakh (NK) and South Ossetia were judged to be “not free,” while Abkhazia was judged to be “partly free.”
Political Developments in Armenia

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

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

According to the final report issued by the OSCE monitoring mission, the election was competitive, vibrant, and largely peaceful, but was marred by an unequal playing field and by deficiencies in the complaint and appeals process. Media coverage appeared free and fair, as were candidate registration processes. Participants raised concerns about the accuracy of voter lists. Violations of electoral codes were sometimes committed by local authorities, including school teachers, who participated in campaign activities, and by party-linked organizations, which provided gifts to voters. Election monitors observed the presence of unauthorized persons or group voting in 12% of nearly 1,000 polling stations visited. Vote counting was assessed negatively in almost one-fifth of polling stations, including the participation of unauthorized persons in counting. Vote tabulation was assessed negatively in most higher-level electoral

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commisions visited. U.S. Ambassador to Armenia John Heffern reportedly assessed the
election as a major step forward in democratization in Armenia, pointing to “a lot of progress in
several key areas,” including access to media and orderly and transparent voting (including the
presence of cameras in polling places). At the same time, he stated that the OSCE monitors had
reported that there were some problems, so that “there is still some work to do for the elections
next time.”

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

On May 6, 2012, Oskanyan criticized the legislative election as not free and fair, and laid the
blame on unnamed “authorities.” About two weeks later, Oskanyan and several other members of
the Prosperous Armenia Party who had been elected to the legislature threatened to leave the
party if its head, Gagik Tsarukyan, decided that the party should join the ruling coalition. In late
May 2012, just after Tsarukyan announced that the party would not join the coalition, the
National Security Service opened an investigation against Oskanyan on preliminary charges of
misappropriating funds belonging to his charitable organization and money laundering. On
October 1, 2012, the legislature voted to lift Oskanyan’s immunity from prosecution, and a few
days later, the National Security Service indicted Oskanyan. The U.S. Embassy in Yerevan issued
a statement on October 10 that the indictment was “bad for justice and democracy in Armenia....
[T]he case appears to represent the selective application of Armenian law. Moreover, the timing
of these events in relation to the [presidential] election schedule is troubling.” According to
some observers, the charges against Oskanyan were spurred by his opposition activities, including
the possibility that he would run in the 2013 presidential election. He had not been arrested as of
late April 2013.

On January 14, 2013, Armenia’s Central Electoral Commission registered eight candidates for the
February 18, 2013, presidential election. Some observers questioned why major political parties
and politicians failed to field candidates or run, including former President Robert Kocharyan,
Prosperous Armenia Party head Gagik Tsarukyan, and Armenian National Congress (ANC) head
Levon Ter-Petrosyan (the Freedom Party, a member of the ANC bloc, fielded candidate Hrant
Baghratyan, but he was not endorsed by the ANC). Ter-Petrosyan claimed that he was too old
(68) to rule effectively and that fraudulent election practices of the past remained in place. Some
observers alleged that the Prosperous Armenia Party had been persuaded to not field a candidate.

Campaigning began in a dramatic fashion on January 21, 2013, when candidate Andreas
Ghukasyan, a radio commentator, began a hunger strike to protest the “fake election.” The next

77 OSCE, ODIHR, International Election Observation, Republic of Armenia, Parliamentary Elections, 6 May 2012:
Statement of Preliminary Findings and Conclusions, May 7, 2012; Republic of Armenia, Parliamentary Elections, 6
79 U.S. Embassy, Yerevan, Ambassador John Heffern, “Oskanyan Case and Rule of Law in Armenia,” October 10,
2012.
day, contender Arman Melikyan, a former official in the breakaway Nagorno Karabakh, also questioned the fairness of the election and stated that he was suspending his campaigning. Likewise, contender Aram Arutyunyan, head of the National Accord Party, stated that he planned to withdraw a few days before the election (he pulled out on February 8). On January 31, 2013, presidential candidate Paruyr Hayrikyan, head of the National Self-Determination Union Party, was shot and injured, but did not withdraw from the contest. The OSCE long-term observers characterized campaigning as low-key, with Sargsyan stressing the need for continued stability and stressing his credentials as a military leader in NK and former defense minister. On February 25, 2013, the CEC reported its final tally and declared that Sargsyan had won the election with 58.64% of 1.5 million votes cast, followed by Hovannisyan with 36.74%. Immediately after the election, Hovannisyan claimed that he had in fact won, but virtually all election complaints made by his party were rejected by the CEC. His Heritage Party held a series of protests throughout Armenia to call for new elections. As a footnote to the election campaign, the National Security Service formally indicted one of the presidential candidates, poet Vardan Sedrakiyan, on March 6 on charges of having ordered the attack on fellow candidate Hayrikyan.

According to the preliminary assessment of the OSCE observers, the election “was generally well-administered and was characterized by a respect for fundamental freedoms. Contestants were able to campaign freely. Media provided balanced coverage.... At the same time, a lack of impartiality of the public administration, misuse of administrative resources, and cases of pressure on voters were of concern. While election day was calm and orderly, it was marked by undue interference in the process, mainly by proxies representing the incumbent.” The observers assessed the voting process negatively in 5% of 853 polling stations, including because of overcrowding and interference in the vote. Vote counting and tabulation were assessed negatively in less than 10% of 106 polling stations and of 41 territorial election commissions observed. The OSCE observers later raised concerns about the high correlation between turnout at polling stations and the vote for Sargsyan, the treatment and dismissal of complaints, and restrictive media coverage of electoral problems.

In his April 9, 2013, inaugural address, President Sargsyan pledged to continue to strengthen democracy and enhance the rule of law, and to address the problems of emigration, poverty, and unemployment. Hovannisyan held an “alternative inauguration” protest that later resulted in some detentions by police. Sargsyan’s cabinet resigned that same day as mandated by the constitution. He has re-appointed his former prime minister and defense and foreign ministers.

**Political Developments in Azerbaijan**

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

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political or religious propaganda.” They also are forbidden to carry out activities in NK.\textsuperscript{83} NDI was permitted to resume some activities in Azerbaijan in late 2011 (see below).

An Internet-launched “great people’s day” protest was planned for March 11, 2011, reportedly supported by thousands of Internet users. Organizers of the protest stated that the date was set to commemorate the date a month previously that Egyptian President Hosni Mubarek had been ousted. In the days leading up to March 11, up to a dozen or more Internet users reportedly were detained, and some allegedly were held secretly. One organizer, Bakhtiyar Hajiyev, a Harvard-educated resident of Ganja, was arrested on March 4, 2011, on charges of draft evasion. Several dozen people were arrested on March 11, and some received prison sentences of a few days.

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

The government detained several opposition activists ahead of a planned April 2, 2011, protest by the Public Chamber; a coalition of non-partisan politicians, members, and officials of the opposition Popular Front, Musavat, and National Independence parties; and sympathetic NGOs. Those attempting to gather on April 2, 2011, to call for the government's resignation, new legislative elections, and the freedom of speech and assembly were forcibly dispersed and several people were arrested. The U.S. Embassy in Baku raises concerns about the government actions.\textsuperscript{84}

In early May 2011, a protest against the ban on wearing the hijab in public schools by 150 or more people at the Education Ministry was forcibly suppressed. Reportedly, 65 were detained, with the government claiming that the protest was led by “radical” Muslims and resulted in property damage and injuries to 26 policemen. In late May 2011, reportedly 150 women wearing hijab held a march in Baku. In early October 2011, five men received sentences ranging from probation to 2.5 years in prison for organizing the early May 2011 protest and using force against government representatives. The chairman of the banned Islamic Renaissance Party of Azerbaijan (IRPA), Movsum Samadov, also denounced the ban on the hijab, and he and six other party members subsequently were arrested and convicted in October 2011 on charges of planning a coup. In February 2013, the Supreme Court denied an appeal by the IRPA members.


\textsuperscript{84} CEDR, March 29, 2011, Doc. No. CEP-950156; U.S. Embassy in Baku, Azerbaijan, \textit{U.S. Embassy Statement on April 2 Protests}. 

\textit{Congressional Research Service}
In October 2011, four more participants in the April 2, 2011, demonstration received sentences ranging from 1.5 to 4 years for violating public order and using force against government representatives, bringing the number of those sentenced for this protest to 14. Those sentenced have included officials and members of the Popular Front and Musavat parties. In December 2011, outgoing U.S. Ambassador Bryza stated that he did not think the “Arab Spring” would come to Azerbaijan.

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

Some observers linked some easing of restrictions on assembly and other measures in early 2012 to Azerbaijan’s desire to present itself in a good light during the May 22-26, 2012, Eurovision Song Contest in Baku. On March 16, 2012, Aliyev pardoned prisoners, including two regarded by activists as “political prisoners,” including one alleged organizer of the April 2011 attempted protest. After some delay, Baku authorities permitted the Public Chamber for the first time to hold a protest at an obscure locale in the suburbs under tight security and alleged restrictions on access on April 8, 2012. The reported 3,000 protesters called for the release of political prisoners, democratic reforms, and other demands. Although seven oppositionists were sentenced for up to two weeks in jail for distributing leaflets, President Aliyev appeared to refer to this rally on April 16 when he stated that “the Azerbaijani public has seen that there is freedom of assembly in our country.”

The Public Chamber held several small demonstrations in the run-up to the May 22-26, 2012, Eurovision Song Contest. During the contest, however, protests were efficiently prevented or quickly quashed by the authorities, according to some Western reports.

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

In October 2012, about 200 individuals protesting an effective ban on wearing the hijab in educational establishments battled with police, raising concerns among some observers that the constrained political environment was leading to violence as an alternative means of expression.

An amendment to the freedom of assembly law was passed in November 2012 greatly boosting the fines for taking part in unauthorized demonstrations, with those deemed to have organized such demonstrations facing fines of up to $38,000. Critics charged that the increased fines were intended to discourage the holding of rallies in the run-up to the presidential election in October 2013.

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85 CEDR, April 17, 2012, Doc. No. CEP-950147.
Some observers raised concerns about increasing efforts in 2013 by the government to detain and arrest protesters and otherwise to constrain civil society. On January 12, 2013, after a soldier had reportedly died following brutal hazing, several dozen people staged an unauthorized protest in Baku, including many relatives of soldiers who had similarly died. Police arrested over two dozen of the demonstrators and the courts levied heavy fines of up to nearly $800 against them. A fund on the Internet quickly gathered over $13,000 to pay the fines. Several activists of youth groups were detained ahead of a planned March 10, 2013, protest against non-combat deaths in Azerbaijan, or were arrested later, on charges of weapons possession and incitement to violence to overthrow the government. The protest was forcibly dispersed by police, and an official in the presidential administration stated that unauthorized protests would be prevented. Azerbaijani media alleged that NDI was fostering Internet-spread subversion against the Azerbaijani government. Both the suppression of the protest and the allegations against NDI raised objections from the U.S. Embassy.

In March 2013, Azerbaijan requested that the OSCE downgrade its office in Baku, to end its ability to launch independent events and to monitor and submit reports on democratization and adherence to human rights. Azerbaijan’s presidential administration has argued that the office’s attention to civil and human rights in Azerbaijan is unnecessary given the country’s current stage of development, where there are “a sufficient number of NGOs, political institutions, and public organizations.”

In early April 2013, the Prosecutor General’s Office raided and closed the Free Thought University, run by an unregistered youth civic movement. U.S. Ambassador Morningstar raised concerns about the closure of the school, as did Deputy Assistant Secretary of State Thomas Melia during an April 2013 visit. Azerbaijan’s presidential administration has stated that the university might be permitted to reopen if it is found that it has adhered to all legal requirements.

In April 2013, the government stepped up its examination of the activities of NDI and might close it, ostensibly on the grounds that it has not submitted required reports on its activities with government agencies. Azerbaijani media have reported that officials have complained that NDI is not balanced in its activities but rather focuses on assisting “radical” opposition groups.

**Political Developments in Georgia**

An election for the 150-member Parliament of Georgia was held on October 1, 2012. Georgia’s Central Electoral Commission registered 16 parties and blocs and several thousand candidates to run in mixed party list and single-member constituency races. A party coalition—Georgia Dream (GD)—set up by billionaire Bidzina Ivanishvili posed the main opposition to President Saakashvili’s United National Movement (UNM), which at that time held the majority of legislative seats. A video tape of abuse in a prison released by GD late in the campaign seemed to be a factor in the loss of voter support for the UNM and in the electoral victory of GD, which won 85 (57%) of the 150 legislative seats. According to observers from the Organization for Security and Cooperation in Europe (OSCE), the election freely reflected the will of the people, although a few procedural and other problems were reported.

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88 CEDR, April 22, 2013, Doc. No. CEL-42484764.
89 Embassy of the United States of America, Baku, Azerbaijan, Press Release: Ambassador Morningstar Speaks to Free Thought University [Students], April 12, 2013; American Center Press Conference, Deputy Assistant Secretary of State Thomas Melia, April 18, 2013.
The White House described the election as “another milestone” in Georgia’s development as a democracy, and called for Ivanishvili and Saakashvili to work together to ensure the country’s continued peaceful transition of power. The Administration also stated that it looked forward to strengthening the U.S.-Georgia partnership. Several Members of Congress observed the election, and several Members of the Senate issued a post-election statement commending President Saakashvili for his efforts to transform Georgia into a prosperous democracy, while cautioning that the future of U.S.-Georgia relations depended on the country’s continued commitment to democratization.90

On October 25, 2012, the new legislature convened and the parties making up the majority GD coalition approved Ivanishvili as prime minister, along with his proposed cabinet ministers and his government program. The program calls for “large-scale reforms in all strategic directions,” including changing the constitution to bolster parliamentary power, restructuring the Interior (police) Ministry and depoliticizing the Interior and Defense Ministries, promulgating a new national security strategy, and modernizing the economy. The latter will include new grants for agriculture, pursuit of a free trade agreement with the United States, and talks with Russia to persuade it to lift its embargo on many Georgian products. The program also proclaims that the United States is Georgia’s main ally and that foreign policy objectives include EU and NATO membership. At the same time, the program calls for opening a dialogue with Russia to improve relations. The bulk of UNM members in the legislature voted against the new government and criticized its program as failing to build on the reforms of the Saakashvili government.

Relations between the parties making up the GD coalition and the UNM in the legislature and between the GD-led cabinet and the president have been contentious, and may well remain so in coming months, as both sides maneuver before a planned 2013 presidential election. Saakashvili is term-limited and cannot run, but the UNM hopes to retain the presidency. Under constitutional provisions already in place, the legislature is slated to gain greater powers vis-à-vis the presidency, so a divided political situation could endure for some time. In such a case, statesmanship and a commitment to compromise and good governance are essential for Georgia’s continued democratization, observers stress.

In early November 2012, the Ivanishvili government began arresting officials who had served in the previous Saakashvili government or who were active in the UNM, most prominently former defense and interior minister Bacho Akhalaia and chief of the armed forces Georgy Kalandadze, both of whom were charged with allegedly beating six servicemen in 2011. Addressing concerns by many domestic and international observers about due process, Prime Minister Ivanishvili asserted on November 22 that Akhalaia’s “guilt will be proven quite soon.”91 During a mid-November visit to Georgia, Assistant Secretary of State Philip Gordon stressed to Prime Minister Ivanishvili that the United States recognized that those who committed crimes should be investigated and prosecuted, but “nobody wants to see or get the perception that what this is about it retribution against political enemies.... For Georgia to continue down the path to Euro-Atlantic integration ... [it needs] to be absolutely scrupulous in making sure that due process and transparency are applied.”92

91 Interfax, November 22, 2012.
92 U.S. Department of State, Press Roundtable on Georgia’s Democratic Transition, Philip Gordon, Assistant Secretary, Bureau of European and Eurasian Affairs, November 17, 2012.
On November 29, 2012, Georgian Foreign Minister Maia Panjikidze met with then-Secretary Clinton in Washington DC; Clinton urged that prosecutions by the Ivanishvili government against possible “wrongdoers” be undertaken “with due process and the rule of law.” Panjikidze assured Clinton that the arrests were not politically motivated but rather represented “the restoration of justice.”93 The next day, Prime Minister Ivanishvili endorsed Clinton’s statement, and pledged that investigations would be carried out in a transparent manner. At the same time, he dismissed a Washington Post editorial that raised concerns about the many investigations and arrests, claiming that the newspaper had been influenced by the UNM, an allegation termed “fanciful” by UNM leaders.94 In December 2012, Senators Jeanne Shaheen, Joe Lieberman, James Risch, Lindsey Graham, and John McCain sent a letter to Prime Minister Ivanishvili raising concerns that the arrests were politically motivated.

In an interview in early December 2012, President Saakashvili decried the “dozens” of investigations and arrests of his former colleagues by the Ivanishvili government. He also stated that he wanted to ease tensions with Ivanishvili by relinquishing most influence over domestic affairs and focusing on foreign policy, in order to stress the importance to traditional allies of continuing close ties with Georgia. One sign of cooperation between the two leaders appeared to be their agreement early in December to name Colonel Irakli Dzneladze, a military attaché at the Georgian Embassy in Ukraine, as the next chief of staff of the armed forces.

In January 2013, the Ivanishvili government continued to launch investigations and to arrest former government officials and civil servants. At the same time, the legislature overrode a presidential veto of a law on amnesty for “political prisoners,” and nearly 200 alleged victims subsequently were released from prison, including 13 individuals sentenced as Russian espionage agents. In addition, courts have exonerated other prominent individuals sentenced by the former Saakashvili government. Some observers have raised concerns that the increasing numbers of arrests might harm Georgia’s international reputation and its foreign relations with Western governments and international organizations.95

Elected local councils and executive leaderships, dominated by members of the UNM, have faced protesters, and many members and leaders have resigned, switched parties, or declared that they are independent of party affiliation. Some observers have decried this situation, terming it an attempt by GD to take over local politics rather than cooperate with the UNM. They also have raised concerns that Georgia will thus come to sustain a political environment where one party is predominant, rather than evolve into a competitive party democracy.96

On January 23, 2013, Prime Minister Bidzina Ivanishvili dismissed Irakly Alasania as first deputy prime minister, reportedly after the two officials had wrangled over who would be nominated by the Georgia Dream coalition (GD; headed by Ivanishvili) to run in the planned October 2013 presidential election. Alasania retained his portfolio as defense minister.

On February 7, 2013, legislative speaker Davit Usupashvili announced that President Saakashvili would not be permitted to deliver his annual speech to the legislature until he agreed to amend the constitution to reduce his powers (see below). The next day, Saakashvili attempted to deliver the speech from the legislative library, but pro-Ivanishvili protesters blocked the library entrance. Instead, Saakashvili delivered the speech from his residence. Ivanishvili issued a statement after the speech condemning the violence, and suggesting that it could have been avoided if Saakashvili had postponed his speech.97

After the tumult of the blocked annual address, the co-chairs of the Congressional Caucus on Georgia—Representatives Bill Shuster and Allyson Schwartz—as well as Representative Michael Turner and Representative Mario Diaz-Balart, called in a letter for Secretary Kerry to inform Georgia’s leaders of U.S. concerns about the many arrests of former officials and other democratization trends in the country.98

In late March 2013, GD convinced enough UNM legislators to join in a two-thirds majority vote to amend the constitution to take away President Saakashvili’s power to dismiss the sitting cabinet and to appoint a new cabinet without parliamentary approval. He had disavowed any intention of carrying out such an action during the few days that the constitution permitted it between the legislative and presidential elections.

Responding to reports of ongoing pressure by GD activists to force UNM local legislators to resign or switch parties, and of the firing of local government workers belonging to UNM, Prime Minister Ivanishvili issued a statement on April 15, 2013, denying any official effort by GD to fire local personnel or to pressure local legislators. He called for local government workers not to be fired for political reasons. At the same time, he indicated that provisions were being developed to support “real and effective local self-governance,” presumably after the holding of local legislative elections in 2014. These proposals may include a different process for choosing regional governors (state commissioners), who currently are appointed by the president.99

In a speech to the Parliamentary Assembly of the Council of Europe (PACE) on April 23, 2013, Ivanishvili asserted that Georgia is committed to democratization and respect for human rights, and remains Western-oriented, pointing to the foreign policy statement recently approved by the Georgian legislature. Seemingly underlining this orientation, he stressed that he remains a French citizen. He stated that he had advocated for the EU’s appointment of Thomas Hammarberg, the former COE High Commissioner on Human Rights, as a Special Advisor for Legal and Constitutional Reform and Human Rights in Georgia, and pledged that OSCE observers and other human rights advocates would be permitted to monitor the prosecutions of former government officials. He rebuffed other concerns about judicial independence, and appeared to argue that President Saakashvili was responsible for the August 2008 Russia-Georgia conflict.100 Some observers have argued that while the Ivanishvili government may be demonstratively less pro-

American, it is pro-European. Others raise concerns that Ivanishvili has maintained ties to Russian state-business officials.

U.S. Aid Overview

The United States is the largest bilateral aid donor by far to Armenia and Georgia, and the two states are among the five Eurasian states that each have received more than $1 billion in U.S. aid FY1992-FY2010 (the others are Russia, Ukraine, and Kazakhstan, which have received sizeable Comprehensive Threat Reduction funds; see Table 1, Table 2, and Table 3). U.S. assistance to the region FY1992-FY2010 amounts to about 16% of all aid to Eurasia and has included FREEDOM Support Act (FSA) programs, food aid (U.S. Department of Agriculture), Peace Corps, and security assistance. Armenia and Georgia have regularly ranked among the top world states in terms of per capita U.S. aid, indicating the high level of concern within the Administration and Congress. In Foreign Operations Appropriations for FY1998 (P.L. 105-118), Congress created a new South Caucasian funding category to emphasize regional peace and development, and since then has upheld this funding category in yearly appropriations.

The Administration indicated in its FY2012 budget request that the reduced amount for that year for Europe and Eurasia reflected progress made by many countries in the region and other more pressing global priorities. In the case of the South Caucasian countries, the FY2012 estimated spending was slightly less than that of the previous year. Country totals are not yet available for FY2013, but the Administration’s budget request for FY2014 calls for reductions of aid to the South Caucasus countries over that provided in FY2012 (see Table 1).

Congress also has directed that humanitarian aid be provided to displaced persons and needy civilians in NK out of concern that otherwise the region might not get aid. Such budgeted aid has amounted to about $41 million from FY1998 through FY2012. See Table 4. In the Omnibus Appropriations Act for FY2009 (P.L. 111-8) and the Consolidated Appropriations Act for FY2010 (P.L. 111-117) up to $8 million was made available for NK. Actual aid to NK has been about $2 million per year since FY2002. Aid has been provided to NGOs to rehabilitate homes, renovate health clinics and train personnel, repair water systems, provide micro-loans for agriculture, and clear landmines. In FY 2012, aid to NK was provided for demining ($1 million to the HALO Trust NGO) and for rehabilitating the water system in Stepanakert/Khankendi ($1 million to the CESCO NGO) (both of these are multi-year projects). Besides bilateral aid, the United States contributes to multilateral organizations such as the International Monetary Fund and the World Bank that aid the South Caucasus region.


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

In January 2004, Congress authorized a major new global assistance program, the Millennium Challenge Account (Section D of P.L. 108-199). The focus of the new Millennium Challenge Corporation (MCC) was poverty reduction in countries deemed highly receptive to such aid based on selection criteria: their levels of economic freedom, their investments in social programs, and their democratization progress. MCC deemed that Georgia was eligible for assistance, even though it did not meet criteria on anti-corruption efforts, and in September 2005 signed a five-year, $295.3 million agreement (termed a “compact”) with the country. Projects included improving a road from Javakheti to Samtskhe; repairing a gas pipeline; creating a small business investment fund; setting up agricultural grants; and improving municipal and rural water supply, sanitation, irrigation, roads, and solid waste treatment. In the wake of the August 2008 Russia-Georgia conflict, the MCC announced plans for an extra $100 million for road-building, water and sanitation facilities, and a natural gas storage facility. The MCC reported in April 2011 that it had completed its compact with Georgia. In January 2011, MCC announced that Georgia was eligible for a second compact. Georgia suggested efforts to bolster education, and MCC notified Congress in 2012 that it planned to provide some preliminary funding to assist Georgia in working out details of such a program. On April 9, 2013, MCC notified Congress that it intended to open negotiations with Georgia on a compact worth $140 million for projects in general education, technical and vocational education and training, and higher education, with an emphasis on science, technology, engineering, and math education.

In December 2005, the MCC approved plans to sign a five-year, $235.65 million compact with Armenia—to bolster rural agriculture through road-building and irrigation and marketing projects—but raised concerns about the November 2005 constitutional referendum. Following assurances by then-Foreign Minister Oskanyan that Armenia would address democratization shortfalls, the MCC and Armenia signed the compact, and it went into force in September 2006. After the political turmoil in Armenia in March 2008, the MCC indicated that as an expression of its “serious concern,” it would halt contracting for road-building. In December 2008, the MCC Board reiterated its concerns about democratization progress in Armenia and decided to retain the suspension of some road work, while moving ahead on other projects. In June 2009, the MCC Board announced that it was cancelling $67.1 million in funding for the road building project because of Armenia’s halting democratization, although other projects would continue (later this canceled amount was said to be about $59 million). Some of the road-building projects canceled by MCC subsequently were funded by the World Bank. The MCC reported in October 2011 that it had completed its compact with Armenia by disbursing $177 million. Beneficiaries reportedly included about 428,000 rural residents in hundreds of communities across Armenia.

103 Millennium Challenge Corporation (MCC), Congressional Notification, April 9, 2013.
At a meeting in late 2011, the MCC did not select Armenia as eligible for a compact. MCC raised concerns about fiscal policy, inadequate government expenditures for health and education, problematic political rights, and restrictions on freedom of information. For FY2013, Armenia is on a list of candidate countries, but in late 2012, MCC did not designate it as eligible for a compact, citing some of the same concerns as raised the previous year.

**U.S. Assistance after the Russia-Georgia Conflict**

To address Georgia’s urgent humanitarian needs in the wake of the August 2008 Russia-Georgia conflict, the U.S. Agency for International Development (USAID) and the Defense and State Departments provided Georgia with urgent humanitarian assistance, with the Defense Department quickly beginning naval and air deliveries. Reportedly, the Bush Administration had authorized these Defense Department deliveries to demonstrate U.S. backing for Georgia’s continued independence.

On September 3, 2008, then-Secretary of State Rice announced a multi-year $1 billion aid plan for Georgia. The Administration envisaged that the proposed $1 billion aid package would be in addition to existing aid and requests for Georgia, such as FREEDOM Support Act assistance. The added aid was planned for humanitarian needs, particularly for internally displaced persons, for the reconstruction of infrastructure and facilities that were damaged or destroyed during the Russian invasion, and for safeguarding Georgia’s continued economic growth.106

Congress acted quickly to flesh out the Administration’s aid proposals for Georgia. The Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009 (H.R. 2638/P.L. 110-329), signed into law on September 30, 2008, appropriated an additional $365 million in aid for Georgia and the region (beyond that provided under continuing appropriations based on FY2008 funding) for humanitarian and economic relief, reconstruction, energy-related programs, and democracy activities. Of that amount, $315 million was actually budgeted for Georgia. The Supplemental Appropriations Act for FY2009 (P.L. 111-32; signed into law on June 24, 2009) provided an additional $242 million in Freedom Support Act assistance to Georgia, “the final portion of the $1 billion pledge.” See Table 5.107

**U.S. Security Assistance**

The United States has provided some security assistance to the region, and bolstered such aid after September 11, 2001. Admiral James Stavridis, Commander of the U.S. European Command (EUCOM) testified in March 2013 that

> instability and fragility in the Caucasus will continue. That instability is highlighted by Russia’s continued non-compliance with the August 2008 cease-fire agreement with Georgia…. The South Caucasus remains a concern in the absence of an agreed political resolution to the NK conflict between Armenia and Azerbaijan and continued violent incidents on the Line of Contact separating the opposing forces. EUCOM continues vigorous

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engagement across the Caucasus, given the region’s strategic importance as a global energy corridor, key node on the NDN, source of national contributions to ISAF, potential for narcotics and illicit weapons trafficking, interest area for both Russia and Iran, and location of frozen conflicts that have potential to flash into wider and more destabilizing wars.... Security cooperation program priorities in the South Caucasus are focused on developing and sustaining relationships that: ensure U.S. access and freedom of action (focused in the near term on NDN areas); counter regional and transnational threats, especially violent extremist organizations, counter-WMD proliferation, and illicit trafficking; solidify defense institutional reforms; and sustain partner capacity to enhance regional security.108

EUCOM initiatives in the region have included the Georgia Deployment Program and the Caspian Regional Maritime Security Cooperation program. The Georgia Deployment Program-ISAF, a multi-year program that began in late 2009, is supported by Marine Forces Europe to train and deploy Georgian forces alongside U.S. Marine Forces to Afghanistan. The program encompasses rotations of Georgian battalions with a Marine Corps Marine Expeditionary Brigade to southern Afghanistan.

General Bantz John Craddock, former EUCOM Commander, testified in 2008 that the Caspian Regional Maritime Security Cooperation program aimed to “coordinate and complement U.S. government security cooperation activities in Azerbaijan and Kazakhstan. U.S. Naval Forces Europe continues to promote Maritime Safety and Security and Maritime Domain Awareness in the Caspian Sea through routine engagement with Azerbaijan. These efforts aim to bolster Azerbaijan’s capabilities to ‘observe, evaluate, and respond’ to events in their maritime domain.”109 (This program appeared to combine elements of the former Caspian Guard and Hydrocarbons programs.) Admiral Stavridis did not discuss this program in testimony in 2013, but did mention U.S. Naval Forces Europe’s cooperation with Azerbaijan and with U.S. Central Command on activities involving Kazakhstan and Turkmenistan. For FY2013, the Administration requested FMF assistance for Azerbaijan to bolster their naval capabilities or otherwise enhance Caspian Sea maritime security.

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

Until waived, Section 907 had prohibited much U.S. security aid to Azerbaijan, including Foreign Military Financing (FMF), and International Military Education & Training (IMET). Under U.S. policy, similar aid had not been provided to Azerbaijan’s fellow combatant Armenia. From 1993 to 2002, both had been on the Munitions List of countries ineligible for U.S. arms transfers. Since the waiver provision to Section 907 was enacted, some Members have maintained that the


Armenian-Azerbaijani military balance is preserved by providing equal amounts (parity) in IMET and FMF assistance to each country. Successive Administrations have not always agreed with this understanding of “parity,” and occasionally have requested unequal amounts of such aid, but Congress usually has directed that equal amounts be provided. The Executive Budget Summary: Function 150 and Other International Programs for FY2014, released on April 10, 2013, calls for $2.7 million in FMF and $600,000 in IMET for each country.

Security Assistance to Georgia since the August 2008 Conflict

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

In March 2009, General James Cartwright, then the Vice Chairman of the Joint Chiefs of Staff, visited Georgia to further assess its defense needs. He stated that “the United States remains committed to the U.S.-Georgia charter on strategic partnership and to provide training and other assistance to the Georgian military in support of their reform efforts and continued independence.” He pledged added training that would be “focused on the defense of Georgia, on its self and internal defense,” and equipment transfers that would be based on “what equipment needs to be upgraded and then what new types of equipment that are necessary for their homeland defense.” Then-Assistant Secretary Vershbow similarly testified in August 2009 that we are focusing on building defense institutions, assisting defense sector reform, and building the strategic and educational foundations that will facilitate necessary training, education, and rational force structure design and procurement. We are assisting Georgia to move along the path to having modern, western-oriented, NATO-interoperable armed forces capable of territorial defense and coalition contributions.

He stressed, however, that “the United States has not ‘rearmed’ Georgia as some have claimed. There has been no lethal military assistance to Georgia since the August [2008] conflict. No part of the $1 billion U.S. assistance package went to the Ministry of Defense.”


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

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

After a meeting between U.S. Members of Congress and Georgian legislators on the sidelines of the annual meeting of the NATO Parliamentary Assembly in Bucharest, Romania, in mid-October 2011, the U.S. delegation head, Representative Mike Turner, released a statement of support for Georgia. According to the statement, “the United States recently approved a commercial arms sale to Georgia; all NATO states should look to arms sales with Georgia that can add to the collective defense…. A stronger Georgia is clearly in the interest of all NATO members.”

A report issued in October 2011 by a team led by Senators Jeanne Shaheen and Lindsey Graham urged that U.S. policy be changed to “normalize ... defense relations with Georgia, including allowing sales of defensive military equipment [which] will encourage other allies to follow suit, enabling Georgia to resume purchasing armaments from Central European allies.”

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On December 31, 2011, President Obama signed into law the National Defense Authorization Act (NDAA) for FY2012 (P.L. 112-81). Section 1242 calls for the Defense Secretary to submit a plan to Congress for the normalization of U.S. defense cooperation with Georgia, including the sale of defensive weapons. In a signing statement, the President stated that if the provisions of the section conflict with his constitutional authority to conduct foreign relations (presumably, in this case, including his “reset” policy with Russia), they would be considered non-binding. At a press conference after he met with President Obama in late January 2012, President Saakashvili stated that “we are very grateful for elevating our defense cooperation further, and talking about [developing] Georgia’s self-defense capabilities,” while President Obama appeared more reticent in stating only that “we will continue to strengthen our defense cooperation.”¹²⁰ Russian then-Prime Minister (and current president) Vladimir Putin denounced the reported closer U.S.-Georgia defense cooperation as encouraging Georgia to carry out aggressive military actions.


The report required by the NDAA for FY2012 was transmitted to Congress on April 30, 2012. The report states that results of bilateral security collaboration since the 2008 conflict have included the revision of Georgia’s national security strategy and defense plan, institutionalizing Afghan training and deployment methods, implementing a military personnel management system, reorganizing the armed forces. The latter has included the creation of a National Defense Academy to train officer who can operate with U.S. and NATO forces and who share Western values. The report stressed that there were two pillars of U.S.-Georgia defense cooperation: U.S. support for modernizing Georgia’s armed forces; and U.S. support for Georgia’s contributions to ISAF. For the first pillar, there were 63 cooperative training, education, and operational contacts in FY2011, and 23 in FY 2012 through April 2012. According to the report, all of Georgia’s 19 requests since May 2010 for foreign military sales equipment and services have resulted in transfers or are in the process of being fulfilled. Six of these requests were to support ISAF deployments, but the rest were to support defense modernization, mostly involving training. Only two transfers seemed to involve military equipment for defense capabilities, in order to enhance communications (the report did not list the sale of carbines, mentioned above).

The report stated that Presidents Obama and Saakashvili had agreed in January 2012 on enhanced defense cooperation in the areas of air and coastal surveillance and defense training, train-the-trainer instruction for non-commissioned officers, brigade command and staff training, combat engineer training, and utility helicopter training. The report stated that discussions are underway for Georgia to purchase air and coastal surveillance radar and acoustic systems and small arms ammunition. The report announced that the “enhanced defense cooperation” program would begin in FY2013.¹²¹

Recent Developments

During her June 5-6, 2012, visit to Georgia, former Secretary Clinton hailed this planned enhanced defense cooperation. While there, she also highlighted other security cooperation. She


helped formally commission a patrol boat that had been modernized with funds from the Export Control and Related Border Security (EXBS) Account of the State Department. She stated that since the 2008 conflict, the United States had supplied $10 million to rebuild Georgia’s Coast Guard, including three patrol boats, construction of a ship repair facility, installation of new communications and observation equipment, and a maritime information center. She also hailed other EXBS assistance to Georgia in recent years.122

In his March 2013 testimony to Congress, EUCOM Commander Stavridis stated that EUCOM had expanded the Georgia Deployment Program to train and deploy two battalions every six months to ISAF’s Regional Command Southwest, had supported Armenian-Georgian training on cross-border Humanitarian Assistance and Disaster Response, had led an assessment of junior officer and non-commissioned officer professional development programs as well as combat engineer training and education, and had coordinated brigade command and staff development. He stated that Georgian troops had taken advantage of training at U.S. Army Europe’s Joint Multinational Training Center for mission rehearsal exercises prior to ISAF deployment, and had participated in Agile Spirit, a training workup for troops in the Georgia Deployment Program. He also reported that U.S. Naval Forces Europe continued to lead Eurasia Partnership Capstone, which included training with Georgian naval forces, and provided training for non-commissioned officer development, maritime interdiction operations, visit/board/search/seizure, search and rescue, maritime law enforcement, and environmental protection. U.S. Naval Forces Europe also co-hosted the annual Sea Breeze naval exercise in the Black Sea, which included participation by Georgian forces. Admiral Stavridis did not report on any weapons transfers to Georgia.123

In his April 11, 2013, nomination hearing to be EUCOM Commander, General Philip Breedlove stated that the United States “has a vigorous defense cooperation program with Georgia,” involving hundreds of events annually, including cyber defense, border security, professional military education development, and counterinsurgency operations training. He stated that FMF funding is “robust,” amounting to approximately $14 million (presumably referring to FY2012; see below). He reiterated the areas of engagement that President Obama had offered to President Saakashvili in January 2012, and stated that EUCOM “has already conducted or has planned initial engagements with Georgia in all these areas,” including through the use of IMET funds. He repeated the language of the April 2012 NDAA Report (discussed above) that the Obama Administration would look favorably on the sale of air surveillance radars, coastal surveillance acoustic systems, and small arms ammunition to Georgia.124

The Executive Budget Summary: Function 150 and Other International Programs for FY2014, released on April 10, 2013, calls for $1.8 million in IMET and $12 million in FMF for Georgia, about a $2.5 million reduction from such aid in FY2012.

122 U.S. Department of State, Remarks at Coast Guard Ship Commissioning, June 5, 2012.
124 U.S. Senate, Committee on Armed Services, Hearing on the nomination of Philip M. Breedlove for Commander, United States European Command and Supreme Allied Commander, Europe, Advance Questions for General Philip M. Breedlove, USAF, April 11, 2013.
The Regional States and NATO

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

- Troops from all three regional states have served as peacekeepers in the NATO Kosovo Force (KFOR).
- All three regional states have deployed troops to support the International Security Assistance Force (ISAF) in Afghanistan (see above, “Regional Support for Military Operations in Iraq and Afghanistan”).

Armenia’s Foreign Minister Edvard Nalbandyan reportedly indicated that President Sargsyan did not attend the NATO summit in Chicago in May 2012 because he knew that the summit would uphold Azerbaijan’s territorial integrity, as was subsequently reflected in the summit declaration. Nalbandyan stated that the declaration not only harmed the negotiation process but also “jeopardize[d] the fragile peace in the region, especially given the unprecedented growth of Azerbaijan’s military expenses and bellicose rhetoric.”

NATO and Georgia

Although the United States urged that Georgia be considered for a Membership Action Plan (MAP; preparatory to membership), NATO’s Riga Summit in November 2006 reaffirmed support for an “intensified dialogue” to assist Georgia in implementing reforms. A MAP for Georgia was a matter of contention at the April 2008 NATO Summit. Although Georgia was not offered a MAP, the Alliance pledged that Georgia would eventually become a member of NATO, and stated that the issue of a MAP for Georgia would be revisited later in the year.

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

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125 Mediamax, May 21, 2012.
During the visit of the North Atlantic Council to Georgia in November 2011, Secretary-General Anders Fogh Rasmussen praised Georgia for making progress in meeting conditions for NATO membership, including by increasing freedom of expression, economic growth, and military reforms, and by combating corruption. However, he also cautioned that the 2012-2013 legislative and presidential elections “will be an important indicator of ... how ready Georgia is for NATO membership.” The NATO-Georgia Commission also met in Tbilisi, and NATO pledged to strengthen its NATO liaison office in Tbilisi, enhance support to the National Defense Academy for education and training, bolster the capacity for civil democratic oversight of the defense sector, and increase support for Georgia’s role in Afghanistan.

After meeting with President Saakashvili at the White House in late January 2012, President Obama stated that he had “assured [Saakashvili] that the United States will continue to support Georgia's aspirations to ultimately become a member of NATO.” At his confirmation hearing in March 2012, Ambassador-designate to Georgia Richard Norland reported that the Administration planned at the upcoming May 2012 NATO summit in Chicago “to signal acknowledgement for Georgia’s progress ... and to work with the allies to develop a consensus on the next steps forward.” The Chicago Summit Declaration issued at the meeting grouped Georgia with the other three NATO aspirants, Macedonia, Montenegro, and Bosnia-Herzegovina, and announced that the Alliance ties with Georgia would be strengthened. The Declaration reaffirmed NATO support for Georgia’s territorial integrity and called on Russia to make a pledge not to use force against Georgia and to rescind its recognition of the breakaway regions as independent. It also raised concerns about Russia’s military buildup in the breakaway regions and called on Russia to permit international observers and humanitarian groups free access to the regions.

At a mid-November 2012 meeting at NATO headquarters in Brussels with Secretary General Anders Fogh Rasmussen, visiting Prime Minister Ivanishvili assured him that due process would be followed in the cases of former defense and interior minister Bacho Akhalaia, chief of the armed forces Georgy Kalandadze, and others arrested in Georgia, and invited NATO to set up a commission in Georgia to monitor the cases. At a meeting of the NATO-Georgia Commission in Brussels, held a week after Ivanishvili’s NATO visit, Georgian Defense Minister Alasania stated that post-election Georgia was now more stable and a stronger and more predictable NATO partner, and that Georgia would uphold the rule of law. At a follow-on meeting of the NATO-Georgia Commission on December 5, 2012, during the NATO foreign ministerial meeting in Brussels, Secretary General Rasmussen reiterated that the Alliance would continue to monitor judicial developments in Georgia, and stressed that NATO looked forward to a “still stronger and closer relationship [with Georgia] in 2013 and beyond.”

127 Reuters, November 10, 2011.
129 U.S. Senate, Committee on Foreign Relations, Hearing on Nominations, March 21, 2012.
130 NATO, Chicago Summit Declaration, May 20, 2012.
131 NATO, Joint Press Point by NATO Secretary General Anders Fogh Rasmussen and the Prime Minister of Georgia, Bidzina Ivanishvili, November 14, 2012.
132 NATO, NATO Foreign Ministers Praise Georgia’s Commitment to Euro-Atlantic Integration, December 5, 2012; Opening Remarks by NATO Secretary General Anders Fogh Rasmussen at the NATO-Georgia Commission in Foreign Ministers Session, December 5, 2012; CEDR, December 6, 2012, Doc. No. CEP-964069; December 7, 2012, Doc. No. CEP-964050.
At a meeting of the NATO-Georgia Commission on March 19, 2013, the Georgian side reported on its annual plan for 2013. NATO emissaries reportedly praised the annual plan and offered assistance for its fulfillment, and urged vying political interests in Georgia to work together to further the country’s democratization.

The U.S. Congress approved the NATO Freedom Consolidation Act of 2007, signed into law in April 2007 (P.L. 110-17), to urge NATO to extend a MAP for Georgia and to designate Georgia as eligible to receive security assistance under the program established by the NATO Participation Act of 1994 (P.L. 103-447). The statement released by the U.S. delegation to the NATO Parliamentary Assembly in October 2011 (mentioned above) called for NATO to extend a MAP for Georgia at the upcoming NATO Summit in Chicago in May 2012. In March 2012, then-Senator Richard Lugar introduced S. 2177, The NATO Enhancement Act, in the 112th Congress, which reaffirms an “open door” policy with respect to the accession of additional countries to NATO, including NATO aspirant Georgia (a similar bill, H.R. 4243, was introduced in the House by Rep. Michael Turner later in March 2012). The bills expressed the sense of Congress that the President should lead efforts at the Chicago NATO Summit to provide a clear roadmap for the granting of a MAP (or other equivalent plan) to Georgia and other aspirants. However, as mentioned above, Georgia was not offered a MAP at the Chicago NATO summit.

U.S. Trade and Investment

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

Georgia and Russia’s Accession to the WTO

When Georgia became a member of the WTO in 2000, it joined an existing Working Party of interested WTO members—established in 1993—that has been considering Russia’s WTO bid. Georgia added its main concerns to those of the other 60-odd members of the Working Party, that market access be upheld and that Georgia establish control over customs clearance at posts located along its borders with Russia (including between its breakaway regions and Russia), in accordance with its sovereign territorial rights and the provisions of a 1994 free trade agreement signed by Georgia and Russia (never ratified by Russia). This Georgian request for customs control did not fundamentally change after Russia recognized the independence of the breakaway regions in late August 2008. Although Russia held bilateral talks with all members of the Working Party and by late October 2011 had resolved most of their concerns, Russia long continued to refuse to resolve Georgia’s concerns about customs control, arguing that the issue was political.
and hence irrelevant to WTO accession. Instead, Russia demanded that the United States put pressure on Georgia to drop its request or that the WTO use an unprecedented majority vote of the membership to admit Russia to get around Georgia’s request. The Russia-Georgia dispute became the last major obstacle to Russia’s WTO accession. According to some observers, powerful interests in Russia that remained opposed to WTO membership were using the dispute to convince others in the Russian leadership to cease efforts to join WTO.133

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

Georgia and Russia signed a trade monitoring agreement in Geneva on November 9, 2011, after lengthy negotiations mediated by Switzerland, clearing one of the last major obstacles to Russia being invited to join the WTO at its Ministerial Conference in mid-December 2011 (full accession will occur 30 days after the Russian legislature ratifies membership). The agreement calls for customs monitoring along three “trade corridors” on the Georgia-Russia border, two running through the breakaway regions and the third running through the uncontested Zemo Larsi-Kazbegi border crossing. In regard to the breakaway regions, a terminal will be located at Russia’s border with the region, and another at Georgia’s border with the region. A private firm will be hired and managed by Switzerland to monitor the terminals. Georgia and Russia will provide trade data to the firm, which will forward the data to the WTO. On December 26, 2011, Russian Ministry of Foreign Affairs spokesman Aleksandr Lukashevich appeared to boast that Georgia had been bested during the negotiations, asserting that since Georgia will provide customs clearance information for goods entering Abkhazia and South Ossetia, it effectively will be recognizing their independence, a claim Georgia disagrees with. In early April 2012, the Russian Foreign Ministry stated that the customs agreement would enter into force upon Russia’s accession to the WTO, which took place in August 2012.134


134 For concerns about whether Russia will comply with the customs agreement, see Andras Racz, Russian WTO Accession and the Geneva Agreements: Implications for Russia and Georgia, Transatlantic Academy, December 2011.
Energy Resources and U.S. Policy

The U.S. Energy Department reports estimates of 7 billion barrels of proven oil reserves, and 30 trillion cubic feet of proven natural gas reserves in Azerbaijan. In addition, added gas has been discovered in 2011 at the Umid and Apsheron offshore fields. Critics argue that oil and gas from Azerbaijan will amount to a tiny percent of world exports of oil and gas, but successive U.S. Administrations have argued that these exports could nonetheless boost energy security somewhat for European customers currently relying more on Russia. Azerbaijan is hoping that its gas exports will be greatly boosted when phase two production begins at its offshore Shah Deniz gas fields in 2017.

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

U.S. officials have argued that Azerbaijani gas is critical to the development of the Southern Corridor. In March 2007, Azerbaijan and the United States signed a memorandum of understanding on energy cooperation that called for discussions on various proposed gas pipelines. In August 2007, the U.S. Trade Development Administration granted Azerbaijan $1.7 million to fund feasibility studies on building both oil and gas pipelines across the Caspian Sea to link Central Asia to Azerbaijani pipelines.


Building the Baku-Tbilisi-Ceyhan and South Caucasus Pipelines

During the Clinton Administration, the United States in 1995 encouraged the building of one small oil pipeline (with a capacity of about 155,000 barrels per day) from Azerbaijan to the Georgian Black Sea port of Supsa as part of a strategy of ensuring that Russia did not monopolize east-west export pipelines. As part of this strategy, the United States also stressed building the Baku-Tbilisi-Ceyhan (BTC) pipeline (with a capacity of about 1 million barrels per day) as part of a “Eurasian Transport Corridor.” In November 1999, Azerbaijan, Georgia, Turkey, and Kazakhstan signed the “Istanbul Protocol” on construction of the 1,040-mile long BTC oil pipeline. In August 2002, the BTC Company (which includes U.S. firms Conoco-Phillips, Amerada Hess, and Chevron) was formed to construct, own, and operate the oil pipeline. The first tanker on-loaded Azeri oil at Ceyhan at the end of May 2006. Azerbaijan’s state oil firm SOCAR reported in April 2012 that the BTC pipeline had transported 1.33 billion barrels of oil to the Ceyhan terminal since 2006. Reportedly, some Azerbaijani oil reaches U.S. markets.

A gas pipeline from Azerbaijan to Turkey (termed the South Caucasus Pipeline or SCP) was completed in March 2007. Exports to Georgia, Turkey, and Greece were 53 billion cubic feet of gas in 2007, the first year of operation, and most recently were reported to be 159 billion cubic feet in 2011. The ultimate capacity of the SCP is about 706 billion cubic feet per year, according to British Petroleum. The joint venture for the SCP includes Norway’s Statoil (20.4%); British Petroleum (20.4%); Azerbaijan’s Ministry of Industry and Energy (20%); and companies from Russia, Iran, France, and Turkey. Some in Armenia object to lack of access to the BTC and SCP pipelines.

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

At the end of October 2008, the first oil from Kazakhstan started to be pumped through the BTC pipeline, but a transit price increase by Azerbaijan in 2011 led Kazakhstan to restrict its use of the BTC. Some Kazakh oil is barged to Azerbaijan to be shipped by rail to Georgia’s Black Sea port of Batumi, where Kazakhstan owns an oil terminal. Kazakhstan and Azerbaijan continue talks on expanding the barging of oil to the BTC pipeline. Some Turkmen oil began to be transported through the BTC pipeline in June 2010. Some observers argue that the completion of the BTC and SCP boosted awareness in the European Union and the United States of the strategic importance of the South Caucasus.

Other Export Pipeline Proposals

In mid-November 2007, Greek Prime Minister Costas Karamanlis and Turkish Prime Minister Recep Tayyip Erdogan inaugurated a gas pipeline connecting the two countries. Since some Azerbaijani gas reaches Greece, the pipeline represents the first gas supplies from the Caspian

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

The Nabucco pipeline faced numerous delays, some of them attributable to Russia’s counter-proposals to build pipelines that it asserted would reduce the efficacy of the Nabucco pipeline. In September 2010, the European Investment Bank, the European Bank for Reconstruction and Development, and the World Bank announced a commitment—pending environmental and social feasibility studies—to provide $5.2 billion to build the Nabucco pipeline. EU planning called for construction of the 1.1 trillion cubic feet capacity Nabucco pipeline to begin in 2012 and for shipments to begin in 2017. In 2011, new higher cost estimates for building the pipeline, and BP’s call for building a “South East Europe Pipeline” (SEEP; see below), appeared to seriously threaten these plans.

At a meeting in early May 2009 in Prague, the EU, Azerbaijan, Georgia, Turkey, and Egypt signed a declaration on a “Southern [energy] Corridor” to bolster east-west energy transport. The declaration called for cooperation among supplier, transit, and consumer countries in building the Nabucco gas pipeline, finishing the Italian section of the ITGI gas pipeline, and other projects.

In 2009, Azerbaijan stepped up its efforts to diversify the routes and customers for its gas exports beyond the SCP and the proposed Nabucco pipeline. President Aliyev attributed some of this increased interest in added gas export routes—including to Russia and Iran—to the country’s difficult negotiations with Turkey over gas transit fees and prices (excluding the agreed-upon arrangements for Nabucco). In October 2009, Azerbaijan’s State Oil Company (SOCAR) and Russia’s Gazprom gas firm signed agreements that SOCAR would supply 17.7 billion cubic feet of gas per year to Russia beginning in 2010. The gas would be transported by a 140-mile gas pipeline from Baku to Russia’s Dagestan Republic that was used until 2007 to supply Azerbaijan with up to 283 billion cubic feet of gas per year. During a visit by then-President Medvedev to Azerbaijan in September 2010, the two countries agreed that Azerbaijan would provide up to 35.4 billion cubic feet of gas per year beginning in 2011 (this increase had been under consideration since the signing of the 2009 accord). President Aliyev stressed that this small supply agreement would not jeopardize plans to supply gas for Nabucco, since Azerbaijan possessed huge gas reserves.140

As another alternative to gas shipments through Turkey, Azerbaijan, Romania, and Georgia signed a memorandum of understanding in April 2010 to transport liquefied natural gas (LNG) from Azerbaijan to the EU through Georgia and Romania. This Azerbaijan-Georgia-Romania-Interconnection (AGRI) project envisions the construction of a gas pipeline from Azerbaijan to the Georgian port of Kalevi, where the gas would be liquefied, shipped across the Black Sea, and regasified at the Romanian port of Constanta. The output is expected to be 247 billion cubic feet per year, with 71 billion cubic feet of the gas used by Romania and the rest by other EU countries. The presidents of the three countries (and the prime minister of Hungary, which joined the project) met in Baku on September 15, 2010, to sign the Baku Declaration of political support for the project.

Some of the tensions between Turkey and Azerbaijan involving energy issues appeared to ease in June 2010, during President Aliyev’s visit to Turkey, when the two countries signed accords on

140 CEDR, September 6, 2010, Doc. No CEP-950267.
the sale and transportation of Azerbaijani natural gas to Turkey and to other countries via Turkey. A memorandum of understanding permitting Azerbaijan to conclude direct sales with Greece, Bulgaria, and Syria involving gas transiting Turkey was signed.

In January 2011, President Aliyev and the President of the European Commission, Jose Manuel Barroso, signed a joint declaration committing Azerbaijan to supplying substantial volumes of gas over the long term to the European Union. Nonetheless, some analysts raised concerns that there would not be enough Azerbaijani gas to fill the proposed ITGI and Nabucco pipelines (deliveries would be 406 billion cubic feet per year for ITGI and 158 billion to 459 billion cubic feet per year for Nabucco) and to provide for the proposed AGRI project without a trans-Caspian gas pipeline or participation by Iran or Iraq. Others suggested that Azerbaijan would be able to supply at least most of the needed gas for both the ITGI and Nabucco pipelines and the AGRI project, including because of recent results from exploratory drilling off the Caspian seacoast.141

Meeting an October 1, 2011, deadline, the Shah Deniz Export Negotiating Team—led by the State Oil Company of Azerbaijan (SOCAR) and including BP, Statoil, and Total—received what were then claimed to be final proposals for pipelines to export gas from the second phase development of the Shah Deniz offshore oil and gas fields. Proposals were received from consortia backing the ITGI, Nabucco, and Trans-Adriatic Pipeline (TAP; from Turkey through Greece, Albania, and the Adriatic Sea to Italy) projects, as well as from BP, which reportedly proposed building an 808-mile “South East Europe Pipeline” (SEEP) from western Turkey through Bulgaria, Romania, and Hungary to Austria. A proposal for AGRI was not reported.

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

In late December 2011, the Azerbaijani and Turkish governments signed a memorandum of understanding on setting up a consortium involving SOCAR, the Turkish state-owned TPAO energy firm, and TPAO’s pipeline subsidiary, BOTAS, to construct TANAP. An inter-governmental agreement was signed by President Aliyev and Prime Minister Erdogan in June 2012. SOCAR is designated initially to hold an 80% share in the consortium, although other members are being invited to join the consortium and to hold 29% of the shares. The first stage, with a capacity of 565 bcf per year, is planned to be completed in 2018.

In May 2012, the Nabucco consortium submitted new pipeline proposals to the Shah Deniz consortium, reportedly including the original route as well as the shorter Nabucco West route. The Shah Deniz Export Negotiating Team reportedly indicated in February 2012 that it preferred the TAP proposal over the ITGI pipeline proposal. In mid-2012, it rejected SEEP, leaving TAP and Nabucco West as the choices. In late March 2013, the Nabucco and TAP consortiums submitted

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refined proposals to the Shah Deniz Team, which has indicated that it will make a final decision about the pipeline in June 2013.

In late 2012, Russia finalized arrangements with transit states for the construction of the South Stream gas pipeline, with a capacity of 2.2 bcf per year, under the Black Sea to European markets, and began construction of the onshore portion in Russia in December 2012. The undersea portion will extend nearly 600 miles. From Bulgaria, the pipeline is planned to transit Serbia, Hungary, and Slovenia to Austria. The first phase of construction is planned to be completed in 2015. According to some analysts, the pipeline is not economically viable, but is being built by Russia to counter proposals to build the Nabucco West pipeline and perhaps a trans-Caspian pipeline, so that Russia may maintain a dominant gas presence in Europe. To bolster prospects for building the Nabucco West pipeline, the Shah Deniz consortium agreed with the Nabucco consortium in January 2013 to finance up to one-half of the pipeline. Azerbaijan also has pledged to provide some financing for TAP if it chooses this pipeline.

**Discussions on a Trans-Caspian Pipeline**

In 1999, Turkmenistan signed an accord with two U.S. construction firms to conduct a feasibility study on building a trans-Caspian pipeline, but it failed to commit to the pipeline following objections from Iran and Russia. In September 2011, the Council of the European Union approved opening talks with Azerbaijan and Turkmenistan to facilitate an accord on building a trans-Caspian gas pipeline. Such a link would provide added gas to ensure adequate supplies for the proposed Nabucco and other pipelines. Hailing the decision, EU Energy Commissioner Günther Oettinger stated that “Europe is now speaking with one voice. The trans-Caspian pipeline is a major project in the Southern Corridor to bring new sources of gas to Europe. We have the intention of achieving this as soon as possible.” The Russian Foreign Ministry denounced the plans for the talks, and claimed that the Caspian Sea littoral states had agreed in a declaration issued in October 2007 that decisions regarding the Sea would be adopted by consensus among all the littoral states (Russia itself has violated this provision by agreeing with Kazakhstan and with Azerbaijan on oil and gas field development). It also claimed that the proposed pipeline was different from existing sub-sea pipelines in posing an environmental threat. In Baku in early April 2012, Lavrov stated that the EU should show “respect” to the Caspian littoral states, and that it was “unacceptable” for the EU to advocate for a trans-Caspian pipeline before the littoral states have concluded a convention on the legal status of the sea.

In June 2012, a Turkmen survey ship was turned back by Azerbaijani naval forces from areas considered by Azerbaijan to be within its Caspian Sea holdings, raising tensions that appeared to jeopardize a trans-Caspian pipeline. However, in September 2012, President Aliyev appeared conciliatory toward Turkmenistan in stating that “if Turkmenistan considers this [trans-Caspian] project important for itself and views it as a path to the West, then Azerbaijan supports this idea.”

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At a meeting of the Frankfurt Gas Forum in November 2012, European Energy Commissioner Guenther Oettinger pointed out that the EU had envisaged the Southern Corridor to carry 45-90 bcm per annum, and that the gas from Shah Deniz phase 2 would only provide a fraction of this gas. He stated that to meet the EU goal for the Southern Corridor, more gas would be needed, and stated that Turkmenistan is viewed by the EU as a possible source.

The United States has supported building a trans-Caspian pipeline and stated that no other country should be able to veto a decision by Azerbaijan and Turkmenistan to build such a pipeline.

**Regional Energy Cooperation with Iran**

Because of trade obstructions imposed by Azerbaijan and Turkey, Armenia has endeavored to build oil and gas pipelines to Iran as a means to diversify its reliance on Russian supplies that transit Georgia. Azerbaijan sees itself as a regional competitor of Iran in energy development in the Caspian region. Increasing international sanctions on Iran have reduced Iran’s regional energy role, while Azerbaijan increasingly has cooperated with Western energy firms to develop and ship oil and gas to international markets.

In the case of Armenia, then-President Robert Kocharyan and Iranian President Mahmoud Ahmadinejad in March 2007 inaugurated an 88-mile gas pipeline from Tabriz in Iran to Kadjaran in Armenia. Work was completed on the second section of the pipeline, a 123-mile section from Kadjaran to Ararat, in December 2008. The Russian-controlled ArmRosGazprom joint venture built this second section and operates the pipeline. Initial deliveries reportedly are 10.6-14.1 billion cubic feet of gas per year, with plans for more gas deliveries in future years. Some of this gas will be used to generate electricity for Iran and Georgia, but the remainder eventually may satisfy all Armenia’s consumption needs, alleviating its dependence on Russian gas transported via Georgia. An oil pipeline from Tabriz, Iran to Yerask, Armenia is being planned but has faced delays that officials in both countries have blamed on the effects of international sanctions on Iran’s economy.

In early November 2012, Armenia and Iran began construction of the Meghri Hydroelectric Power Plant on the Arax River on the Armenian side of the border with Iran, expected to be completed in 2016. Iran was granted a fifteen-year cost recovery period for its financing of the construction through prospective electricity sales. A proposal to build a rail line between the two countries has been delayed, with officials in both countries blaming the international sanctions on Iran.

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

Iran’s Naftiran Intertrade Company (NICO; a state-owned energy firm) has 10% of the shares in the consortium that developed the SCP. NICO also has a 10% share in the consortium developing the Shah Deniz gas fields. The Iran Threat Reduction and Syria Human Rights Act of 2012 (P.L. 145

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Armenia, Azerbaijan, and Georgia

Congressional Research Service

112-158; signed into law on August 10, 2012) has exempted the Shah Deniz gas field project from sanctions imposed on joint energy ventures with Iran.

Table 1. U.S. Foreign Assistance to the South Caucasus States, FY1992 to FY2014

(millions of dollars)

<table>
<thead>
<tr>
<th>South Caucasus Country</th>
<th>FY1992-FY2010 Budgeted Aid&lt;sup&gt;a&lt;/sup&gt;</th>
<th>FY2011 Actual&lt;sup&gt;b&lt;/sup&gt;</th>
<th>FY2012 Estimate&lt;sup&gt;b&lt;/sup&gt;</th>
<th>FY2014 Request&lt;sup&gt;b&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>1,951.83</td>
<td>44.42</td>
<td>44.25</td>
<td>30.843</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>975.75</td>
<td>26.4</td>
<td>20.87</td>
<td>15.555</td>
</tr>
<tr>
<td>Georgia</td>
<td>3,369.33</td>
<td>87.1</td>
<td>85.1</td>
<td>60.775</td>
</tr>
<tr>
<td>Total</td>
<td>6,365.73</td>
<td>157.92</td>
<td>150.22</td>
<td>107.173</td>
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</tbody>
</table>

Percent of Eurasian Aid (including Central Asia)

<table>
<thead>
<tr>
<th></th>
<th>FY2012</th>
<th>FY2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>16</td>
<td>27</td>
</tr>
<tr>
<td>Azerbaijan</td>
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<td>29</td>
</tr>
<tr>
<td>Georgia</td>
<td></td>
<td>31</td>
</tr>
</tbody>
</table>

Sources: U.S. Department of State, Office of the Coordinator of Assistance to Europe and Eurasia; Executive Budget Summary: Function 150 and Other International Programs for FY2014, April 10, 2013.

a. Assistance to Europe, Eurasia, and Central Asia (AEECA) and Agency budgets.

b. FY2011 and FY2012 data include AEECA, Foreign Military Financing (FMF), International Military Education and Training (IMET), Global Health Programs (GHP), International Narcotics Control and Law Enforcement (INCLE), and Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) assistance. FY2013 numbers have not been finalized. For FY2014, AEECA programs were included as part of Economic Support Funds (ESF), GHP, and INCLE. FY2011-FY2014 data do not include Defense or Energy Department funding, funding for exchanges, Food aid, or Peace Corps programs, and FY2014 summary data did not break out NADR funding by country. Percentage of funding excludes some Eurasian regional programs involving the South Caucasus.

c. Total includes $68.82 million in South Caucasus regional funding.
### Table 2. U.S. Assistance to the South Caucasus by Year, FY1992-FY2001

(millions of current dollars)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>74.97</td>
<td>172.39</td>
<td>159.1</td>
<td>114.38</td>
<td>135.23</td>
<td>98.72</td>
<td>116.14</td>
<td>91.86</td>
<td>117.19</td>
<td>102.47</td>
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<tr>
<td>Azerbaijan</td>
<td>1.8</td>
<td>8.42</td>
<td>34.52</td>
<td>26.01</td>
<td>29.96</td>
<td>16.77</td>
<td>41.2</td>
<td>47.22</td>
<td>37.96</td>
<td>48.26</td>
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<tr>
<td>Georgia</td>
<td>29.16</td>
<td>169.01</td>
<td>93.34</td>
<td>105.26</td>
<td>94.41</td>
<td>28.29</td>
<td>123.33</td>
<td>119.51</td>
<td>124.5</td>
<td>151.23</td>
</tr>
<tr>
<td>Regional</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>8.3</td>
<td>0.0</td>
<td>2.0</td>
<td>4.4</td>
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<td>Total</td>
<td>105.93</td>
<td>349.82</td>
<td>286.96</td>
<td>245.65</td>
<td>259.6</td>
<td>143.78</td>
<td>288.97</td>
<td>258.59</td>
<td>281.65</td>
<td>306.36</td>
</tr>
</tbody>
</table>

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

**Notes:** Includes all agencies and accounts.

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

(millions of current dollars)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>112.74</td>
<td>105.08</td>
<td>93.19</td>
<td>91.01</td>
<td>88.17</td>
<td>71.91</td>
<td>78.92</td>
<td>69.2</td>
<td>59.16</td>
<td>1,951.83</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>68.89</td>
<td>68.63</td>
<td>79.48</td>
<td>80.11</td>
<td>84.24</td>
<td>79.38</td>
<td>80.05</td>
<td>76.21</td>
<td>66.65</td>
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</tr>
<tr>
<td>Georgia</td>
<td>150.44</td>
<td>150.64</td>
<td>148.29</td>
<td>129.1</td>
<td>147.35</td>
<td>131.58</td>
<td>895.67</td>
<td>423.87</td>
<td>154.36</td>
<td>3,369.33</td>
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<tr>
<td>Regional</td>
<td>2.3</td>
<td>1.99</td>
<td>17.71</td>
<td>2.03</td>
<td>11.1</td>
<td>3.0</td>
<td>1.03</td>
<td>12.94</td>
<td>2.03</td>
<td>68.82</td>
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<tr>
<td>Total</td>
<td>334.37</td>
<td>326.34</td>
<td>338.67</td>
<td>302.25</td>
<td>330.86</td>
<td>285.87</td>
<td>1055.67</td>
<td>582.22</td>
<td>282.2</td>
<td>6,365.73</td>
</tr>
</tbody>
</table>

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

**Notes:** Includes all agencies and accounts.

(millions of dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Budgeted</th>
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</thead>
<tbody>
<tr>
<td>1998</td>
<td>8.6</td>
</tr>
<tr>
<td>1999</td>
<td>3.5</td>
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<td>4.4</td>
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<tr>
<td>2002</td>
<td>2.3</td>
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<tr>
<td>2003</td>
<td>1.987</td>
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<tr>
<td>2004</td>
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<tr>
<td>2005</td>
<td>2.43</td>
</tr>
<tr>
<td>2006</td>
<td>1.98</td>
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<tr>
<td>2007</td>
<td>2.509</td>
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<tr>
<td>2008</td>
<td>2.0</td>
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<tr>
<td>2009</td>
<td>1.996</td>
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<tr>
<td>2010</td>
<td>2.0</td>
</tr>
<tr>
<td>2011</td>
<td>2.0</td>
</tr>
<tr>
<td>2012</td>
<td>2.0</td>
</tr>
<tr>
<td>Prior-Year De-obligated</td>
<td>-0.708</td>
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<tr>
<td>Total Budgeted</td>
<td>40.994</td>
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</tbody>
</table>

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

Note: Does not include $480,000 in FY2009 AEECA funding provided for a Track II diplomacy project to increase cross-border communication and understanding among Armenians, Azeris and Karabakhis, with the goal of fostering reconciliation in the NK conflict. Does not include $223,000 in FY2010 AEECA Performance Funds provided for de-mining activities in NK.
### Table 5. The $1 Billion in Added Aid to Georgia by Priority Area

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


### Figure 1. Map of Caucasus Region

Source: CRS.

**Notes:** Administrative borders of the former Nagorno Karabakh Autonomous Region.
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