

The Political Underpinnings of U.S. Bilateral Aid to the Countries of Transcaucasus

EKATERINE METREVELI AND ESTER HAKOBYAN

The fall of the Soviet Union, which resulted in the emergence of fifteen new states, is considered the most dramatic and remarkable event of the second half of the twentieth century. Efforts to gain independence involved not only internal political developments and actors, but also each country's adapting to the international environment and restructuring foreign relations.¹ The Soviet successor states have tried to pursue foreign policies that would advance their national interests and ensure support from the international community. They had to face the fact that with the end of the cold war new international and foreign actors would influence political and economic developments.

The United States is an important actor in all of the countries. U.S. assistance policies are part of its influence and interests in the region. The Freedom Support Act adopted by the U.S. Congress in 1992, while recognizing developments in the former Soviet Union as a "historical opportunity for a transition to a peaceful and stable international order," indicated that the success of the transition was in the interest of the entire international community and emphasized the role of the United States in contributing to the transition.²

It is in the national interest of the United States to see the newly independent states (NIS) as economically and politically stable democratic countries. U.S. policies toward the Soviet successor states are also based on its policy of exporting its identity to the world. The values of democracy and free markets become the central concept of transition from communist authoritarianism and centrally planned economies to "Western-type societies." The outcomes of this transition are thought more likely to benefit the United States if it remains engaged as a partner in the process, promoting its national security and values related to U.S. collective identity, as well as pragmatic considerations. Foreign aid is a major mechanism to achieve those goals. Aid policies also help the United States to

Ekaterine Metreveli and Ester Hakobyan are graduate students at the School of Public and International Affairs, University of Pittsburgh.

build constructive diplomatic, trade, and people-to-people relations in the region. The priority of U.S. interests for both its foreign relations and aid policies is explicit in the statement of the former secretary of state Madeline Albright in the introduction to the Congressional Budget Justifications for 2001. Albright qualified the term "foreign aid" as obsolete and replaced it with "international programs that aid America" by making Americans more secure, supporting American prosperity, supporting peace, and promoting views that Americans cherish, including democracy.³

Thus, it can be assumed that in the NIS, the United States pursues its own economic and political interests together with its general strategic goals. Those interests are more obvious in relation to certain post-Soviet regions or states.

One such region is Transcaucasus (Southern Caucasus), comprising the countries of Armenia, Azerbaijan, and Georgia. U.S. national interests in fulfillment of the countries' potential as gateways from the Caspian Basin to the West combine such general objectives as advancement of free market and democratic reforms, promotion of peace, and regional stability. U.S. firms are heavily involved in the development of Azerbaijan energy resources (gas and oil).⁴ The U.S. objective of diversifying world oil supplies is the key factor underlying its regional policies. The United States views the region as a crossroads connecting East and West, as a transportation corridor for Caspian energy resources. Each of the countries has a particular significance in advancing U.S. interests in the region.

Each of the Transcaucasus states has a unique and specific character that determines its role in relations among the regional powers and with the United States. Despite the proximity of the countries and their historical and cultural ties, distinctive geographic, ethnic, religious, political, and economic differences have been formed during the centuries. Those features influence the foreign policies that the countries pursue as well as U.S. interests.

U.S. Interests in Transcaucasia

Their location at the crossroads of Southern Europe and at the western border of Asia greatly affected the histories of the three Transcaucasus states. The three nations were constantly attacked and controlled by Persian, Ottoman, or Russian empires. In response to those threats, the populations of the countries have undergone different degrees of displacement, formulated policies that make them adaptable to the hostile environment, and developed a strong sense of national identity that helped them to survive.

For Georgia and Armenia, adoption of Christianity early in the fourth century was imperative to maintain their national identity and statehood. Azerbaijan was never a Christian country; the Zoroastrian religion was succeeded by the Muslim faith introduced by Arabs in the seventh century. Despite the differences in religion, Azerbaijan and Georgia both differed from Armenia in the diversity of their ethnic composition. Both states were known for having multiethnic societies—18 percent minority in Azerbaijan and 30 percent in Georgia—while Armenia remained a strongly homogeneous country.⁵

History has influenced not only the ethnic composition of the states but also the migration of indigenous ethnic groups outside the countries. More than half of the world's 6.3 million Armenians are widely scattered outside the borders of Armenia as a result of a centuries-long diaspora and step-by-step reduction of their national territory. Azerbaijan has only 5.8 million of the world's estimated 19 million Azerbaijanis, most of whom live in Iran.⁶ In contrast to Azerbaijan and Armenia, most Georgians live in Georgia, together with the diverse ethnic minorities already mentioned.

Although all three countries are part of Transcaucasus, Azerbaijan can be considered the most favorably located—by the Caspian Sea with its energy resources. Georgia also enjoys an advantageous position by the Black Sea, which makes it important in the transit corridor connecting the East with the West. Armenia is landlocked and thus deprived of opportunities to communicate with the outside world without good relations with its neighbors.

All three countries lie where the interests of the three most powerful countries in the region—Russia, Turkey, and Iran—collide. The struggle for influence over Transcaucasus republics became the main determinant of the political processes in the region during the past decade, after the collapse of the Soviet Union. For Russia, it is imperative to have military bases in Caucasus, and to restore control over the natural resources of the Caspian basin and the transportation routes of Georgia. Turkey's main interests are economic domination and prevention of Russia's military pressure on its borders. A member of NATO, Turkey also directly represents the interests of the West—specifically the United States—in the region, counterbalancing the Russian presence and Iranian fundamentalism. The situation with Iran is completely different. During the first years of independence, the leaders of the Azerbaijani Popular Front emphasized close cultural and political relations with Turkey, Iran's traditional rival in the region. More than ten million Azeris live in Iran, and on many occasions the leaders of the Popular Front raised the issue of reunification of northern and southern (Iranian) Azerbaijan.⁷ Those factors constrained the development of closer relations between Azerbaijan and Iran. Although Iranian religious organizations try to penetrate Azerbaijan under the pretext of Muslim brotherhood, leaders of the country are determined not to allow the advance of Islamic fundamentalism. Iran's relations with Russia are another factor pushing Iran into more favorable relations with Armenia.

The Transcaucasus republics do not have a common policy but pursue individual goals and agendas determined by centuries of development, different perceptions of reality, and different images of an enemy. Even relations among the

“Armenia considers Russia its main ally, a source of support and protection against the perceived threats posed by Muslim Azerbaijan and Turkey.”

Transcaucasus states do not fit into any standard pattern. Despite the common Christian religion, relations between Armenia and Georgia are not as warm as between Christian Georgia and Muslim Azerbaijan or Turkey. A number of economic and political factors have contributed to this, including Azerbaijani fuel and Georgia's transit opportunities. Also, Georgia and Azerbaijan refused any Russian influence after specific turning points. (For Azerbaijan this was 20 January 1990, when Russian troops entered Baku; for Georgia it was 9 April 1989, when Russian armed forces overran peaceful demonstrators in Tbilisi.) Armenia, however, considers Russia its main ally, a source of support and protection against the perceived threats posed by Muslim Azerbaijan and Turkey, a fear rooted in Armenian genocide by Turks in the beginning of the century. Armenia also relies on Russia's support in its conflict with Azerbaijan over Nagorno-Kharabakh, which remains unsettled and has a major impact on both countries' foreign aid policies as well as on U.S. aid.

Nagorno-Kharabakh and conflicts in Georgia in the early 1990s with its separatist regions of Abkhazia and South Osetia put Transcaucasus in the news. Although all of the three republics engaged in conflicts, the nature of the engagements and the reaction of the international community were different. Nagorno-Karabakh became an international issue because of the involvement of two sovereign states, which determined to some extent U.S. aid policies toward those countries. Conflicts in Georgia, despite their ethnopolitical character, were considered more in the context of economic issues connected with border control, which had a negative effect on the country's economy and did not impose on Georgia any sanctions from the international community.

The above trends helped to identify certain patterns in the U.S. approach to Georgia, Armenia, and Azerbaijan:

- Georgia is an important geopolitical hub in the Caucasus region as the western portal to the Great Silk Road and the newest conduit of Caspian oil to world markets. Its neutrality in the Nagorno-Karabakh conflict makes it a stabilizing factor in the region, especially between Armenia and Azerbaijan. It is considered a buffer state between Turkey and Russia, between Muslim and Christian countries, and has a Western orientation. Shevardnadze still plays a significant role.
- Azerbaijan is a country rich in energy resources. The U.S. government is encouraging the diversification of its oil supply to ensure U.S. and global energy security; imports from Central Asia and Azerbaijan can become one source of such diversification. A substantial shift can be seen in U.S. administration interests in Caspian oil resources. Many members of President Bush's administration have been in some way connected with U.S. oil companies active in Azerbaijan.⁸ This explains the revived U.S. interest in settlement of the Nagorno-Karabakh dispute.
- Armenia's engagement in a dispute with Azerbaijan over Nagorno-Karabakh is a major cause of instability in the Caucasus region. Achieving a durable resolution to the conflict is key to U.S. interests, as it will facilitate Armenia's economic cooperation with its Caucasus neighbors and facilitate develop-

ment of Caspian energy resources. Armenian constituencies are represented by influential lobbyists in the United States. Russian presence and influence have diminished, although Armenia is Russia's major ally in the region.

U.S. energy interests in the Caucasus are in line with its other goals in the region: establishment of democracy and a market economy, humanitarian relief, regional stability, the settlement of territorial disputes, and integration of Armenia, Azerbaijan, and Georgia into the regional and global economy. Those goals are mutually reinforcing and are closely related to the long-term transformation of the former republics. Foreign aid is the major mechanism to achieve them.

U.S. Aid Policies in the Region

Since the passage of the Freedom Support Act in 1992, approximately \$16.6 billion has been appropriated for assistance to the NIS, including \$7.5 billion through the Freedom Support Act.⁹ Twenty-seven percent of NIS assistance is channeled to South Caucasus countries. Of this amount, Armenia and Georgia receive 11 percent each, leaving Azerbaijan with the remaining funds. The Freedom Support Act prohibits certain types of assistance to the government of Azerbaijan until it takes steps to lift its economic blockade against Armenia.

Since 1992, the bulk of U.S. assistance to Transcaucasus has been emergency humanitarian aid, which was necessary because of the displacement of hundreds of thousands of people in all three countries as a result of ethnic conflicts in Abkhazia and South Ossetia in Georgia and conflict over Nagorno-Karabakh in the case of Azerbaijan and Armenia. In Armenia, humanitarian assistance was also sent in response to the disastrous 1988 earthquake. In both Georgia and Armenia, poor economic conditions were aggravated by a severe energy shortage, which did not affect Azerbaijan because of its vast energy supplies. Azerbaijan had to accommodate the largest number of internally displaced persons and refugees as result of the conflict. Thus in 1992–95 U.S. humanitarian assistance provided mainly food, heavy oil for electricity generation and winter heating, medications, and wheat, which played a key role to meet humanitarian needs in all three countries.

Although conflicts have not been resolved, relative stability has been achieved through the lasting cease-fire and the deployment of peacekeepers in conflict regions, which allowed the respective governments to direct efforts toward economic and social reforms. U.S. assistance has shifted from humanitarian goals to economic and social sector restructuring and democratization. All three countries want to achieve democracy building, economic restructuring, and market reforms.

We are making certain assumptions about the priorities of the United States in the Caucasian countries based on two major documents—the Congressional Budget Justification for Foreign Operations¹⁰ and a draft of “U.S. Government Assistance to and Cooperative Activities with the New Independent States of the Former Soviet Union.”¹¹ We also obtained information through interviews with government and embassy officials.

In Georgia the emphasis is on programs that strengthen the country's ability

to control its borders and promote its territorial integrity, to prevent conflicts outside its borders from spilling into the country, and to eliminate smuggling and ensure proper collection of revenues to improve the economy.

In Armenia, the focus is primarily on economic/political and social institution building, with emphasis on the earthquake zone reconstruction.

Azerbaijan receives assistance for humanitarian purposes despite the overall shift of U.S. assistance policies to development programs.

U.S. bilateral aid and funding under the Freedom Support Act for FY2000 to each of South Caucasian countries for the past three years are as follows:

- Armenia—\$124.18 million, \$102.46 million of which is under the Freedom Support Act
- Azerbaijan—\$50.61 million, \$21.8 million of which is under the Freedom Support Act
- Georgia—\$149.56 million, \$108.64 million of which is under the Freedom Support Act

Although the amount of aid to Azerbaijan is still less than to Georgia and Armenia, it increased from \$9 million in 1994 to \$50.61 million in 2000.

It is impossible within the scope of this article to discuss individual programs, their implementation and impact, successes or failures, but we will look at political dynamics that shape them. Therefore, to explain the imbalance of U.S. assistance to Armenia and Azerbaijan, we will concentrate on the case of Georgia, the impact of the Nagorno-Karabakh conflict, and Section 907 of the Freedom Support Act.

Imbalances in U.S. Assistance to Armenia and Azerbaijan: Causes and Politics

U.S. strategic, economic, and political interests in the region are best served if a lasting peace and a balance of power are established in the South Caucasus. The settlement of the dispute over Nagorno-Karabakh is essential for economic and political stability.

The Conflict over Nagorno-Karabakh

The Nagorno-Karabakh autonomous region of Azerbaijan SSR (NKAO) occupied the southeastern part of the Lesser Caucasus and covered 4,388 square kilometers. The population of NKAO at the beginning of 1989 was 182,000, of which 137,200 (73.4 percent) were Armenian, 47,400 (25.3 percent) were Azerbaijani, and 2,400 (1.3 percent) represented other nationalities.¹²

The dispute began when Karabakh Armenians demanded the transfer of NKAO from the jurisdiction of the Azerbaijani SSR to the Armenian SSR. Administratively, NKAO has never been part of Armenia. Under the tsarist empire it had been part of Baku province. Armenia and Azerbaijan fought for the enclave in the late 1910s and early 1920s before the sovietization of the republics. The Caucasus Bureau of the Bolshevik Party awarded Nagorno-Karabakh and Nakhichevan to Azerbaijan. Armenians considered this action to be unjust.

However, Armenians and Azeris lived side by side in Nagorno-Karabakh throughout the Soviet period. The Soviet era left a clear perception of grievance on the part of Karabakh Armenians, who felt that they received an inadequate share of infrastructural and other capital investment.¹³

Tensions persisted until perestroika and the collapse of the Soviet Union in the late 1980s. Gorbachev's policies of greater openness gave Armenians in Karabakh an opportunity to demand self-determination and unification with Armenia. A resolution to that effect was passed by the Nagorno-Karabakh Supreme Soviet on 20 February 1988. With this began years of declarations back and forth by the Armenian and Azerbaijani Supreme Soviets respectively supporting or rejecting Karabakh unification with Armenia. The conflict deteriorated into ethnic violence and full-scale war in 1991, when both countries declared independence. In May 1994 a Russian brokered cease-fire was signed. By that time Karabakh Armenian forces had occupied areas of Azerbaijan surrounding the enclave, extending to the Iranian border in the south and between Karabakh and Armenia (the Lachin corridor) in the west. Five years of war and ethnic murder killed an estimated 25,000 people and displaced 600,000–650,000 Azeris to other parts of Azerbaijan and another 15,000 Armenians inside Karabakh. The exchange of population between Armenia and Azerbaijan resulted in 500,000 refugees.¹⁴

“Azerbaijan suffered as a result of the conflict as security issues took priority over economic restructuring, thus resulting in the decline of the country’s economy.”

Both Azerbaijan and Turkey blockaded Armenia. Because communication and transportation through Georgia were also disrupted, the blockades resulted in a humanitarian crisis for Armenia. The country became isolated from the rest of the world. Because Armenia's primary natural gas pipeline crosses Azerbaijan, the severe energy shortage added to the deterioration of the situation. Blockades also prevented humanitarian assistance to Armenia, which resulted in horrendous suffering because the state could not provide for both refugees and the victims of the 1988 earthquake. People suffered through the winters of 1992 through 1995 when electricity was cut off, and most of the population had to survive without heat, water, or cooking facilities (although there was not much food to cook).

Azerbaijan also suffered as a result of the conflict as security issues took priority over economic restructuring, thus resulting in the decline of the country's economy. The lack of military success was one of several factors causing political instability and civil unrest in the country. More than 700,000 internally displaced people and refugees aggravated the situation. In general, the number of people affected by the conflict is twice as large in Azerbaijan as in Armenia. Azerbaijan has lost 20 percent of its territory. The persisting conflict creates barriers to more active foreign investment into Azerbaijan's energy sector, which is its

most probable opportunity to normalize the economy. Foreign aid is also very much conditioned on Azerbaijan's involvement in the conflict.

In 1992 a peace process was initiated by the Organization for Security and Cooperation in Europe (OSCE), referred to as the Minsk group. The initiative is co-chaired by the United States, France, and Russia. A recent development in the process is the Key West, Florida, conference of 2–8 April 2001, which sought to reach a consensus to resolve the status of Nagorno-Karabakh.

Section 907 of the Freedom Support Act

In 1992, when the Freedom Support Act was passed by the U.S. Congress, the Transcaucasian countries were still at war, with military advantage shifting back and forth from one country to another, and Armenia was experiencing a humanitarian crisis. Those lobbying for the Armenian diaspora were able to have Section 907 included in the Freedom Support Act to restrict government-to-government aid to Azerbaijan. The act stipulated that "United States assistance under this or any other act (other than assistance provided under Title V of this act) may not be provided to the government of Azerbaijan until the president determines [and] reports to Congress, that the government of Azerbaijan is taking demonstrable steps to cease blockades and other offensive uses of force against Armenia and Karabakh."¹⁵

More than eight years have passed since the adoption of the restrictive provisions. Six exemptions have been made to Section 907, including humanitarian assistance programs, democracy-building programs, confidence-building programs, U.S. Export Import Bank programs, U.S. Trade and Development Agency programs, and Overseas Private Investment Corporation (OPIC) programs.

The Clinton administration regularly appealed to the Congress to repeal Section 907, pointing out its negative effect on U.S. interests. The Congress, however, has so far maintained the restrictive section, which is considered the greatest achievement of the Armenian lobby, represented by the Armenian Assembly of America and supported by the bipartisan Congressional Caucus on Armenian Issues. The congressional caucus was initiated by congressmen Frank Pollone (D-NJ) and Edward Porter (R-IL). Since its inception the caucus has exercised leadership in the House of Representatives on a full range of assistance programs for Armenia; humanitarian assistance to Karabakh; the Azerbaijani blockades on Armenia and Karabakh; the Karabakh peace process; and Armenian genocide.

Despite relaxation of the sanctions on U.S. bilateral assistance to Azerbaijan through the exemptions mentioned, the existence of Section 907 constantly causes different reactions from the Azerbaijani, Armenian, and American parties. The Azerbaijanis say that the restriction unfairly singles out Azerbaijan as the only former Soviet Republic that cannot receive U.S. assistance. Azerbaijani officials and the public believe that the sanctions have never reflected the political or diplomatic realities in the Caucasus region and that the conditions that existed in 1992 have changed dramatically. Azerbaijan has made strong and internationally recognized commitments toward a permanent, peaceful solution of the conflict; since passage of Section 907, Armenia has emerged as an aggressive nation that occupies a sizable portion of the internationally recognized territory in Azerbaijan;

neither the United Nations, the United States, nor any other country recognizes Nagorno-Karabakh as an independent state or part of Armenia.

Sanctions are seen as misguided and counterproductive. Providing more than \$100 million in assistance to Armenia and almost nothing to Azerbaijan prevents the United States from playing a positive role as an impartial and honest broker in search of a permanent, peaceful solution. It impedes political, commercial, and security relationships between the United States and Azerbaijan.¹⁶

By contrast, Armenians do not see Section 907 as a sanction but as a reasonable restriction on U.S. assistance, as it allows for the delivery of humanitarian and democracy-building aid to Azerbaijan. They claim that since 1992 the United States has provided more than \$180 million in humanitarian and exchange assistance to the people of Azerbaijan. Section 907 does not prevent Trade and Development Agency guarantees and insurance for U.S. firms investing in Azerbaijan, nor does it prevent Foreign Commercial Service operations, Export Import Bank programs, and OPIC activities in the country.

“Supporters of sanctions say that the blockade caused great hardship in Armenia and U.S. economic and humanitarian aid was needed for people to survive.”

As understood by its proponents, Section 907 constitutes a focused, appropriate message to the government of Azerbaijan that the United States will not support efforts to marginalize via blockades whole populations of neighboring states.¹⁷

The U.S. Congress is split between supporters of the legislative restriction (comprising mostly members of the Armenian Caucus) and those who thought that the Clinton and Bush administrations should encourage closer relations with Azerbaijan and change aid policies. Supporters of sanctions say that the blockade caused great hardship in Armenia and U.S. economic and humanitarian aid was needed for the people to survive in the terrible years of 1992–95. They say that it is not the intent of Section 907 to interfere with humanitarian assistance to Azerbaijan and that without it Azerbaijan would have been less likely to agree to a cease-fire in 1994.

Foreign policymakers and major energy corporations are among the most notable opponents of Section 907. They believe that Section 907 hinders U.S. ability to influence Azerbaijan’s post-Soviet transition and inhibits efforts to diversify the U.S. energy supplies. Because of the restriction, the United States is unable to implement programs that help Azerbaijan to democratize (although USAID recently added democracy-building programs to its portfolio) and establish a market economy. Assistance to privatization of industry and infrastructure along with programs supporting macroeconomic reforms are not allowed in Azerbaijan. American companies in energy, transportation, telecommunications, and other sectors may lose significant opportunities in Azerbaijan because American restrictions are not supported by the European countries, or by Japan and Turkey.

We believe that, for the following reasons, Section 907 is not beneficial for any of the parties involved:

- Azerbaijan is the country that bears both the moral and material consequences of the sanction. Section 907 creates resentment, as it is perceived that the country is unjustly labeled an aggressor and violator of international rules, while in reality it lost 20 percent of its territory to Armenia and is facing a greater humanitarian crisis than Armenia because of much larger numbers of internally displaced persons and refugees. The war and the limitation of economic reform and democracy-building programs are inhibiting the country's transition to a democratic and free-market-oriented society.

- Armenia is not excluded from the negative impact of the sanctions against Azerbaijan, especially in the case of military assistance. Armenia is not eligible for the programs from which Azerbaijan is excluded. The blockades have not been lifted. The existence of Section 907 may become a limiting factor in reaching a consensus over the status of Nagorno-Karabakh. U.S. restriction of aid is not supported by the European Union, which tends to offset the existing imbalances in aid. Azerbaijan has two additional sources of aid: organizations from Muslim countries and major energy companies that are involved in negotiations with Baku. Thus, the ultimate goal of restricting aid to Azerbaijan may not be achieved. Armenia's image may also suffer as the country emerged a winner in the war and occupies hostile territories, the humanitarian crisis is left behind, and the country is getting considerable amounts of aid from various donors. More and more, Section 907 is being viewed as a means of marginalizing a neighboring country.

- Tensions between the United States and Azerbaijan limit American economic presence in Azerbaijan, allow increased competition from European and Japanese companies in the energy sector, and impede Azerbaijan's advancement toward democracy and a market economy (a condition for successful economic relations between the two countries). Because American economic interests are better served by peace and stability in the region, the role that the United States claims as a peace broker in the region may be jeopardized by the sanctions, which make Azerbaijan skeptical that the United States is unbiased in the peace negotiations.

Repeal of Section 907 is more likely under the Bush administration, as it is claimed that many of those close to Bush have heavy investments in the region and "stand to lose in heightened Armenian-Azerbaijan tensions."¹⁸ Illustrating the U.S. interest in such a development is its sponsorship of the peace conference in Key West, Florida, in April 2001. We expect the future of Section 907 to become another focus of the Bush administration.

Case Study: Georgia

Unlike Azerbaijan or Armenia, Georgia does not have an ethnic group or diaspora that supported its interests or promoted its international recognition in the early 1990s. In 1992, in the midst of civil unrest, former foreign minister of the Soviet Union Eduard Shevardnadze became president of Georgia. That event marked

the end of Georgia's international isolation. Many argue that Shevardnadze's close ties with Western leaders and his reputation as Gorbachev's close ally in implementing reforms significantly influenced the West's relatively warm relationship with Georgia. Since 1992, Georgia's foreign relations have been oriented toward the West in an effort to reduce Russian influence and gain support from the West. Governments in the West saw Shevardnadze as the guarantor of democratic development and began to support Georgia in its transition to a democratic society. Germany was the first country to officially recognize Georgia, followed by the United States a few months later. Both countries have played an active role in Georgia's development. The German presence has been felt in every level of society and almost every field of activity; however, the same cannot be said about U.S. assistance programs.

Officially, the main policy objectives of the United States are to promote Georgia's development as a stable, independent, democratic, market-oriented state, with good relations with its neighbors and strong links to the West.¹⁹ In other words, the United States seeks to create a stable buffer zone between Turkey and Russia and use Georgia as a means of loosening Russian influence in the Transcaucasus region. Georgian political elites understand that stability and loosening of Russia's influence can be achieved by economic prosperity and by using its location as a zone for transporting Caspian energy resources to Western markets. Thus, in shaping its foreign policy Georgia is emphasizing its importance as the gateway to trade routes linking East with West and its neutrality in Armenia-Azerbaijan conflict. Georgia's game plan well suits the United States. Despite the end of the cold war, the balance of power with Russia remains an important issue, and Russia's most important asset is still oil. With regard to U.S. aid to Georgia, American and Georgian officials seem to have a good working relationship and consensus on various programs.

Since 2000 there has been a change in overall U.S. aid policies: the focus on government-to-government programs shifted to grassroots programs to enhance democracy development through NGOs, independent media, and small businesses. But even with this policy, exceptions are made for countries where governments are open to reforms. Despite the slow progress in Georgia (and Ukraine), the United States sees the government as moving in the right direction in several key areas. Thus the government of Georgia is provided robust technical assistance. Some argue that it's strange to talk about a reform-minded government, when in the April 2000 elections President Shevardnadze received 79.8 percent of the vote with a 75.8 percent turnout.²⁰ However, U.S. interests in the region, and specifically in Georgia, are much more than just promoting democracy.

Despite its imperfect performance on its way to democracy and the government's failure to fight existing corruption, the United States is strongly committed to support Georgia and counterbalance the Russian presence through aid programs supporting Georgia's sovereignty and territorial integrity. The issue of territorial integrity involves border control, the government's ability to raise revenues from the whole country, including Abkhazia and South Ossetia, and Georgia's relations with Russia, which are further complicated by ongoing negotia-

tions on the withdrawal of Russian military bases from Georgia and by the military campaign in Chechnya.

To address these goals, the United States is devoting large amounts of aid and attention to three programs:

- Border Security and Law Enforcement, a \$20 million assistance program implemented through U.S. Customs and the U.S. Coast Guard. The program initially concentrated on Georgia's Maritime Border Guard Forces, assisting to build an infrastructure to defend the Black Sea coastline. Because of recent developments in Chechnya the program shifted focus temporarily to the Georgia-Russia border in the Chechnya region to prevent the conflict from spilling onto Georgian territory.

- Facilitating the withdrawal of Russian forces from Georgia. Under an agreement reached at the OSCE Summit in November 1999, Russia is to withdraw two of its military bases (Gudauta and Vaziani) from Georgia by mid-2001. In FY2001, the U.S. Department of State allocated \$10 million for military relocation assistance under the Threat Reduction Initiative; an additional \$8 million is requested for the same program.

- Improvement of readiness capabilities of the Georgian armed forces through Foreign Military Financing (FMF) and International Military Education and Training (IMET). The IMET budget for FY2000 was \$415,000, and for FMF, \$3.0 million, with \$475,000 requested for IMET and \$4.5 million for FMF for FY2001. Georgia is the only country in South Caucasus eligible for FMF and IMET programs, as the existence of Section 907 restricts both Azerbaijan and Armenia from receiving of any type of military aid from the United States.

Under FMF, Georgia was given \$10 million to purchase six UH-1H helicopters and train thirty-four pilots and maintenance personnel. The money was allocated in 1998, but because training personnel required time, delivery of the helicopters was scheduled for mid-2001.

Another sphere of U.S. assistance in the Congressional Budget Justification for Foreign Operations is economic and democratic reforms, "aiming to support Georgia's integration within the Euro-Atlantic political security structures."²¹ Several programs are emphasized, from which we have selected judicial reform, energy privatization, and land-titling programs, as those programs contain controversial relationships of donor and recipient.

All small and medium businesses have been privatized in Georgia, as they have in Azerbaijan and Armenia. But differences exist with the large, more important enterprises. Armenian and Azerbaijani governments oppose the privatization of big enterprises because of their own, or national, interests, as they bring revenue to the state budget. However, the Georgian government agreed to privatize large enterprises. Georgia's official policy toward privatization is to look for a strategic investor, because officials tend to believe that foreigners would be more honest than Georgians, which would help eliminate corruption.

U.S. assistance in privatization is focused on the energy sector. It is the U.S.

long-term goal to privatize Georgia's energy sector and reduce the potential for political pressure from outside countries, specifically from Russia. Georgia is dependent on Russia for its energy resources. As a result, the Tbilisi energy distribution company Telasi was privatized by an American investor, AES. If both the U.S. and Georgian governments are happy with the privatization, the same cannot be said about the local level. The capital of Georgia, Tbilisi, is still experiencing an energy crisis, and feelings toward the American company and toward the idea of privatizing the energy sector have been negative among the public. The same negative attitude has been observed toward privatization of large enterprises in other fields, too, specifically the privatizing of the Sagarejo wine factory by the U.S. company New Century Holdings. The local people who used to work in the factory were against privatization, but the issue was resolved in favor of the U.S. company.

If the Georgian government supports privatization despite opposition from the public, it does not agree with the U.S. aid policy in every sphere. Contradictions and frustration were experienced by U.S. embassy and USAID personnel in Georgia regarding two programs—land titling and wheat donation.

The land-titling (land privatization) program to accelerate development of a land market has been implemented by USAID with the Landowners Rights Association, which has worked with the Georgian government to accelerate land privatization. Also with USAID support, a legal team was established in the Georgian parliament to advise on key issues related to land markets. More than a million parcels of land have been distributed to the agrarian population. The goal of the program was to continue until the target total of three million land titles had been reached. In 2000, the Georgian parliament voted to transfer the land privatization project to a German company, which is financing the program through a loan.

The wheat donation program, aid to Georgia under PL 480 through the Department of Agriculture, had double goals. In addition to providing Georgia with wheat, it was also to strengthen the state budget by collecting revenues from wheat sales. In 1999, the Ministry of Agriculture decided to use the money from wheat sales for funding grape purchases instead of keeping it in the state budget as had been agreed. The land-titling and wheat programs demonstrate that although there appears to be consistency in U.S.–Georgian goals, the situation is somewhat different when cooperating on specific programs.

One of the most successful aid programs is judicial reform. The U.S. 2000 Annual Report calls the judicial reform program to increase the independence of the judiciary highly “ambitious.” The program is administered with the support of USAID through the American Bar Association Central and East European Law Initiative, with significant involvement of the Georgian Council of Justice. The responses from the people and press have also been positive. Success of the program can be explained by the active involvement of the strong NGO sector functioning in the judiciary sphere and because of the personal qualifications and dedication of the so-called father of the reform, Minister of Justice Michael Saakashvili. Thus assistance succeeded when the donor, recipient, government, and NGO sectors worked for the same goal.

Conclusion

As we noted, U.S. strategic interests in the Transcaucasus region are basically concentrated on transporting Caspian energy resources to Western markets. To achieve that goal the United States needs to assist Transcaucasus countries to reach political and economic stability and peace and to loosen Russia's influence in the region. The United States views Georgia as the country most able to assist in promoting U.S. interests in the Transcaucasus region. Georgia is best suited because it is Western oriented, eager to end Russia's influence in the country, and neutral in the conflict between Armenia and Azerbaijan, and it has good relations with Turkey. Therefore, Georgia is in a position to become the transportation hub of major trade and pipeline routes connecting East with West.

President Shevardnadze also plays the role of political guarantor of Georgia's Western orientation vis-à-vis Russia. For example, Shevardnadze received a letter from U.S. president Bush on 23 April 2001 expressing the new administration's readiness to cooperate with Georgia. The letter assures Georgia's leader that the United States will "render much wider assistance to Georgia" and "we [the United States] shall protect and help you in every situation, no matter what the conditions are." One of the statements in the letter, which partially explains the favorable attention of the United States, concerns the "vast experience and authority" of its leader, which should be used to shape the new generation as soon as possible.²⁵

NOTES

1. Adeed Dawisha, "Introduction," *The Making of Foreign Policy in Russia and the New States of Eurasia*, ed. Adeed Dawisha and Karen Dawsha (Armonk, NY: M. E. Sharpe, 1995), 4

2. Public Law 102-511, 102nd Cong. (24 October 1992), *Freedom Support Act of 1992*, 3322.

3. Office of the Secretary of State, Resources, Plans, and Policy, *Congressional Budget Justification for Foreign Operations, Fiscal Year 2001* (Washington, DC: Author, 2001), 2.

4. Office of the Secretary of State, *Congressional Budget Justification*, 479.

5. Glenn E. Curtis, ed., *Armenia, Azerbaijan, and Georgia: Country Studies* (Washington, DC: Federal Research Division, Library of Congress, 1994), xxiii.

6. Ian Bremmer and Ray Taras, eds., *New States, New Politics: Building the Post-Soviet Nations* (Cambridge: Cambridge University Press, 1997), 439-507.

7. S. Neil MacFarlane and Larry Minear, "Humanitarian Action and Politics: The Case of Nagorno-Karabakh," Occasional Paper 25, Thomas J. Watson Jr. Institute for International Studies, Brown University, 1997, 27.

8. Jay Hancock, "Final," *Baltimore Sun*, 2 April 2001.

9. Office of the Secretary of State, *Congressional Budget Justification*, 477.

10. Office of the Secretary of State, *Congressional Budget Justification*, 477.

11. "U.S. Government Assistance to and Cooperative Activities with the New Independent States of the Former Soviet Union," FY2000 Annual Report, draft prepared by the Office of the Coordinator of the U.S. Assistance to the NIS, January 2001.

12. Data from the State Committee of Statistics of Azerbaijani Republic.

13. MacFarlane and Minear, "Humanitarian Action and Politics."

14. Greg Hansen, "Humanitarian Action in the Caucasus: A Guide for Practitioners," Occasional Paper 32, Thomas J. Watson Jr. Institute for International Studies, Brown Uni-

