

NEW INDEPENDENT STATES

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Armenia
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
FSA/NIS	102,550	89,802	70,000
NADR-ECA	0	500	600
NADR-HD	300	850	1,200
Peace Corps	1,397	1,343	1,331

National Interests:

The United States seeks to promote peace and stability in the Caucasus and to help the three Caucasus countries fulfill their potential as gateways from the Caspian Basin to the West. In connection with these efforts, the United States supports the transformation of Armenia into a democracy based on the rule of law and an active civil society that functions on free-market principles, at peace with its neighbors, integrated into the world economy, and with the capability to provide for the welfare of its citizens. In pursuit of this goal, U.S. assistance to Armenia supports private sector development, economic and energy reform, democracy and good governance, social sector reform, education and agriculture. Humanitarian programs seek to ease the plight of a country in transition that carries the additional burdens of national disaster (e.g. the 1988 earthquake) and regional conflict.

Objectives & Justification:

Achieving a durable and mutually acceptable resolution to Armenia's conflict with Azerbaijan over Nagorno-Karabakh is key to several U.S. interests. A durable peace settlement would eliminate a major cause of instability in the Caucasus region. It would facilitate Armenia's economic cooperation with its Caucasus neighbors and remove a major impediment to normal relations between Armenia and Turkey. It would free Armenia to concentrate more of its political energy and economic resources on domestic reforms and development and on improving the social well-being of its citizens. The United States is working with the parties to the conflict, both bilaterally and as a Co-Chairman of the OSCE Minsk Group, to assist them to reach a mutually acceptable peace agreement. The United States also has initiated efforts to assess post-agreement resettlement and reconstruction needs and to begin preparing to meet those needs. Requests for FY 2002 FREEDOM Support Act (FSA) funds and other funding are designed to support that effort.

The Armenian government demonstrated the strength of its constitutional system following the tragic events of October 1999. In the wake of the assassination of the Prime Minister and other top leaders, Armenia followed constitutional procedures and continued the normal business of government. U.S. assistance programs are working with government agencies and non-governmental organizations (NGOs) to improve election laws and procedures. FSA assistance efforts are also assisting legislators to draft appropriate laws, training judges and prosecutors, and helping to promote effective political parties. Support for NGOs and the independent media assists them to effectively articulate public interests and strengthen civil society. Exchanges and training and partnership programs provide opportunities for current leaders and the next generation of Armenians to learn about U.S. society and institutions first-hand

and to forge personal ties with individual Americans and U.S. institutions. Internet access and training programs in libraries and schools throughout Armenia provide information and connectivity to counter Armenia's isolation.

Armenia continues efforts to improve its business climate, increase investment and create jobs. The government is implementing final measures necessary for entry into the World Trade Organization. The imminent privatization of the electricity distribution network will be an important step in the transformation to a market economy. USAID and USDA programs will continue to focus on promoting the development, marketing, and export of Armenian agricultural products. At the macro-level, U.S. Treasury advisors will provide expertise in improving revenue collection and reducing budgetary deficits, insuring that the government will be able to maintain good relations with international financial institutions. Exchange programs, scholarships and other programs will help Armenia develop other sectors of its economy, including information technology and tourism.

The Armenian government has demonstrated a willingness to cooperate with the United States in preventing WMD proliferation and in fighting transnational crime. It has taken several steps to strengthen its export controls. U.S. Export Control and Related Border Security programs funded under the FSA and NADR accounts are providing equipment and training assistance to customs and border guard authorities to improve their export control capabilities and prevent WMD proliferation. Other U.S. programs promote the participation of former WMD scientists in peaceful research projects supported by the International Science and Technology Center (ISTC) and the U.S. Civilian Research and Development Foundation (CRDF). U.S. programs also help Armenia fight narcotics trafficking and financial crimes that threaten U.S. security. U.S. law enforcement agencies, working through the State Department's Bureau of International Narcotics and Law Enforcement Affairs, provide training and assistance to increase Armenia's capacity to fight international crime and corruption and to improve human rights practices in criminal justice institutions.

With substantial U.S. assistance, the Government of Armenia has successfully implemented the majority of recommendations of international experts to improve the safety of the Metzamor nuclear power plant. U.S. programs will continue to improve the near-term operational and physical safety of the plant. Rationalizing and privatizing the energy sector and finding alternative sources of energy will be key to Armenia's ultimate closure of Metzamor.

Landmines pose a significant danger in Armenia to people, productivity and socio-economic development. Through mine clearance and mine awareness efforts, Non-proliferation, Anti-terrorism, Demining and Related Programs (NADR) funds will be used to save lives and create conditions for the return of displaced persons and refugees and for increased economic growth and productivity.

Armenia continues to require assistance in providing for the welfare of citizens who lost their homes and/or providing family members during the devastating earthquake of 1988, those affected by the conflict over Nagorno-Karabakh and various other needy groups, such as orphans and the elderly. U.S. programs provide humanitarian relief to earthquake victims and refugees from the Nagorno-Karabakh conflict. Programs to address housing shortages in the earthquake

zone have proven extremely effective and have led to significant improvements in conditions in Gyumri and the surrounding area. Other programs support Armenian efforts to provide health care for disadvantaged citizens.

Azerbaijan
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
FSA/NIS	31,968	34,250	50,000
NADR-ECA	100	500	600
NADR-HD	500	850	1,200

National Interests:

U.S. national interests in Azerbaijan focus on the advancement of free market and democratic reforms and the promotion of regional stability. Economic and democratic reforms are crucial elements promoting long-term stability in a country that is critical to the achievement of U.S. goals and objectives in the Caucasus. The involvement of U.S. firms in the development and export of Azerbaijani oil is key to our objectives of diversifying world oil supplies, promoting U.S. energy security and U.S. exports. U.S. leadership, as co-chair of the OSCE Minsk Group peace process, is vital to achieving a settlement of the Nagorno-Karabakh conflict. Once a settlement has been reached, resettlement of refugees and reconstruction will be a priority. The U.S. is working with Azerbaijan to enhance its ability to prevent the proliferation of weapons of mass destruction or conventional arms and encourages efforts to halt transshipment of narcotics across its borders. Humanitarian programs seek to ease the plight of the disadvantaged and displaced and to avert crises, while democracy programs seek to strengthen civil society in Azerbaijan.

Objectives & Justification:

The Nagorno-Karabakh conflict has hindered economic and political development in Azerbaijan and limited efforts for regional cooperation. Achieving a durable and mutually-acceptable resolution to the conflict is key to several U.S. interests. A durable peace settlement would eliminate a significant cause of instability in the Caucasus. It would also enable Azerbaijan to concentrate more of its political and economic resources on domestic reforms and development and on improving the social well-being of its citizens. The U.S. is working with the parties to the conflict both bilaterally and as a Co-Chair of the OSCE Minsk Group to assist them to reach a mutually acceptable peace agreement. The U.S. will continue to actively participate in diplomatic efforts to resolve the conflict and promote cooperation and stability.

The Nagorno-Karabakh conflict has created over 750,000 refugees and internally displaced persons (IDPs) in Azerbaijan. In addition, a significant percentage of Azerbaijan's territory remains occupied by ethnic Armenian forces. To date, U.S. assistance to Azerbaijan has primarily focused on humanitarian relief to refugees and IDPs. These programs have been administered largely by NGOs and international organizations whose activities include the distribution of food, clothing and medicines; the provision of basic medical services; construction of shelters; and rehabilitation of water supply and sanitation systems. In recent years, humanitarian assistance has been augmented with U.S. support for grassroots democracy-building and small private enterprise development. The U.S. government will continue to implement activities to assist victims of the Nagorno-Karabakh conflict in FY 2002. In the event of a peaceful settlement,

the USG will extend this assistance to include support for economic restructuring and growth objectives and resettlement of refugees.

Landmines pose a significant danger in Azerbaijan to people, productivity and socio-economic development. Through mine clearance and mine awareness efforts, Non-proliferation, Anti-terrorism, Demining and Related Programs (NADR) funds will be used to save lives and create conditions for the return of displaced persons and refugees and for increased economic growth and productivity.

While Azerbaijan has made some progress towards the creation of a democratic system of government, significant problems remain, including a series of national elections since 1993 that did not meet international standards and a poor record with regard to respect for human rights. In FY 2002, the FREEDOM Support Act (FSA) funds will continue to promote the development of democratic institutions and a civil society in Azerbaijan. Assistance to the government will focus on programs that promote the development of the rule of law. The U.S. will also continue programs to assist non-government organizations, political parties and the media to help them to effectively articulate public interests and strengthen civil society. Exchanges and training and partnership programs provide opportunities for current leaders and the next generation of Azerbaijani leaders to learn about U.S. society and institutions first-hand and to forge personal ties with individual Americans and U.S. institutions. Internet access and training programs expand the availability of information to Azerbaijanis throughout the country.

While economic growth is apparent in Baku as a result of oil industry development, spillover effects into other sectors of the economy have not yet occurred. The agricultural sector, which has the potential to employ a large sector of the economy, is mired in low productivity. Recently privatized farms are small and lack reliable access to inputs, water, equipment and finance. Private business development has been hampered by complex regulations, corruption and underdeveloped financial systems. The unemployment level remains stagnant at a high level. Because Azerbaijan is a vital link in the Trans-Caspian energy corridor, it is essential that the Government of Azerbaijan develop a market-oriented, transparent and corruption-free economic, legal and regulatory system. U.S. assistance in FY 2002 will focus on accelerating growth and development of private small and medium enterprises in agriculture and other targeted areas. Training opportunities will focus increasingly on economics and business development. In addition, the USG will continue to work with the Government of Azerbaijan on oil development, and support American companies through OPIC, TDA, and U.S. Export-Import Bank activities, to continue to effectively promote American investment opportunities in Azerbaijan.

The U.S. and Azerbaijan have a mutual interest in addressing the serious dangers posed by potential trafficking in weapons of mass destruction and associated delivery systems, materials, technologies and expertise in Azerbaijan. The Government of Azerbaijan has demonstrated that it takes this issue seriously, by intercepting shipments of concern. The U.S. has responded with a growing program of FSA and NADR-funded assistance under the Export Control and Related Border Security (EXBS) program. Azerbaijan's maritime region has enormous potential for both legitimate and illegal commerce. The agencies responsible for maritime law enforcement are sorely in need of both resources to conduct surveillance and boardings in the Caspian Sea and port security training for maritime enforcement agencies in Baku. Without these resources, the

Government of Azerbaijan has an extremely limited ability to conduct any maritime operations, particularly export control and nonproliferation. In 2000, U.S. Government agencies began implementing a comprehensive program to enhance Azerbaijan's capabilities in this area. We plan to continue this heightened level of maritime export control assistance in FY 2002 and beyond. Additionally, we are developing a program to provide training and equipment to Azerbaijani customs and land border guard organizations to improve export control infrastructure and capabilities to prevent WMD proliferation at the borders. U.S. assistance also will support programs designed to redirect former Soviet WMD scientists to peaceful research.

Azerbaijan will be eligible in FY 2002 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. The provision of vessels under the Excess Defense Articles (EDA) program would greatly enhance Azerbaijan's nonproliferation capabilities in the maritime arena.

Belarus
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
FSA/NIS	8,489	10,000	11,000

National Interests:

Advancing democratic principles and economic reform will help ensure the independence and prosperity of Belarus, which will in turn contribute to regional stability. The lack of legitimate democratic institutions, increased political oppression, retrograde economic policies, and relations with rogue states threaten regional development and security, potentially undermining U.S. interests. A democratic and sovereign Belarus would result in increased Euro-Atlantic security, reinforcement of regional democratic and economic reform trends, improved human rights, increased opportunities for U.S. investors and exporters, and more effective treatment of the long-term effects of the 1986 Chornobyl nuclear disaster.

Objectives & Justification:

Resolving Belarus' political and constitutional impasse – including the holding of free and fair presidential elections -- is key to a successful transition to democracy, the rule of law and market economic reform. Resolution of this crisis might also encourage Belarus to reassess its relations with rogue states and address more effectively its environmental and economic problems.

The U.S. strives to encourage a resolution of this crisis through support of independent NGOs that directly advocate human rights and actively promote democracy. FREEDOM Support Act funding provides assistance in the form of small grants, academic and professional exchanges, and USAID civil society programs. Academic and professional exchange programs provide an opportunity for Belarusian citizens, especially young people, to familiarize themselves with the day-to-day functioning of a market-based, democratic system. Recognizing the key role that independent media play in a free society as well as in transitional societies, the U.S. has made support for the independent media a top priority. Our assistance provides material and moral support to journalists and editors who struggle to keep their publications open in the face of regular harassment by the regime and competition from government-subsidized state media.

Opportunities to encourage economic reform through U.S. assistance programs are severely circumscribed in Belarus. Targeted U.S. humanitarian assistance, including support from the State Department's Operation Provide Hope, the Defense Attaché's Office and USAID, is provided by NGOs directly to assist people in the region most greatly affected by the Chornobyl disaster. NGOs receiving U.S. support also work to address public health concerns, including tuberculosis, hepatitis, HIV and women's wellness and infant care.

Georgia
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
FMF	3,000	4,478	5,650
FSA/NIS	108,533	91,798	90,000
IMET	409	475	850
NADR-HD	27	1,000	1,100
Peace Corps	334	1,118	693

National Interests:

The United States seeks to promote Georgia's development as a stable, independent, democratic, market-oriented and prosperous state, with good relations with its neighbors and strong links to the West. Georgia is an important geopolitical linchpin in the Caucasus region: as the western portal to the Great Silk Road and the newest conduit of Caspian oil to world markets, Georgia is a strategic gateway of energy and trade routes linking East and West. Georgia's neutrality in the Nagorno-Karabakh conflict puts it in position to play an important leadership role in the region. A stable, independent Georgia will reduce the chances of military conflict in a region bordering Russia, Turkey and Iran, and of the proliferation of weapons of mass destruction and the spread of international crime. U.S. national interests focus on supporting Georgia's sovereignty and territorial integrity; facilitating the resolution of ethnic separatist conflicts; advancing democratic and free-market reforms; and helping Georgia to achieve energy independence and raise revenues through the development of a competitive, market-oriented regional energy infrastructure. Humanitarian programs seek to ease the plight of a country in transition and to avert humanitarian crises.

Objectives & Justification:

The U.S. is most immediately focused on helping Georgia ensure its constitutional democracy, security, and territorial integrity. Since gaining independence from the Soviet Union in 1991, Georgia has faced a violent coup d'etat, a destructive civil war in Abkhazia, and two serious attempts on the life of President Shevardnadze. Georgia's delicate relationship with Russia is complicated by ongoing negotiations on the status of Russian military bases in Georgia, the current Russian military campaign in Chechnya, and Russian cutoffs of gas supplies during the winter. We seek to help Georgia to secure control over its borders and facilitate Georgia's efforts to resolve outstanding basing issues with Russia. The Georgian Border Security and Law Enforcement Assistance Program, which concentrated initially on port security capabilities of the Border Guard, shifted focus during the winter of 1999-2000 to the Georgia-Russian land border in the Chechnya region. The U.S. is currently providing urgently needed material assistance to aid the Georgian Border Guard to carry out its mission on this sensitive international border.

Under an agreement reached at the November 1999 OSCE Summit at Istanbul, Russia has agreed to close two of its military bases in Georgia by mid-2001. In FY 2002, the State Department will continue to use FREEDOM Support Act (FSA) funds to facilitate fulfillment of these commitments. In the medium term, border control assistance will also help Georgia develop

its ability to prevent the proliferation of weapons of mass destruction and conventional arms and narcotics trafficking across its borders. U.S. assistance also seeks to improve the readiness and capabilities of the Georgian military. Under the Foreign Military Financing Program (FMF) and International Military Education and Training Program (IMET), the U.S. will continue to help Georgia to improve its communications capacity (necessary for Georgia's participation in NATO Partnership for Peace exercises), provide support for its UH-1 helicopter program, acquire uniforms and other logistics equipment and provide badly needed officer training. Georgia will be eligible in FY 2002 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. The transfer of EDA will assist Georgia in meeting defense requirements, enacting defense reforms, and furthering interoperability.

U.S. assistance efforts will continue to support Georgian participation in the Science and Technology Centers and other weapons expertise nonproliferation programs. In addition, U.S. assistance will encourage Georgia to play a leadership role in the South Caucasus, particularly as progress toward a settlement in Nagorno-Karabakh permits greater cooperation among the states in the region.

Ethnic tensions and rivalries have effectively placed the regions of Abkhazia and South Ossetia outside the control of the Georgian government. The Ajara region is ruled by a local strongman and is in effect also outside of central government control. It has not, however, declared independence. In regard to Abkhazia, U.S. membership in the contact group "Friends of the Secretary General on Georgia" has put it at the forefront of efforts to facilitate contacts between the two sides, to move the UN-led peace process forward, and to resolve the status of the region in a peaceful manner that respects ethnic diversity while enhancing Georgian territorial integrity. The U.S. is also engaged in South Ossetia through the OSCE-led peace process. These conflicts have led to the displacement of over 300,000 individuals, and FSA funds have focused on helping Georgia to cope with the humanitarian consequences.

Landmines also pose a significant danger in Georgia to people, productivity and socio-economic development. Through mine clearance and mine awareness efforts, Non-proliferation, Anti-terrorism, Demining and Related Programs (NADR) funds will be used in Abkhazia to save lives and create conditions for the return of displaced persons and refugees and for increased economic growth and productivity.

Democracy programs in Georgia will benefit from a commitment by the GOG to tackle the difficult issues. Combating corruption will continue to be a major focus of the assistance program. FSA funds will support the Ministry of Justice's efforts to increase professionalism of law enforcement, conduct transparent and fair investigations, and improve the state of Georgia's prisons. Democracy programs in Georgia also seek to engage the next generation of Georgian leaders through exchanges, public access Internet sites and support for local educational institutions. U.S. assistance has moved beyond Tbilisi to include Georgia's regions, reaching out to Georgia's newly-elected local governments and fostering conflict resolution with young people from Georgia and Abkhazia. The program also includes robust assistance for the non-governmental sector and independent media.

In the economic sphere, U.S. assistance remains focused on supporting Georgia's ability to implement budgetary reforms and achieve fiscal stability. Georgia has put an economic team in place that has made significant progress in implementing reforms, particularly in the areas of budget deficits. To bolster their efforts, the United States will continue to provide high-level technical advisors to the Ministries of Finance and Revenue as well as economic advisors for the President to assist in addressing Georgia's revenue shortfalls and budgetary restructuring. A greater measure of financial stability will be crucial to improving the investment climate, which is key since without significant foreign investment Georgia will not be able to create new businesses and reduce chronic unemployment. Despite the successful privatization of its electrical distribution system and ongoing improvements in collection of payments, Georgia continues to suffer from chronic energy shortages and its weak fiscal position leaves it vulnerable to extreme pressure from its primary energy supplier, Russia. U.S. assistance will address the immediate effects of the energy crisis by providing winter heat support to the poorest Georgians while also touching on longer term concerns such as corruption. President Shevardnadze's creation of an independent anti-corruption commission and his recent signing of a decree to implement specific anti-corruption measures are encouraging. Among its top assistance priorities, the U.S. seeks to support effective implementation of these measures.

Georgia remains at the center of efforts to create an East-West corridor for the transport of Caspian energy resources. U.S. diplomatic efforts have been at the center of these efforts and the projects are increasingly demonstrating their commercial viability. The U.S. will now provide environmental and regulatory training to allow Georgia to responsibly and effectively fulfill its commitments under the international agreements signed over the last two years. A U.S. funded advisor is in place, providing broad strategic support to the Georgian government in the area of oil and gas development.

Kazakhstan
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
CSD	0	0	150
FMF	1,500	1,891	2,750
FSA/NIS	44,826	44,596	44,000
IMET	567	600	650
NADR-ECA	1,050	605	700
Peace Corps	2,265	2,311	3,293

National Interests:

Kazakhstan's vast hydrocarbon reserves, its size and its geographical location between Russia, China, Iran and Afghanistan give it strategic importance. The United States seeks to promote Kazakhstan's development as a stable, independent, democratic, market-oriented and prosperous state with good relations with its neighbors and strong links to the West. Key U.S. interests with respect to Kazakhstan are: (1) encouraging the development of the Caspian basin's hydrocarbon resources and means for their secure access to international markets; (2) pursuing further dismantlement of Kazakhstan's weapons of mass destruction (WMD) infrastructure, a peaceful role for weapons scientists, the safe and secure storage of nuclear materials and spent fuels, and nonproliferation cooperation; and (3) promoting Kazakhstan's long-term political stability through the development of democratic institutions, the rule of law and respect for human rights.

Objectives & Justification:

Kazakhstan's vast hydrocarbon reserves and well-developed infrastructure make it an important regional economic player, while its size and geographic location make it a key to regional security. Programs funded by the FREEDOM Support Act (FSA) will help to address trans-Caspian oil/gas export route issues, and facilitate regional cooperation on water and electricity that will help build regional stability. Funds requested for FSA programs will also assist Embassy outreach, and promote and strive to maintain an atmosphere of trust and understanding between the people of Kazakhstan and the United States.

Kazakhstan experienced flawed January 2000 presidential and flawed October 1999 parliamentary elections. The United States has serious concerns about the respect for human rights and civil liberties in Kazakhstan. FSA-funded democratic initiatives, Peace Corps programs and exchanges in FY 2002 will be carefully targeted to support the grassroots development of democratic institutions, political pluralism, civil society, and respect for human rights. Our assistance programs will increase citizen participation in economic and political decision-making and improve people's access to information. They will support exchanges to engage the next generation of leaders, work with NGOs, and help independent TV and radio stations become more professional and a viable alternative to state-run media. Our more limited work with the government promotes the rule of law and the fight against corruption, seeks to improve the preparation for and conduct of elections, promotes humane and democratic police practices and

civilian control of the military; promotes judicial reform; ensures respect for ethnic and religious diversity; and improves the legal framework for NGOs. The U.S. works closely with the OSCE to coordinate efforts to support respect for human rights.

Kazakhstan's efforts to open its markets and accede to the World Trade Organization (WTO) have slowed. Kazakhstan has made some important progress on economic reform, but has more to do to improve its climate for foreign investment, particularly in the non-oil sector. FSA programs will help Kazakhstan liberalize its commercial, legal and regulatory framework. This is critical to U.S. interests as Kazakhstan is a potential principal exporter of energy and minerals and the recipient of over \$2 billion of U.S. investment. Funds requested for FSA programs such as the Commerce Department's assistance programs, USDA's Cochran Fellowships and the State Department's Public Diplomacy Exchanges will be vital to increasing U.S. trade and investment in Kazakhstan and providing expanded commercial opportunities for U.S. companies.

FSA-funded criminal justice assistance will strengthen Kazakhstan's law enforcement capability and judicial system to help prevent international crime and promote Kazakhstan's economic prosperity. FSA funds will help improve Kazakhstan's ability to fight narcotics trafficking, production, and transit, as well as support substance abuse treatment programs.

As a former nuclear weapons state possessing civilian nuclear reactors, and an inheritor of Soviet biological and chemical weapons infrastructure and expertise, Kazakhstan is a potential source or transit country for weapons of mass destruction (WMD), weapons materials, technology and expertise, as well as conventional arms transfers of concern. Funds requested under the FSA and NADR accounts will help reduce threats of proliferation, ensure the security of nuclear materials at nuclear power, research and production facilities, enhance export controls and redirect former Soviet weapons expertise into peaceful projects. Kazakhstan's cooperation on conventional weapons transfers also improved following the 1999 discovery of an illegal transfer of MiG-21 aircraft to North Korea. Kazakhstan has made major efforts to prevent WMD proliferation. U.S. Export Control and Related Border Security assistance will continue to enhance Kazakhstan's capabilities to prevent WMD, conventional and dual use weapons trafficking.

The Foreign Military Financing (FMF) and International Military Education and Training (IMET) programs will enhance regional cooperation by deepening Kazakhstan's cooperation in Partnership for Peace (PfP). FMF will be used to purchase interoperable communications equipment, night vision devices, basic individual equipment, and support for a peacekeeping battalion, including transportation, medical supplies and infantry equipment. IMET funds will help facilitate professionalization and reform of the armed forces, and help Kazakhstani officials better understand Western democracy and free markets. Kazakhstan will be eligible in FY 2002 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act, allowing the country to meet its defense requirements and further NATO interoperability.

Serious budget shortfalls have reduced provision of basic services to large segments of the population, primarily the young, elderly and physically handicapped. Unemployment among Kazakhstan's youth creates a potential pool for external extremist groups to exploit. FSA humanitarian initiatives and special transport of donated humanitarian goods will allow the U.S. to

help Kazakhstan address specific, compelling social needs. With its health system in a state of collapse, Kazakhstan is faced with epidemic levels of tuberculosis in several areas and growing numbers of AIDS cases. FSA programs will combat the spread of infectious disease within Kazakhstan and promote effective reorganization of Kazakhstan's health services, while Child Survival and Diseases (CSD) funds will support and HIV/AIDS program.

Kazakhstan has serious environmental challenges, including the degradation of the Aral Sea, threats to the Caspian Sea ecosystem, and the legacy of large-scale Soviet industry. FSA and Peace Corps programs will strengthen Kazakhstan's commitment to protect the earth's climate, support the conservation and sustainable use of natural resources, and reduce already serious environmental degradation.

Kyrgyzstan
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
FMF	1,000	1,841	2,000
FSA/NIS	30,064	30,355	28,000
IMET	358	400	475
Peace Corps	1,226	1,311	1,529

National Interests:

The United States seeks to promote peace and stability in Central Asia to assist the countries of the region in fulfilling their potential as a crossroads between Asia and the West. In this regard, the United States is working to encourage a renewal of Kyrgyzstan's earlier progress toward creation of a democracy based on the rule of law and civil society, one that functions on free-market economic principles, is at peace with its neighbors, is integrated into the world economy, and has the capability to provide for the welfare of its citizens. A democratic, secure and more prosperous Kyrgyzstan would be less vulnerable to Chinese and Iranian economic influence, less dependent on Russia, more capable of preventing the proliferation of weapons of mass destruction (WMD), better able to protect human rights, better prepared to halt environmental degradation, and more effective in combating transnational terrorism, narcotics trafficking and financial crime.

Objectives & Justification:

Kyrgyzstan's commitment to democratization and economic reform stood out through much of the 1990s as an example of the successes that can be achieved in Central Asia. Unfortunately, Kyrgyzstan suffers from a lack of exploitable natural resources and a remote geography that have complicated its economic transition. Kyrgyzstan's trade also suffered from 1998 Russian economic crisis and its economy was weakened in late 1999 by a three-month long incursion into the southwest of the country by armed Islamic extremists opposed to the government in neighboring Uzbekistan.

Until 2000, Kyrgyzstan had made substantial progress toward developing a democratic civil society, anchored by the rule of law. However, in the past year, flawed parliamentary and presidential elections and the political machinations surrounding them have caused great concern. The presidency remains the dominant institution in government. The newly elected parliament, despite continued questions over its legitimacy, has shown a surprising degree of independence from the presidency and debates openly many controversial issues. Though a newly reformed legal code and promises of independent budget authority had brought the hope of an empowered judiciary, judges continue to operate at the pleasure of the executive branch. FREEDOM Support Act (FSA) assistance in this area has included support for the drafting and implementation of a new electoral code, reforms in legislative drafting and management, and programs to improve citizens' access to and involvement in municipal government institutions. These and other activities, including support for NGOs, independent media, exchanges, Internet access, and educational reform will continue in FY 2002 and beyond.

Kyrgyzstan is an enthusiastic participant in NATO's Euro-Atlantic Partnership Council and the Partnership for Peace (PfP), and was an early supporter of a Central Asian Peacekeeping Battalion for regional and international deployment. The Government of Kyrgyzstan regularly attends and actively participates in regional and multilateral fora on security, including those sponsored by the UN, the OSCE and the U.S. Government. U.S. security assistance has focused on peacekeeping, regional security and export control, with greater recent emphasis on the latter two in light of the armed militant incursions in southwest Kyrgyzstan in August of 1999 and 2000. Additional incursions are expected as early as June 2001.

Kyrgyzstan has cooperated closely with the U.S. government on regional and bilateral law enforcement initiatives aimed at combating serious transnational crimes such as narcotics trafficking, terrorism and weapons smuggling. In addition to law enforcement assistance, U.S. nonproliferation assistance has focused on developing and enhancing the export control and border security capabilities of Kyrgyzstan and its Central Asian neighbors, with a focus on interdicting the smuggling of weapons of mass destruction and dual-use conventional weapons. FSA funds will help reduce threats of proliferation, enhance export controls and border security, and redirect former Soviet weapons experts into peaceful civilian pursuits.

Foreign Military Financing (FMF) funding requested for FY 2002 will aid in the Ministry of Defense's ability to participate in PfP as well as counter a terrorist insurgency within Kyrgyzstan. FMF will be used to purchase basic counterinsurgency equipment, which includes mountain and cold weather gear and communications equipment. International Military Education and Training (IMET) funds will help facilitate professionalization and reform of the armed forces, and help Kyrgyzstan officials better understand Western democracy and free markets. Kyrgyzstan will be eligible in FY 2002 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of EDA will assist Kyrgyzstan to meet its defense requirements and further NATO interoperability.

Kyrgyzstan acceded to the World Trade Organization (WTO) in December 1998 and graduated from the provisions of the Jackson-Vanik Amendment in June 2000. Economic reforms to date included the ongoing restructuring and rationalization of the fiscal management system, which has included often-painful exercises in budgetary restraint. The Government is in the process of overhauling its commercial regulatory structure, including a USAID-assisted rewriting of the commercial code. U.S. government assistance continues to focus on commercial law reform, fiscal reform, privatization, and small business formation.

One of the greatest challenges for the Kyrgyz government (and for U.S. assistance to Kyrgyzstan) has been, and continues to be, creating concrete improvements in living standards. Recent initiatives aimed at improving government-supplied social services and improving health care are key to this effort. As one of the poorest countries in the former Soviet Union, Kyrgyzstan continues to need humanitarian assistance for society's most vulnerable members. The U.S. intends to continue FSA funding for the delivery of such targeted assistance, including emergency pharmaceuticals, medical supplies/equipment, clothing and vaccines.

Moldova
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
FMF	1,250	1,493	1,800
FSA/NIS	50,436	43,710	44,000
IMET	487	600	850
NADR-ECA	50	325	0
Peace Corps	1,533	1,579	1,589

National Interests:

U.S. national interests in Moldova include promotion of a democratic government, a free market economy and regional stability and security. Transnistrian separatism threatens regional security and Moldova's prospects for success as an independent state, a fact exacerbated by the continued presence of Russian military in Transnistria. U.S. assistance is aimed not only at regional security but also at strengthening democracy and free enterprise through continued political and economic reform, combating transnational crime, preventing weapons proliferation and averting humanitarian crises.

Objectives & Justification:

Moldova has generally outpaced its neighbors in terms of democratic development and human rights observance. Moldova's progress in democratic reform provides a positive example for other neighboring states to follow in their democratic development. Following its victory in this spring's parliamentary and presidential elections, the Communist party's rhetoric has remained supportive of reform. The Communists are currently forming a new government. Its actions will bear close scrutiny.

USAID programs and other technical assistance will help strengthen Moldova's economy through continued support for land reform, strategic privatization, energy sector restructuring, and post-privatization economic development. FREEDOM Support Act (FSA) funds directed at NGOs, independent media and through exchanges bringing more Moldovans to the U.S. will foster the development of civil society and promote stability internally and in the region. The growth of organized crime in the NIS region presents a direct and growing threat to Moldovan prospects for economic and political stability, and thus for U.S. national security interests. Assistance funds will continue to support cooperative efforts between U.S. law enforcement agencies and Moldovan Government and local government officials to combat organized crime, including trafficking in women and children and narcotics.

In recognition of the hardships associated with Moldova's ongoing reform efforts, the U.S. intends to continue to provide FSA funding to facilitate the delivery of targeted humanitarian assistance, including emergency pharmaceutical and vaccine supplies to those in most need. Additionally, in an attempt to improve healthcare for vulnerable groups of Moldova's population, the funding will provide continued assistance to support health care reform including health partnerships, women's health/family planning activities and hospital assistance.

Funding from the FSA account will support programs to prevent the proliferation of weapons of mass destruction and related materials, technologies and expertise in Moldova. Preventing the export or transit of arms or strategic materials that could be used for weapons of mass destruction is a key U.S. objective in Moldova. Under the Export Control and related Border Security program, U.S. assistance will strengthen Moldova's export control system by assisting Moldovan Government officials and legislators in developing legal authorities and provide training and equipment to border control agencies to enable them to better deter, detect and investigate incidents involving trafficking weapons, related materials and technologies. In addition, U.S. assistance will help redirect former Soviet weapons scientists and defense industries to peaceful civilian activities.

Transnistrian separatism, coupled with the continued presence of Russian troops and massive stockpiles of conventional arms, threatens the stability of the entire region. FSA funding will be provided to assist OSCE efforts to facilitate implementation of Russian commitments to withdraw its forces and dispose of arms stockpiles. Specifically, assistance will support the withdrawal or destruction in place of the large stockpile of weapons and ammunition at the Colbasna base and other facilities in Transnistria as well as military equipment located at the main Russian base in Tiraspol, all under close monitoring and observation by U.S. inspectors. Withdrawal of the Russian military from Transnistria, in accordance with their commitments made at the 1999 Istanbul CFE Summit, will mitigate the threat to regional stability posed by Transnistrian separatism. The continuing efforts of the OSCE Mission in Moldova to negotiate a resolution to the separatist conflict will be supported. Peaceful settlement of this conflict will not only aid in stabilizing the region, but could serve as a model for settlement of other conflicts in the region.

Despite financial limitations, Moldova is active in the Partnership for Peace (PfP) program and is committed to reforming its military along the lines of the Western model. The country has decided to establish a peacekeeping battalion with U.S. assistance that will form the core of its reformed military. Moldova has engaged in an extensive defense/military contacts program with the United States, expanded its participation in PfP exercises, and made effective use of its modest International Military Education and Training (IMET) program. Moldovan graduates of programs funded under IMET have consistently moved into positions of greater responsibility. Additionally Moldova has developed a robust program with its State Partner, the North Carolina National Guard. FY 2002 Foreign Military Financing (FMF) and IMET funds will be used to further develop and reform Moldova's armed forces, enhance the capability of its peacekeeping battalion to operate alongside NATO forces with common, interoperable equipment, and promote the integration of Moldova into Euro-Atlantic security structures. Moldova will be eligible in FY 2002 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of EDA will assist Moldova to meet its defense requirements and further NATO interoperability.

Russia
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
CSD	0	3,550	3,450
FSA/NIS	186,631	167,845	167,000
IMET	717	800	800
NADR-ECA	4,125	1,500	1,500
Peace Corps	3,957	4,049	4,432

National Interests:

The United States has an overriding national security interest in working with Russia to reduce the threat posed by weapons of mass destruction through arms control, threat reduction efforts, and cooperation on other nonproliferation activities. The United States also has an interest in helping further Russia's development into a stable democratic country with a market-based economy, fully integrated into the mainstream of world political and economic relations. The benefits to the United States of a non-threatening and reforming Russia are direct and tangible in terms of maintaining a reduced level of defense spending and opening up a potentially large export market. We also have strong national security interests in protecting Americans from the threat of transnational organized crime originating in Russia, in cleaning up the environmental degradation from the Soviet period, and in working with the Russians on counterterrorism initiatives.

Objectives & Justification:

A successful transition in Russia depends on the strength of democratic institutions and civil society. Establishing democracy and rule of law on a more solid footing will require long-term, generational change. FREEDOM Support Act (FSA) democracy programs, therefore, are increasingly focused on the grassroots level, providing funding for exchange programs, as well as small grants, legal support and training for NGOs and the independent media. FSA programs also seek to increase the availability of information for Russians throughout the country by establishing public access Internet sites and offering training. FSA funding will support this type of long-term democratic change in FY 2002.

Despite efforts at recentralization, Russia's future will more and more be determined at the grassroots level. In recent years, U.S. economic and democratic assistance has moved away from the national government and toward the regions. This will continue in FY 2002. This movement to the regions is exemplified by the "Regional Initiative" (RI). Under the RI, the U.S. Government develops partnerships with reform-minded Russian regions in an effort to help them establish favorable conditions for economic growth, and then enlists their help in disseminating the lessons of their experience to other regions. Efforts will continue in FY 2002 in the current RI regions – Samara, the Russian Far East and Tomsk – to put in place the building blocks of a market system (with particular emphasis on small business development), to attract both foreign and domestic investment, and to strengthen civil society.

The success of democratic and economic reform in Russia also depends on individual Russians' belief that their day-to-day lives will improve. The engine of future economic growth in Russia will be private business, especially small and medium enterprises. The private sector development program will receive FSA funds in FY 2002, with a significant portion going to capitalize micro-credit and small loan funds, primarily in the regions outside Moscow. Other programs will provide training to thousands of entrepreneurs in basic business skills, both in Russia and in the U.S., and support efforts by regional governments to improve conditions for small business by removing regulatory and administrative barriers.

Russia must build a positive investment climate to attract the capital flows needed to bring about long-term economic growth. Under certain conditions, FSA programs could help provide training and expertise to modernize the Russian tax system, improve fiscal management, and tighten regulation of the banking sector. At the same time, although Russia's investment policies need significant improvement, opportunities already exist for U.S. exporters and investors in the vast Russian market. FSA-funded programs run by the Department of Commerce provide U.S. companies with information about these opportunities, and facilitate direct linkages with Russian partners.

Russia's growing problems in the field of public health could have an impact on the world at large. FSA funds will support partnerships between U.S. and Russian hospitals. In addition, both FSA and Child Survival (CSD) funds will help address the spread of multi-drug-resistant strains of tuberculosis, and of HIV/AIDS. Humanitarian programs funded through the Department of State will continue to facilitate the delivery of assistance donated through U.S. private volunteer organizations (PVOs) to target groups within Russia. In addition to addressing genuine humanitarian needs, FSA funding will do much to engender good relations between U.S. and Russian NGOs. FSA funds will also ameliorate the effects of regional conflicts, which have displaced thousands and created refugee flows, particularly in the North Caucasus and Central Asia. The USG contributes to international efforts coordinated by the UNHCR and other international organizations.

Russian authorities recognize the threat to their economy presented by international crime, and they have turned to the U.S. and other Western partners for assistance in addressing these issues. The complexity of white-collar crimes, particularly corruption, money laundering, computer fraud and others, presents new challenges for Russian law enforcement. U.S. law enforcement agencies will work with their Russian counterparts to improve Russia's capacity to combat transnational crime, focusing on counternarcotics, border security, alien smuggling/trafficking and export controls. FSA funds will also support more grassroots, regional efforts to combat crime through grants to U.S. organizations to work with their Russian counterparts to promote community policing and combat domestic violence. With FSA funds, the USG will provide training, equipment and expertise to Russian law enforcement authorities to help them deal with these issues and to promote respect for human rights.

The U.S. continues to provide assistance through programs of the Departments of State, Defense and Energy to prevent the proliferation of weapons of mass destruction (WMD), related materials, technologies and expertise. Currently, the future structure of these programs is undergoing interagency review. In FY 2002, Nonproliferation, Anti-terrorism, Demining and

Related Programs (NADR) and FSA funds will continue to provide assistance to enhance Russian export control regime and capability to deter, detect and interdict illicit trafficking. Scientific collaboration programs supported by NADR and FSA funds will help prevent proliferation of weapons expertise and redirect former Soviet weapons experts to peaceful pursuits.

Under the International Military Education and Training (IMET) program, the U.S. will continue to provide English language instruction, professional military education and military legal instruction for the Russian military and officials of the Ministry of Defense. Russia will be eligible in FY 2002 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of EDA could assist Russia to meet its defense requirements and further NATO interoperability.

Tajikistan
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
FSA/NIS	9,926	11,230	11,000
IMET	0	0	75
NADR-ECA	50	0	0

National Interests:

Tajikistan is the poorest of the former Soviet republics. Its borders with Afghanistan and China give it special importance in the region. U.S. assistance addresses dire humanitarian needs and fosters democratic and market economic reforms and post-civil war reconciliation, thereby promoting stability in a volatile and strategically important region. A stable, peaceful Tajikistan will also minimize opportunities for interference by outside powers, and will help to curb international crime, narcotics trafficking and terrorism.

Objectives & Justification:

With the completion of a UN sponsored peace process in Tajikistan, attention will now turn towards the country's reconstruction and economic revitalization. The creation of sustainable democratic institutions now has even greater importance. FREEDOM Support Act (FSA) assistance can be most effective by pursuing a long-term strategy focused on training and exchanges that provides opportunities for future leaders and professionals and lays the groundwork for the creation of a civil society and a market based economy.

In FY 2002, the U.S. will continue to provide some support in the area of micro-economic development to continue to address the needs of the population, particularly women, in areas hardest hit during the civil war period. Humanitarian assistance remains central to U.S. programs, and is targeted through private volunteer organizations.

Tajikistan has only recently applied for membership in the Partnership for Peace and is not yet eligible for support under the Warsaw Initiative. Tajikistan has committed to cooperating with the U.S. on countering the proliferation of weapons of mass destruction and receives modest FSA assistance primarily for strengthening its legal structure of export controls and facilitating regional communications.

Tajikistan's International Military Education and Training (IMET) program, new in FY2002, will be used to educate and expose the armed forces and civilian officials to Western concepts of democracy, civil-military relations, rule of law, and human rights.

Turkmenistan
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
FMF	600	697	700
FSA/NIS	6,195	6,200	5,500
IMET	313	325	300
NADR-ECA	235	0	0
Peace Corps	1,439	1,583	1,529

National Interests:

The United States has strategic and economic interests in helping Turkmenistan achieve political stability and independence, as well as integration into the global economy. Turkmenistan is a traditional transit route for the movement of people and goods (including illicit goods) between Southwest Asia and the North Caucasus. The current security situation in those two regions puts these routes at risk of exploitation by terrorists and smugglers of narcotics and weapons of mass destruction. Turkmenistan has the world's fourth largest gas reserves and significant oil reserves. The United States has a keen interest in seeing these important resources reach world markets, preferably via secure pipelines that do not transit the territory of regional powers that might shut off the flow for political purposes.

Objectives & Justification:

Turkmenistan remains a one-party state on the Soviet model, dominated by its president, Saparmurat Niyazov, and his pervasive cult of personality. This power was consolidated even more by a parliamentary vote on December 28, 1999, which extended Niyazov's term indefinitely. The parliament itself was seated following severely flawed elections held on December 12, 1999, in which only government-selected candidates were allowed to run and turnout was announced at 98.9 percent despite reports that many polling places stood empty throughout the day.

Attempts to target U.S. assistance toward fostering democracy, expanding the rule of law, and increasing community activism in Turkmenistan are severely hampered by the government's repressive policies. Assistance in the democracy area has focused on exchanges for young people from Turkmenistan to expose them to Western ideas and practices. The Niyazov government actively controls and censors all print and broadcast media, refuses to allow the formation of opposition political parties or independent trade unions, and completely dominates the judicial branch. While non-governmental organizations (NGOs) with explicitly non-political agendas (e.g. health care, environmental protection) are given some latitude to operate in Turkmenistan, the government is leery of foreign involvement in such activities. As a result, U.S. private voluntary organizations (PVOs) and community-based organizations receiving U.S. assistance have had difficulty gaining registration with the Government of Turkmenistan.

Assistance in the economic sphere has also met with very limited success. The Government of Turkmenistan has avoided any significant privatization of the state-run command economy, claiming that rapid liberalization would cause instability and diminish the living

standards of the labor force. Turkmenistan's economy has experienced difficult times of late. Export revenues remain low, while the budget deficit and underlying trade deficit continue to worsen. Despite frequent urging from the U.S., the World Bank and IMF and other financial institutions, Turkmenistan so far has chosen not to reform its budgetary system. In fact, a significant portion of government expenditures (including entire ministries) remains outside the control of the Ministry of Finance. In addition, the greater part of Turkmenistan's foreign exchange reserves are held in a fund controlled by President Niyazov personally, and are not at the disposal of the Central Bank of Turkmenistan (which already has little independence). U.S. assistance to the government has focused on institution-building and legislative reform. With the exception of an improvement in fiscal and budgetary management, there has been little change in the structure of government, essentially a system of presidential management by decree overlaying bureaucratic sprawl and gridlock. Attempts to provide expert assistance in support of agricultural reform and sector privatization have gone nowhere.

The Government of Turkmenistan has repeatedly sought ways to link its cooperation on U.S.-led Caspian Basin energy initiatives to increased U.S. financial assistance for otherwise unrelated economic activities in Turkmenistan. However, aside from a TDA grant for a feasibility study on the proposed Trans-Caspian Gas Pipeline (TCGP), to date there has been no directly related U.S. financial assistance. Although the U.S. remains willing to support a TCGP, the project is at an apparent standstill because the Government of Turkmenistan has chosen not to accept repeated commercially viable offers from private companies. The Governments of Turkey, Georgia and Azerbaijan appear ready to proceed with a pipeline that would ship Azerbaijan's Caspian gas reserves to the Turkish domestic energy market.

In FY 2002, the U.S. will continue to provide limited FREEDOM Support Act (FSA) assistance in the area of law enforcement, including efforts to combat serious transnational crimes such as narcotics trafficking, terrorism and weapons smuggling. In addition to law enforcement assistance, U.S. nonproliferation assistance has focused on developing and enhancing the export control and related border security capabilities of Turkmenistan and its Central Asian neighbors, with a focus on interdicting the smuggling of weapons of mass destruction (WMD) and regional communications. This is a particular concern in Turkmenistan, which lies along centuries old trade and smuggling routes between the North Caucasus and Southwest Asia.

Foreign Military Financing (FMF) funds requested in FY 2002 for Turkmenistan will be used for airfield survey improvement, EDA support, and to allow the U.S. to remain engaged with the Turkmenistan military. The FY 2002 International Military Education and Training (IMET) program will be used to educate and expose the armed forces and civilian officials to Western democracy, and the concepts of rule of law, civil-military relations, human rights and free markets. Turkmenistan will be eligible in FY 2002 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of EDA will assist Turkmenistan to meet its defense requirements and further NATO interoperability.

Ukraine
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
CSD	0	1,025	980
FMF	3,250	3,980	4,800
FSA/NIS	174,154	169,630	169,000
IMET	1,338	1,500	1,700
NADR-ECA	1,090	770	800
Peace Corps	2,838	3,212	3,419

National Interests:

The United States has a strong national security interest in supporting Ukraine's successful transformation into a stable, independent, democratic, market-oriented and prosperous state, with good relations with its neighbors and strong links to the West. Ukraine is important for building a secure and undivided Europe and its successful transition may assist similar transitions elsewhere in the region. A stable, independent and democratic Ukraine can also be a key partner of the United States in tackling major post Cold War challenges, such as the proliferation of weapons of mass destruction, the expansion of mutually beneficial trade and investment and the shaping of a more stable and secure Europe. The most critical national interests guiding U.S. Government policy are national security, economic prosperity, and promoting democratic reform. The domestic political upheaval and policy gridlock in Ukraine over allegations of Presidential involvement in the disappearance of Internet journalist Gongadze have made U.S. assistance promoting democracy building and economic reform more essential than ever to protect our national security interests.

Objectives & Justification:

Furthering democratic and economic reform in Ukraine is a key U.S. objective, as a result of which Ukraine has been a primary beneficiary of FREEDOM Support Act (FSA) funding. In FY 2002, FSA programs will continue in a number of priority areas such as economic reform, privatization and private sector development, and nuclear safety. We will also continue the trend of recent years to focus increased attention and resources on grassroots activism and local reforms as well as on expanding programs oriented toward the next generation of Ukrainian leaders. We are increasing the number of students, policy makers and other young leaders coming to the U.S. for practical and academic programs. These exchanges enhance the linkages between individuals, businesses, institutions and communities in the U.S. and Ukraine. In FY 2002, FSA funds will also be used to strengthen local non-governmental organizations and independent media that can serve as watchdogs over the government's activities and articulate public interests. In FY 2002, funding will continue for legal and financial support and training for independent media. FSA funding will also expand public access Internet sites throughout Ukraine. If the Ukrainian government passes a law on the Judiciary, we will provide support for newly established courts and training for the legal profession.

Ukraine's long-term political stability is closely linked to its economic prosperity. Achieving that prosperity will require significant economic reform to foster long-term sustainable economic growth. To this end, some funding for technical assistance to the Government of Ukraine's economic ministries will be provided to assist in the preparation of legal and regulatory codes required to move the country to a free market system and to open its markets to foreign goods. Funds for loans to small and medium businesses—the most likely source of long-term sustained innovation and growth—and for the development of a micro-credit program will also be made available, including in rural areas. FSA assistance programs will also support efforts to expand land titling. The U.S. will continue to serve as a catalyst for economic reform by encouraging partnerships with neighboring countries, such as through the Poland-America-Ukraine Cooperative Initiative (PAUCI), and with other international institutions.

The Soviet-era energy and industrial infrastructure of Ukraine is a source of significant environmental problems. The U.S. has played an important role in helping the Government of Ukraine fund the closure of Chernobyl, which took place in December 2000. In FY 2002, FSA funds will be used to contribute to the construction of the Chernobyl sarcophagus, to continue safety upgrades at other nuclear power plants, and to assist local NGOs develop environmental expertise.

As in other NIS countries, segments of the Ukrainian population, including the victims of Chernobyl, are in dire need of humanitarian assistance. FSA-funded humanitarian programs have traditionally delivered a substantial amount of such targeted assistance to those in greatest need in the form of medical supplies and equipment, pharmaceuticals, food and clothing. In FY 2000, the State Department-funded program Provide Hope delivered over 46 million dollars in humanitarian commodities provided through U.S. private volunteer organizations or through the Department of Defense Excess Property Program. In FY 2002, FSA and Child Survival (CSD) funds will support programs to help fight HIV/AIDS and tuberculosis.

Ukraine is home to a large number of scientists who have experience working on weapons of mass destruction (WMD). The U.S. and the Ukrainian Governments have strong interests in providing alternative peaceful employment to prevent the proliferation of this expertise. In FY 2002, State Department-funded assistance programs will continue to reduce the risks of proliferation of weapons of mass destruction, related materials and technologies and conventional arms. State funds for the U.S. Civilian Research and Development Foundation, the Science and Technology Center in Ukraine and other nonproliferation programs will help redirect former WMD scientists to civilian research, development and commercial activities. Finally, the Export Control and Related Border Security program funded by FSA and NADR will provide equipment, training and services to enhance Ukrainian export control regulatory and enforcement capabilities to deter, detect and interdict illegal trafficking in sensitive materials and technologies.

The International Military Education and Training (IMET) Program will provide English language training, professional military education, and training for non-commissioned officers to enhance Ukraine's ability to participate in Partnership for Peace (PfP) activities. Ukraine's Foreign Military Financing (FMF) Program will support procurement of items such as utility vehicles, communications systems, search and rescue equipment, and other support items that will enable Ukrainian forces to operate more effectively alongside those of NATO and PfP partners in real

world peacekeeping operations and exercise activities. Ukraine will be eligible in FY 2002 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of EDA will assist Ukraine to meet its defense requirements and further NATO interoperability.

Uzbekistan
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
CSD	0	0	650
FMF	1,750	2,438	2,950
FSA/NIS	20,042	23,565	22,000
IMET	547	550	800
NADR-ECA	0	330	300
Peace Corps	1,703	2,247	2,293

National Interests:

The United States has significant national interests at stake in seeing Uzbekistan develop into a stable and prosperous society with a democratic government and an open, market-based economy. The U.S. also seeks to extend Uzbekistan's support for U.S. global and security objectives. Internally, Uzbekistan remains an authoritarian state; it is in the U.S. interest to see it evolve democratically, with respect for human rights. Uzbekistan has also failed to move toward a market economy, hurting the country's prospects for economic success and stability and impeding U.S. trade and investment. The recent withdrawal of the IMF's local representative underscores Uzbekistan's lack of economic reform, but the U.S. will continue to press Uzbekistan to pursue policies that will contribute to the commercial and economic expansion of the region.

Objectives & Justification:

The United States wants to help Uzbekistan play a key role in fostering cooperation and stability in Central Asia. The U.S. encourages Uzbekistan's commitment to nonproliferation and will continue assistance programs to help prevent the proliferation of weapons of mass destruction (WMD), weapons technology and experts, including work to dismantle facilities reported under the Chemical Weapons Convention. Through FREEDOM Support Act (FSA) and Nonproliferation, Anti-terrorism, Demining and Related Programs (NADR) funds, the U.S. Government will continue to work with Uzbekistan to develop effective export controls and border security. Projects approved by the Science and Technology Center in Ukraine (STCU) will keep former Soviet weapons experts employed in peaceful research.

The U.S. seeks to support the development of democratic institutions in Uzbekistan by focusing on three elements: (1) a transparent legal system to complement market reforms; (2) growth of independent local media and unhindered access to Western media; and (3) development of domestic non-governmental organizations (NGOs), particularly in the human rights field. Technical assistance will continue to emphasize the rule of law through drafting of necessary civil and criminal legislation and training judges and attorneys, and to seek ways to reduce official corruption. The small but growing independent media sector will continue to receive U.S. support. Several small grant mechanisms will continue to provide direct assistance to Uzbekistani NGOs. Exchange and training programs will continue to offer the next generation of leaders exposure to democratic values. Internet access and training programs expand the availability of information for people throughout the country.

The spread of organized crime and drug trafficking threatens Uzbekistan, which sits astride trafficking routes between Afghanistan and Europe. FSA funding enables the U.S. to train Uzbekistani law enforcement and border officials to keep this problem from growing further. As a direct complement to counter-narcotics enforcement training, FSA funding also attempts to address the economic underpinnings that support narco-trafficking and its socio-economic impact in Uzbekistan.

U.S. economic assistance programs support and encourage a shift to free-market economics and strengthening of the legislative foundation and commercial infrastructure needed to encourage investment. However, the scope of U.S. economic assistance will continue to be limited by Uzbekistan's continued lack of commitment to economic reform. The departure of the IMF from Uzbekistan underlines the economic stalemate the Uzbeks have reached regarding reform. The USG is working with Uzbekistan to resolve difficulties that inhibit foreign investment and trade: limitations on currency convertibility, complex registration and accreditation processes, and an inadequate banking system. USAID is working closely with the Ministry of Finance to assure fair and transparent implementation of a new tax code and to modernize tax administration. The U.S. is providing technical advice to draft a new budget law, reorganize budgetary classification systems, and strengthen budgetary planning and execution.

FSA-funded humanitarian programs have delivered targeted assistance to the most vulnerable segments of Uzbek society, primarily by providing scarce medical supplies and pharmaceuticals, clothing and some food, much of which is provided directly to institutions such as orphanages, retirement homes, etc. High rates of rural unemployment and decayed water supply and sanitation infrastructure leave many citizens vulnerable, and in need of aid. Uzbekistan's high rate of population growth and young population pose a major demographic and economic challenge; the U.S. is helping to ensure access to family planning, which should serve to decrease abortions and improve maternal and neo-natal health. Through pilot projects involving privatization, cost recovery, and other health care reforms, the U.S. is helping Uzbekistan better manage its health care needs and reduce costs. Child Survival (CSD) funds will support programs to help fight both tuberculosis and HIV/AIDS.

The U.S. seeks to enhance military cooperation between Uzbekistan as well as with NATO and its neighbors. This cooperation will be achieved through the Warsaw Initiative and Uzbekistan's active participation in the Partnership for Peace (PfP). Foreign Military Financing (FMF) is provided for joint peacekeeping initiatives with Kazakhstan and Kyrgyzstan, including equipment and training to enhance Uzbekistan's capability to operate jointly with NATO forces in peacekeeping, search and rescue, humanitarian counterinsurgency efforts and other operations. International Military Education and Training (IMET) is designed to foster the professionalization of Uzbekistan's military leadership, greater respect for and understanding of the principle of civilian control of the military, improved military justice systems and procedures, and effective defense resource management. Uzbekistan will be eligible in FY 2002 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of EDA will assist Uzbekistan in meeting defense requirements as well as further inter-operability with NATO.

Regional FSA
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
FSA/NIS	61,998	85,237	96,500

National Interests:

FREEDOM Support Act (FSA) regional programs promote regional cooperation and stability in the Independent States of the former Soviet Union by providing technical assistance, funding exchange programs, and providing opportunities for citizens of the Independent States to work together to promote economic restructuring and democratic reform. These programs contribute to regional security by enhancing the ability of the Independent States to address issues of mutual concern, such as reducing the risk of proliferation of weapons of mass destruction (WMD) and combating the spread of narcotics trafficking and other transnational crimes.

Objectives & Justification:

U.S. national security depends on the successful transformation of the Independent States into democratic, law-based, pluralistic societies functioning on market principles and integrated into the world economy. Several U.S. national interests in this region are pursued through assistance projects that involve more than one country. Examples include the pursuit of a peace settlement in Nagorno-Karabakh, promoting energy-sector reform in Central Asia, enhancing border security throughout the region, and providing support for refugees and displaced people who are the victims of regional conflicts.

Caucasus regional programs focus on responding to urgent humanitarian needs and other special initiatives. Central Asian regional programs focus on energy and environmental issues. The Peace/Reform Fund enables the U.S. Government to respond quickly to targets of opportunity such as peace settlements and the appearance of signs of genuine commitment to reform on the part of the IS governments. The Peace/Reform Fund is also used to augment projects that perform very well during the year and require additional support.

Independent States regional programs address the entire range of the U.S. Government's assistance objectives, including increased trade and foreign investment, greater regional cooperation, combating crime and corruption, and promoting economic restructuring and democratic reform. Independent States regional funds can also be used to support programs that redirect former Soviet WMD expertise to peaceful activities and enhance the ability of the Independent States to prevent the proliferation of WMD (and associated delivery systems, materials and technologies) across their borders.

Independent States regional funds also help provide for the physical welfare of the citizens of the Independent States. The conflicts in various parts of the IS, particularly in the Caucasus, have created refugees and internally displaced people in great need. FSA-funded humanitarian assistance plays a crucial role in responding to regional humanitarian crises.

In addition, Independent States regional funds support the activities of several U.S. agencies active in the region, including U.S. Trade and Development Agency feasibility studies, Treasury Department technical assistance, Department of State and Department of Agriculture training and exchange programs, Commerce Department training programs and trade and investment support activities, and State and Justice Department regional law enforcement training programs that help the Independent States combat narcotics trafficking, reduce the likelihood of international terrorist operations, and improve human-rights practices in criminal justice institutions.

Science Centers
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
NADR-SC	0	35,000	37,000

National Interests:

The Science Centers program seeks to prevent diversion of scientific expertise and technologies related to weapons of mass destruction (WMD) from weapons complexes of the former Soviet Union. The two Science Centers, in Moscow and Kiev, operate under international agreements, with financial support from the United States, Canada, the European Union, Japan, Norway, and South Korea. The Centers help former Soviet weapon scientists and engineers to redirect their expertise to peaceful activities and provide incentives for them not to market their capabilities in weapons technology to potential proliferators. Unlike the Department of Energy's Nuclear Cities Program, the Science Centers focus on all categories of the former Soviet WMD scientists - nuclear, chemical, biological, and missile - located in the eight independent republics of the former Soviet Union that are currently participants in the program.

Objectives & Justification:

The Science Centers program has evolved from an exclusive "stop-the-brain-drain" strategy for weapons scientists to a program supporting the long-term civilian transition of former Soviet WMD scientists to sustainable endeavors in applied and basic research. In addition to engaging over 40,000 scientists and engineers since 1993, the program has provided patent and technology commercialization support, western-style professional and business management training, communication technology upgrade support, and travel support, giving scientists and engineers the foundation to move to industrial partnering efforts through other U.S. programs.

For FY 2002, the Administration is requesting \$37 million to sustain existing Science Center activities, to support a modest increase in Science Center initiatives, and to respond to a continuing backlog of interagency reviewed and approved project proposals. Specifically, NADR funds will be used to:

Increase program support for the successful Biological Weapons Redirection effort, which is engaging additional institutes and starting major project work. This program originated with one Russian institute and now involves 25 institutes in the independent republics of the former Soviet Union. During FY 2001, the Department expanded this initiative to include the full range of Russian biological weapons-related facilities, as well as those inherited by Kazakhstan, Uzbekistan, Armenia, Georgia, Belarus, and Ukraine.

Initiate an effort that targets institutes of special proliferation concern, such as the Russian chemical weapon (CW) complex in the area of CW demilitarization technology.

Continue activities that foster commercial development (particularly outside the security perimeter in the Russian closed nuclear cities) using mechanisms such as the Moscow Center's

business career training program (a program developed in coordination with DOE's Nuclear Cities Initiatives) as well as commercialization projects financed by DOE's Initiatives for Proliferation Prevention.

The \$37 million requested is \$2 million above the FY 2001 level. The increase will augment activities in Ukraine, Uzbekistan and Kyrgyzstan, and will allow us to engage approximately 170 additional former weapons scientists in civilian activity.

Approved projects are funded directly by the Science Centers in Moscow and Kiev, and are subject to routine oversight and monitoring, as well as financial and technical audits to ensure proper use of funds. Consistent with past practice, a small amount of NADR funds also will be used for administrative support and oversight of the Science Centers program.

Note:

In FY 2000, Science Centers was funded in the FREEDOM Support Act (NIS) account at \$59 million.