

Armenian National Committee of America

*"The Armenian American Community
and U.S. Foreign Assistance Policy"*

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Subcommittee on Foreign Operations, Export Financing
and Related Programs

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Armenian National Committee of America:
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Thank you Chairman Kolbe, Ranking Member Lowey, and Members of the House Appropriations Subcommittee on Foreign Operations, Export Financing, and Related Programs for once again providing the Armenian National Committee of America (ANCA), the nation's oldest and largest Armenian American grassroots advocacy organization, with the opportunity to contribute the views of the Armenian American community to your discussions concerning the Fiscal Year 2004 Foreign Operations bill.

U.S. Leadership in the International Community

As in years past, Mr. Chairman, I would like to open our remarks today by noting the growing role of Americans of Armenian heritage in supporting the work of this panel to promote American leadership abroad, particularly in Eurasia, the Eastern Mediterranean, and the Middle East. As Members of this Subcommittee know, we have, as a community, worked hard to ensure a policy of international engagement and have energetically supported a meaningful Congressional role in foreign policy decision-making. It is particularly during difficult times - such as our present military actions in Iraq and the many challenges we face throughout the Middle East - that we can fully appreciate the critical importance of active participation in, partnership with, and oversight of the vitally important policies that our nation pursues abroad.

With these thoughts in mind, Chairman Kolbe, on behalf of all Armenian Americans, I would like to express our appreciation for your leadership of this distinguished panel and for your ongoing efforts to enact legislation that advances our values and interests around the world.

Today, in the wake of the September 11th terrorist attacks and in the midst of our disarmament of Iraq, our foreign aid programs represent - more than ever - a strategic investment in advancing our national interests on a variety of levels. The war on terrorism and the disarmament of regimes representing a clear and present danger to the American people will require the active participation of America's friends and allies around the world.

I would like to note that Aram Sarafian, who, you may recall, testified before this Subcommittee on behalf of the ANCA in 2000 and 2001, is among those who have been called up for military service as part of our disarmament of Iraq. Aram, who serves as a major in the U.S. Army Reserve, was formerly based at Fort Huachuca, in your Congressional District. He has, in recent years, also served in both Bosnia and Afghanistan.

Last year President Bush stated:

The United States is also deeply grateful for Armenia's swift and decisive cooperation in the war against terrorism. Just as the United States reached out to the Armenian people to provide shelter and freedom early in the last century, so did

Armenia extend a supportive hand to the American people in the immediate aftermath of September 11th. Our two peoples stand together in this fight in support of values that define civilization itself.

Defense Secretary Donald Rumsfeld personally expressed the U.S. government's appreciation to Armenian President Robert Kocharian for this cooperation during their December 2001 meeting in Yerevan. Among the key elements of this cooperation are the following:

- 1) Granting blanket clearance for U.S. flights over Armenian territory, as well as refueling and landing for U.S. aircraft;
- 2) Sharing expertise and intelligence with relevant U.S. agencies;
- 3) Offering medical treatment for U.S. troops in Armenia's hospitals, including the specialized Spinal Injuries Treatment Hospital of the Armenian Red Cross in Yerevan;
- 4) Implementing U.N. Security Council Resolution 1373 to freeze bank accounts that terrorists and their supporters may have in Armenia's financial institutions;
- 5) Ratifying the International Convention for the Suppression of the Financing of Terrorism.

Joint security-related cooperation between the United States and Armenia extends beyond the war on international terrorism and includes efforts to combat the proliferation of weapons of mass destruction and transnational crime, and to improve export control and border security programs. Among the main programs in these areas are:

- 1) Department of Defense/Customs Service Counter-proliferation Program;
- 2) Department of Defense Cooperative Threat Reduction Program;
- 3) Department of Defense Warsaw Initiative/NATO Partnership for Peace;
- 4) Department of State International Science and Technology Center;
- 5) U.S. Civilian Research and Development Foundation, and
- 6) Department of State Export Control/Border Security Assistance, including the Nonproliferation and Disarmament Fund, and Nonproliferation, Anti-Terrorism, Demining and Related Activities.
- 7) Newly established bilateral defense cooperation.

More recently, the United States Ambassador to Armenia, John Ordway, noted that the "USA highly appreciates Armenia's support in urging Iraq's immediate disarmament."

These and other similar programs will continue to expand as the Administration continues to implement its security and military assistance programs to Armenia.

Wisely targeted assistance - of all types - to emerging nations promotes democracy, helps to build peace, and meets pressing humanitarian needs, while at the same time laying the groundwork for long-term commercial relations. The investments we are making today in Armenia, Nagorno Karabagh, and all the New Independent States will lead to increased market share in the future for U.S. exports and to expanded trade opportunities for American businesses throughout the entire region.

As the members of this Subcommittee are aware, foreign assistance has helped to prevent or resolve international conflicts before they reached unmanageable proportions, and has served as an effective catalyst for the spread of democracy and respect for human rights. Targeted international affairs spending has helped jump-start economies in the developing world and, in the process, helped to make these nations valuable trading partners. History has shown that the less than 1% of federal spending dedicated to international affairs represents a vital portion of the U.S. budget.

The ANCA considers it imperative that the integrity of the International Affairs (150) account for the fiscal year 2004 budget is carefully safeguarded, making sure that it has the critical mass to fulfill its mission. We firmly oppose cuts in this account and are working, along with other concerned organizations, such as the Campaign to Preserve U.S. Global Leadership, to encourage Congress to appropriate sufficient levels of funding to meet the challenges we face as a nation. At the same time, we support the application of a consistent set of conditions on foreign assistance recipients, regarding their commitment to democratic principles, standards of international conduct, economic reform and respect for human rights.

The U.S.-Armenia Relationship

The enduring friendship between the American and Armenian peoples dates back to the era of the Armenian Genocide. American leaders, such as President Woodrow Wilson, diplomats, most notably U.S. Ambassador to the Ottoman Empire Henry Morgenthau, and relief workers, among them American Red Cross founder Clara Barton, played a critical role in protesting Ottoman Turkey's systematic murder of the Armenian people and in helping to alleviate the suffering of those who survived. During and after the Armenian Genocide, American missionaries and aid workers, many affiliated with Near East Relief, saved tens of thousands of Armenians by establishing orphanages and providing food, shelter and medical care for the survivors. These noble efforts, to a very great extent, marked the introduction of the United States on the world stage as an advocate for international justice, human rights and humanitarian values.

Throughout the Cold War, the United States championed the right of the Armenian people to an independent homeland and, in December of 1991, was among the first to recognize Armenian independence. Even prior to Armenia's independence, in December of 1988, the U.S. government and the American people, in an unprecedented act of compassion across the iron curtain, extended their generosity to the Armenian people as they recovered from a devastating earthquake that took over 40,000 lives.

In the decade since 1991, the U.S. and the Armenian governments have steadily expanded relations based on a history of shared values and common interests in a secure stable Caucasus and Caspian region. At the national level, the U.S.-Armenia Economic Task Force, launched in January of 2000, coordinates this effort by bringing together officials from the Departments of State, Commerce and Treasury, the Trade Development Agency, the U.S. Agency for International Development, and the National Security Council, to promote economic cooperation between the United States and Armenia.

Similar efforts are also underway at the state level, with the creation in August of 2001 of the Virginia Armenian Advisory Commission to advise the Governor of that state on programs to expand cooperation between Virginia and Armenia, as well as the signing, in December 2001, of a Memorandum of Understanding between California and Armenia on economic cooperation and the establishment of a California Trade Office in Yerevan. This office - the first of its kind in Armenia - is set to open later this year.

In addition to providing foreign aid to Armenia, Congress plays a critical role in supporting Armenia's economic relationship with the United States. In February of this year - thanks in large measure to the efforts of members of Congress - Armenia was accepted into the World Trade Organization (WTO). In order to ensure that both United States and Armenian businesses are able to fully take economic advantage of Armenia's WTO membership, Congressman Knollenberg, who has played such a critical role in ensuring that Armenian issues are brought to the attention of this panel, has introduced legislation, H.R.528, to grant Permanent Normalize Trade Relations (PNTR) status to Armenia. In this regard, I should note that President Bush, on January 29, 2003, certified to Congress that Armenia continues to comply with international standards for freedom of emigration.

We are also encouraging the Administration to negotiate a Double Taxation Treaty and Social Security Agreement with Armenia, and to expand the eligibility of Armenian products under the Generalized System of Preferences (GSP). An example of a sector in which expanding GSP eligibility can make a critical difference is in expanding the U.S.-Armenia jewelry trade. At present, up to 60% of all Armenian jewelry exports are to the United States. U.S.-Armenia trade for 2002 amounted to over \$132,000,000, a 59% increase over 2001.

Expanding the bilateral U.S.-Armenia economic relationship will 1) strengthen Armenia's free market economic development and integration into the world economy; 2) expand bilateral relations and reinforce the enduring friendship between the American and Armenian peoples; and, 3) help offset the impact of the Turkish and Azerbaijani blockades. Please consider the following facts:

- 1) The Wall Street Journal and the Heritage Foundation described Armenia as "Mostly Free" in their 2003 Index of Economic Freedom. The index, which measures how 161 countries scored on a list of 50 independent variables divided into 10 broad factors of economic freedom, rated Armenia 44th, above countries such as South Korea, Poland, and Hungary.

- 2) Freedom House, in its publication "Nations in Transit 2002," described Armenia as "the most open economy in the Commonwealth of Independent States."

3) The Department of Commerce's "Armenia Country Commercial Guide FY 2002" notes that, "The Armenians have a strong tradition of education and entrepreneurship, which, combined with their close ties to the U.S. through the Armenian-American Diaspora, provides attractive prospects for joint venture partners and other business linkages with U.S. companies," and "offers some of the most promising advantages in the CIS region for U.S. companies."

4) The State Department's "Background Note: Armenia" reports that, "Approximately 70 U.S.-owned firms currently do business in Armenia, including such multinationals as Procter & Gamble, M&M-Mars, Xerox, Dell, and IBM. Recent major U.S. investment projects include the Hotel Armenia; the Hotel Ani; a Greek-owned Coca-Cola bottling plant; petroleum exploration by the American-Armenian Exploration Company; upgrading of the wine and brandy production at Ararat winery; a large perlite mining and processing plant; and the joint venture Jermuk, which produces one of the more popular brands of mineral water in Armenia."

A critically important element for the implementation of the full range of U.S.-Armenia economic initiatives is the negotiation of a Trade and Investment Framework Agreement. We have urged the U.S. Trade Representatives to initiate discussions with Armenian government on this score, and encourage the members of this panel to give serious consideration to the benefits that such an agreement would extend to American and Armenian business and the overall state of U.S.-Armenia relations.

U.S. Assistance to Armenia

The ANCA and the entire Armenian American community deeply appreciate the assistance appropriated by Congress to promote economic and democratic reforms and to meet humanitarian needs in Armenia. This assistance has strengthened Armenia's confidence in its own development efforts, enhanced stability, and served as an important symbol of American leadership in the promotion of democracy and prosperity in the region.

Later this month I will travel to Yerevan to take part in several days of on-site inspections and discussions with U.S. Ambassador John Ordway, Mission Director of USAID Keith Simmons and their staffs along with other Diasporan leaders - as part of the Ambassador's Diaspora Roundtable - regarding the most efficient and effective allocation of the aid appropriated to Armenia by Congress. These Roundtable discussions, like those held last October, will serve the important function of helping to prioritize aid programs and to ensure that our assistance programs remain in line with our overall policy goals in the region. I look forward to sharing my findings with the members of this panel upon my return from Armenia.

As you may know, President Bush, on several occasions, has strongly endorsed the U.S. aid program to Armenia. He stressed that, "The United States will . . . continue its strong support for Armenia's efforts to develop democratic and free market institutions, and to deepen its integration into the Euro-Atlantic community."

We are confident that, as Armenia's economy improves, the Armenian people will develop self-sufficiency and will in time no longer look to the United States, or any other nation, for economic assistance. We look forward to the day that Armenia can itself provide assistance to the needy

states of the region. However, we must stress that this improvement is closely linked to how soon the illegal Turkish and Azerbaijani blockades of Armenia are lifted. These blockades have severely hindered economic development and Armenia's access to the international community. The intentionally imposed poverty created by these blockades has caused more than 800,000 Armenians to leave their homeland over the past decade.

Over the long-term, neither the Armenian American community nor the people of Armenia seek a dependence on economic assistance. However, during these critical years, assistance from the United States to Armenia plays a pivotal role in enabling the Armenian economy to unleash its potential, despite the artificial handicaps it has been forced to endure.

United States assistance to Armenia is needed, in great measure, to offset the devastating effects of these Turkish and Azerbaijani blockades. The blockades have been estimated, according to World Bank figures, to cost between \$570 and \$720 million a year - roughly equivalent to one third of Armenia's entire economy. On this point, I would like to quote from the World Bank's Armenia country assistance strategy report for 2001-2004 (Section III., Economic Reform, Successes and Risks: Gains from Re-Opened Borders):

The unresolved conflict over Nagorno Karabakh has closed most of Armenia's land borders, cutting off rail links to the east and west. As a result Armenia is heavily dependent on trans-shipment of goods through Georgia. This has significantly raised its trade costs, given the high costs of all modes of transport (road, rail and port) in Georgia. A recent report suggests that re-opening of Armenia's borders with Turkey and Azerbaijan could result in a reduction in transport costs of 30-50%, a doubling of exports, and an increase of 30-38% in GDP.

In addition, last October, Deputy Secretary of State Richard Armitage, in a letter (reprinted in the October 7, 2002 Congressional Record) to Congressmen Joseph Knollenberg and Frank Pallone, stated that the Department of State, in coordination with the U.S. Trade Representative, would provide to Congress by March 31, 2003, a report on the economic impact of the border closure on Armenia and Turkey, and on diplomatic contacts with both parties on this issue.

Beyond the dollar costs, these blockades obstruct communication, transportation, energy routes, and Armenia's partnership with the United States and integration into the international economic system. Turkey's participation in this blockade - in contravention of international law and basic standards of moral conduct - is all the more troubling in light of the fact that Turkey has benefited from over \$31 billion in World Bank and International Monetary Fund loans and pledges, making it the world's single largest recipient of assistance from the international financial institutions.

We are deeply troubled that in years past, Administrations have consistently sought reductions in U.S. aid levels to Armenia. The more than 40% cut proposed by the Administration for Fiscal Year 2004 is particularly troubling. We have been gratified that Congress - led in large part by this panel - has rejected these proposed reductions, instead seeking levels of assistance consistent with Armenia's considerable progress on economic, social, and political reforms, its constructive participation within the Organization for Security and Cooperation in Europe (OSCE) peace process, and its cooperation on a broad range of regional and security initiatives.

On the matter of Armenia's democratic reforms, I would like to point out that, unlike many of the emerging nations of the former Soviet Union, the Armenian people have a strong democratic tradition which dates back to the earlier periods of the nation's long history. Even under the oppressive rule of the Ottoman Turks, the Armenians opted to govern their community life with a model constitution based on the highest principles of representative government. In more contemporary times, the first Armenian Republic of 1918, which was strongly supported by the United States under President Woodrow Wilson, under the leadership of the Armenian Revolutionary Federation, was a model of democracy, enacting universal suffrage even before the United States. It has been this democratic tradition that has allowed the Armenian people to maintain their forward momentum on democracy despite many difficult hurdles, including the tragic shootings of October 1999 in Armenia's Parliament which took the lives of Prime Minister Vasgen Sarkisian, Parliamentary Speaker Garen Demirchian, and other leading figures in the Armenian government.

Since the time of the tragic 1988 earthquake, the Armenian American community has reached out, through private contributions, to fund reconstruction projects, resettle refugees, and address other pressing relief needs. These contributions, and the work of such non-governmental groups as the Armenian Relief Society, the Armenian General Benevolent Union, the Armenian Missionary Association of America, Armenian Medical Outreach, the Armenian Youth Federation, the Armenian Assembly, as well as the Armenian Apostolic Church, will continue. We recall with pride, that the Armenian Technology Group, a Fresno-based agricultural NGO, was recognized for its good work in last year's Foreign Operations bill. We are further especially pleased that the USAID mission in Armenia has created a position specifically to coordinate its aid efforts with Diasporan organizations.

The role played by United States' assistance to Armenia goes beyond the scope of private contributions, helping to create the environment for these and other international investments, thereby fulfilling a longer-range strategic purpose. We must be careful to ensure that as much as possible of this aid actually reaches Armenia and to eliminate waste and reduce inefficiency. Providing grants to Armenian American non-profit groups to administer U.S. aid programs can be very helpful in this regard, given their familiarity with the people and environment, as well as their deeply rooted devotion to the land of their forebearers.

We have welcomed the establishment of a military cooperation program to Armenia through successive Congressional appropriations. This appropriation marked the end of a decade-long policy of artificial even-handedness held by this and previous Administrations that blocked U.S.-Armenia military cooperation due to Azerbaijan's violation of U.S. law, namely Section 907 of the Freedom Support Act.

The U.S. Department of Defense and the Armenian Ministry of Defense have reached agreements on a broad range of issues and programs, including military training for Armenian officers and upgrading of the Armenian Armed Forces' communications systems. This five-year modernization program is expected to make Armenia's military communications system interoperable with NATO and U.S. systems, and strengthen the international peacekeeping and anti-terrorism capacity of the Armenian military. To help fund this program and other important

bilateral military cooperative projects, we ask the Congress to allocate at least \$10 million in the FY 2004 foreign aid bill for Foreign Military Financing for Armenia.

Based on the considerations we have outlined here, the ANCA supports at a minimum a \$90 million hard earmark for Armenia in the Fiscal Year 2004 foreign aid bill. This appropriation will help offset the devastating effects of the Turkish and Azerbaijani blockades and help to continue Armenia's political and economic transition. Specifically, these funds will be used to develop the economy and infrastructure, further strengthen democratic institutions, and meet the country's current development and humanitarian needs. We are confident that, with this assistance, an economically viable Armenia will be a catalyst for development throughout the Caucasus and all of the New Independent States.

Direct U.S. Aid to Nagorno Karabagh

Mr. Chairman, I would like to once again thank you and your colleagues on this Subcommittee for supporting direct U.S. assistance to Nagorno Karabagh. This assistance was, as you recall, originally opposed by the State Department, which, in May of 1997, sent an Assistant Secretary of State to testify before Congress against this appropriation. Until this panel took decisive action, Nagorno Karabagh was the only population in the Caucasus to have been denied any United States assistance.

While we have welcomed these Congressional appropriations, we have been troubled by the slow pace of implementation of the aid package for Nagorno Karabagh. It would appear that, after more than four years, nearly all of these funds have been spent, although great humanitarian and developmental needs remain in Nagorno Karabagh. As such, we request the inclusion of language in this year's legislation ensuring that assistance to Nagorno Karabagh continues at an annual level of at least at \$10 million.

We make this request because United States' assistance programs - both humanitarian and developmental - for Nagorno Karabagh represent an important confidence-building measure and a key element of the ongoing peace process. Ending this assistance to Nagorno Karabagh would be counter-productive in terms of long-term U.S. regional interests, particularly given its role as a serious and reliable partner in the ongoing peace talks.

As members of this panel are well aware, for seventy years, during the Soviet era, the people of Nagorno Karabagh suffered under a repressive Soviet regime and the persecution of the Soviet Azerbaijani government. The people of Karabagh sought, through legal and constitutional means, to assert their inalienable right to self-determination. Their peaceful and democratic efforts were answered by Azerbaijani aggression and a military campaign aimed at depopulating Nagorno Karabagh of its Armenian population, which constituted over 85% of the people living there. The people of Nagorno Karabagh struggled, first for their own survival and then to assert their right to self-determination. Having proven their resolve by successfully defending their homes, farms, and families against outside threats, the people of Nagorno Karabagh exercised their rights under international law and declared Nagorno Karabagh an independent republic.

We believe that it is the responsibility of the United States and the international community to support the people of Nagorno Karabagh as they seek to bring an end to a conflict that has already claimed too many lives. Karabagh is blockaded by a hostile Azerbaijan, with the strong backing of Turkey. The people of Nagorno Karabagh are faced with pressing developmental and humanitarian needs and the difficult task of rebuilding the social and economic infrastructure of their republic. It is, therefore, imperative that the United States continues sending relief assistance and participate in this reconstruction effort without waiting for the final outcome of the OSCE negotiations. Targeted reconstruction support to Nagorno Karabagh will prove, over time, to be an investment in peace in a region of great strategic significance to the United States.

Section 907 of the Freedom Support Act

Mr. Chairman, as you and the members of this Subcommittee are aware, in 1992 the Congress responded to Azerbaijan's attempts to isolate and cripple Armenia and Nagorno Karabagh by enacting Section 907 of the Freedom Support Act, a law prohibiting certain types of direct U.S. assistance to the government of Azerbaijan until it ends its aggression and lifts its blockades against Armenia and Nagorno Karabagh.

This law represented a concrete manifestation of our nation's enduring belief in open borders, free trade, and the peaceful resolution of regional conflicts. While restricting certain types of direct government-to-government aid, including military aid, this law has not prevented over \$200 million in humanitarian, democracy-building, anti-crime, and anti-proliferation aid to Azerbaijan. For more than nine years, Section 907 stood as our government's most powerful statement against Azerbaijan's illegal blockades.

In the aftermath of the September 11, 2001 terrorist attack on the United States, Azerbaijan took advantage of a tragic situation to demand the repeal of this long-standing provision of law in exchange for its cooperation in the U.S.-led war on terrorism. The Congress, under intense pressure from the Administration, Azerbaijan and its oil industry allies, approved an amendment to the fiscal year 2002 foreign aid bill giving the President open-ended authority to waive Section 907 despite Azerbaijan's ongoing failure to meet its conditions. The amendment includes certain limitations and several reporting requirements for the use of U.S. aid provided under the waiver and, in the conference manager's report accompanying the bill, states that Congress intends "to review and reserve[s] the right to amend the waiver language in the FY2004 appropriations process."

The waiver authority granted to the President undermines our interests in the region by encouraging Azerbaijan to maintain its blockades and remain intransigent in the peace talks on the Nagorno Karabagh conflict. The exercise of this waiver authority, in addition to representing a retreat from a principled stand against aggression and blockades, sends the dangerous signal to Azerbaijan that the U.S. will not respond decisively to renewed aggression against Karabagh or Armenia.

We respectfully call upon this panel to reassert Congressional authority to legislate guidelines governing our foreign aid policy by including a provision in the Fiscal Year 2004 foreign aid bill

that allows the President to extend the authority to waive Section 907, on a year-to-year basis, only with explicit Congressional approval.

Restrictions on U.S. Military Assistance to Azerbaijan

The adoption in October, 2001 of an amendment to the fiscal year 2002 foreign aid bill allowing the President to waive Section 907 of the Freedom Support Act has opened the door to U.S. military assistance, transfers, and sales to the Azerbaijani government.

Unless carefully monitored and controlled, this development can have far-reaching negative impact on American interests in the Caucasus and Caspian region in terms of:

- 1) Destabilizing the regional balance by arming an Azerbaijani government whose senior officials, including the President, Foreign Minister, and Defense Minister, regularly announce their intention to use their increased military capabilities against Nagorno Karabagh. Azerbaijan reinforced this point, during Congressional debate on Section 907, by its absolute insistence that the amendment providing the President with the authority to waive this law not include a specific prohibition on the use of U.S. military aid against Nagorno Karabagh.
- 2) Sending the dangerous signal to Azerbaijan that the U.S. does not take seriously - or even tacitly supports - renewed aggression against Nagorno Karabagh or Armenia.
- 3) Hindering the OSCE peace process by increasing the Azerbaijani threat to Nagorno Karabagh and encouraging greater Azerbaijani intransigence in the peace talks.
- 4) Placing U.S. weapons in the hands of an Azerbaijani government that, according to the Director of the Congressional Task Force on Terrorism and Unconventional Warfare, has allowed Islamic terrorists the "free flow of people, weapons and ordnance through Azerbaijan" in exchange for not interfering with or overthrowing the government of Azerbaijani president, Geidar Aliyev. (Defense & Foreign Affairs' Strategic Policy, "The New Azerbaijan Hub: How Islamist operations are targeting Russia, Armenia and Nagorno-Karabakh," October 1999)

Based on these considerations, we call upon Congress to carefully monitor the terms of the Presidential waiver of Section 907 and to exercise strict Congressional scrutiny of the use of any of these funds, including arms sales or transfers to Azerbaijan that will increase Azerbaijan's offensive military capability or that could potentially be used by the Azerbaijani government against Nagorno Karabagh or Armenia. In addition, we ask Congress to ensure parity in the assistance provided to Armenia and Azerbaijan. The Administration should demand of Azerbaijan written guarantees that this aid will in no way be used against Armenia or Nagorno Karabagh, and request a full accounting of how Azerbaijan has allocated U.S. military assistance.

U.S. Taxpayer Subsidies for Caspian Pipeline Routes

American taxpayers are being asked to subsidize hundreds of millions of dollars in increased construction costs for a proposed Baku-Ceyhan petroleum pipeline route that, at the insistence of

Turkey and Azerbaijan, would bypass the more economically and commercially viable route through Armenia.

The United States should not subsidize any oil or gas pipeline in the South Caucasus whose commercial viability is in doubt or which hinders the United States' goal of integrating Armenia into a secure and prosperous regional economic framework. In addition, all proposals for South Caucasus oil and gas pipeline routes should be carefully evaluated to ensure that all nations of the Caucasus are included in consideration of energy and trade routes. Any U.S. funded engineering/feasibility study or any project implementation focussing on the Baku-Ceyhan pipeline, or similar energy transportation projects, must include trans-Armenian routes. And, finally, the Trade Development Agency should fund and support an oil and gas pipeline feasibility study to determine the cost savings of a trans-Armenia Baku-Ceyhan pipeline.

The Congress should protect U.S. taxpayers by adopting legislation to withhold U.S. taxpayer direct or indirect support for the planning, financing or construction of a Baku-Ceyhan pipeline that bypasses Armenia.

"Common-Sense" Conditions on U.S. Arms Sales to Turkey

United States military and economic aid to Turkey has long been a concern of Armenian Americans, Greek Americans, human rights advocates, arms control groups, and organizations and individuals concerned about regional stability in the Caucasus, Southeastern Europe, and the Middle East. These groups, and all those concerned about human rights, have welcomed the steady decline in Congressional military and economic appropriations to Turkey, while at the same time remaining deeply troubled by the increased sale and transfer of offensive weaponry to an already over-armed Turkish military.

As we have said in past testimony before this panel, Armenian Americans remain deeply concerned by the devastating impact of Turkey's nine-year blockade of humanitarian assistance to Armenia, the threat to regional stability posed by Turkey's ongoing military build-up, and the destabilizing effect of Turkey's military support for Azerbaijani aggression against Nagorno Karabagh. Furthermore, the Armenian American community remains deeply troubled by the distrust and increased regional instability generated by Turkey's ongoing campaign to deny the Armenian Genocide. In addition, we are troubled by Turkey's long history of human rights abuses at home and aggression abroad. This pattern includes the systematic and widespread use of torture and human rights abuses against its own citizens, the genocidal policies being pursued against the Kurdish population, the unfair restrictions on the rights of Christian communities, and, of course, the continuing military occupation of Cyprus.

For many decades, the United States essentially turned a blind eye to Turkey's consistent failure to meet even minimum standards for human rights, international conduct, and humanitarian practices. Over the last several years, however, there has been notable progress in the linkage of U.S. assistance levels to Turkey's unacceptable behavior. As part of the fiscal year 1997 foreign assistance bill, Congress enacted the Humanitarian Aid Corridor Act, which prohibits all U.S. assistance to Turkey as long as it maintains its illegal blockade of U.S. humanitarian assistance to Armenia. Unfortunately, the previous administration exercised the national security waiver of this

law as it impacts Turkey. In so doing, the White House effectively rejected the bipartisan will of Congress that U.S. aid to Turkey should be linked to its lifting of the blockade of Armenia. It is our view that the Humanitarian Aid Corridor Act represents sound policy and a reasonable step toward lifting the Turkish blockade of U.S. humanitarian aid to Armenia.

The U.S. should not place more arms in the hands of a nation which is actively involved in aggression against its own citizens. The use of U.S. supplied weapons by the Turkish military in human rights abuses against civilians has been documented by both the State and Defense departments. We should not provide arms to a Turkish military which has openly threatened its neighbors. As you recall, it was only nine years ago that former Turkish president Turgut Ozal publicly threatened to "teach" Armenians the "lessons of 1915," a brutal reference to the Armenian Genocide.

On a number of occasions over the past several years, Congress has raised serious reservations over the sale or transfer of weaponry to Turkey, placing the transactions in question on hold or shelving them entirely. Presently, the Administration is considering the granting of an export license for a proposed \$4 billion attack helicopter deal and a \$7 billion tank sale to Turkey. It is our view that these licenses should be denied until Turkey has stepped back from its aggressive stance toward its neighbors and taken concrete and verifiable steps to significantly improve its human rights record.

Sending billions of dollars worth of offensive weaponry to Turkey runs directly counter to the interests and values our government should be advancing in this region. These deals would represent a direct threat to human rights, particularly given the Turkish military's consistent failure to distinguish between civilian and military targets. It would upset the regional military balance, sparking an arms race in an area of great strategic significance to the United States. And, finally, it would represent a direct threat to Armenia, Greece, Cyprus, and Turkey's other neighbors.

Accordingly, we call upon Congress to continue to exercise its oversight authority by carefully scrutinizing U.S. military sales and transfers to Turkey. We recommend that special attention be given to any U.S. military hardware - such as advanced attack helicopters or tanks - which may be used by the Turkish armed forces in Cyprus, against Kurdish civilians or which may be transferred to Azerbaijan for use against Nagorno Karabagh.

Mr. Chairman, I want to thank you for the opportunity to present this testimony and to reaffirm the support of the Armenian American community for our nation's foreign assistance program.
