



Master of Arts in Diplomacy and International Affairs
Master Thesis

Interests and Challenges of the Ivanishvili Government vis-à-vis Azerbaijan

Student: Samir Veliev

Master of Arts in Diplomacy and International Affairs

Azerbaijan Diplomatic Academy

Supervisor: Dr. Anar Valiyev

Dean of School of Public and International Affairs

Azerbaijan Diplomatic Academy

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Foreword:

The thesis is written as completion to the program of Master of Arts in Diplomacy and International Affairs at Azerbaijan Diplomatic Academy. The degree is interdisciplinary program with broad choice of studies ranged from international relations and political science to economics, energy, and international law. This is a study is about the current situation of Georgian and Azerbaijani relations, and analysis of the effects of new political circumstances in Georgia as my home country.

Saakashvili's defeat and Ivanishvili's victory on the elections and first-ever peaceful transformation of political power in Georgia brought many issues to the region, and as a choice of research it encouraged me to conduct a study about interests and challenges of the Ivanishvili government in Georgia vis-à-vis Azerbaijan. In the early days of rule, Ivanishvili and his Georgian Dream coalition made attention-grabbing statements and proposals to the electorate which might affect strategic and friendly relations between two neighboring countries in the Southern Caucasus. For the purposes of writing a precise and insightful inquire, I focused on three major dimensions which directly influence the Ivanishvili government's vision, interests, and challenges vis-à-vis Azerbaijan. Those factors – domestic politics of Georgia, Azerbaijan's power over Georgia, and regional politics and projects – have been analyzed in this study which started in January 2013 and ended in the beginning of April 2013.

Developments of bilateral relations, background information, as well as expert opinions helped me to substantiate arguments and conclude findings. However, there are not any scholarly conducted research projects about Georgia-Azerbaijan relations, especially about the incumbent government, I have experienced this period as very interesting and instructive, and overcome a lack of sources, and limits of knowledge in that topic.

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Introduction

After the Rose revolution in Georgia in 2003, the economic, political, strategic relations between Azerbaijan and Georgia further developed. More regional projects, more investment and business flowing from Azerbaijan closely connected the two. Importance of these two neighboring countries for each other challenges and prospers their long-run strategic relations. Azerbaijani oil and gas resources are transported through Georgian territory to the markets in the Mediterranean. Moreover, construction of other projects such as Baku-Tbilisi-Kars railroad system is going to be built through Georgia. As an oil-rich country Azerbaijan expands its energy markets and invests internationally in many different countries through particular channels such as State Oil Company of Azerbaijan Republic (hereafter SOCAR). In recent years, SOCAR has been expanding its scope of activity areas ranged from oil drilling to gas supply and education. Increasing oil revenues and share in oil production under the Contract of the Century improve SOCAR's capacities to go beyond borders of Azerbaijan. Now SOCAR operates not only in neighboring Georgia. SOCAR invests in constructing petroleum stations, gas supply, petrochemicals, port-terminals and some social projects in those countries. SOCAR petrol stations were launched in serving and distribution of energy resources in Georgia in November 2006. SOCAR established its own representation in Georgia. Its main goals are protecting company interests in terms of economic affairs, creating supportive environment for company projects and coordinating efforts of interested parties. It is concerned with interrelations with government bodies, negotiations with legal entities, sponsorships and charity in Georgia (SOCAR Representation, 2012)

However, domestic politics of Georgia is less stable, and more open to changes of powers compared with Azerbaijan. Emergence of relatively new opposition in Georgian politics under

Bidzina Ivanishvili – Georgian Dream strongly challenged Saakashvili’s United National Movement in parliamentary elections in October 2012. Saakashvili’s ruling party lost the elections to Georgian Dream, and Bidzina Ivanishvili became the prime minister of Georgia (Central Election Commission of Georgia, 2012). Being elected and gaining power to govern the country gives Georgian Dream opportunity to challenge Saakashvili, and investigate post-revolution period in order to find misappropriated funds or corrupted policy implementations. These findings might be significant for Georgian Dream to overcome United National Movement in the upcoming presidential elections in 2013. On the other hand, United National Movement’s seats in the Parliament and the president’s constitutional right to veto the Government give Saakashvili to exert its power to challenge the Ivanishvili Government.

Ivanishvili promised lower prices of fuel and gas to the public during his political campaign (Rusiko Machaidze, 2012), when he highlighted the need for negotiations with SOCAR on that point. It was clear that all those promises were calculated to get credits of Saakashvili’s back-scene politics. His statement about the economic inefficiency of Baku-Tbilisi-Kars railroad (Vestnik Kavkaza, 2012) construction may be seen as a result of economic benefits of the project considering the transportation system of Georgia. Further, demands of higher salaries and less discriminative policies of employees of Kulevi Terminal which is owned by Azerbaijan was another issue of Ivanishvili. All these factors seem to affect relations of the two neighbors.

This paper will focus on Ivanishvili’s approaches and statement about calculations, and reviewing developments of relations with Azerbaijan in the context of particular regional, bilateral, and domestic circumstances of the two countries.

Significance of the Study

The major scope of this study intends to cover broader explanatory analysis of Ivanishvili's view towards Azerbaijan. Historical background of bilateral relations of both countries with each other, particularly business deals and civil society analysis is a sphere of research that is not analytically researched, and needs deep focus and broad information package. On the one hand, Ivanishvili's personal background, inexperienced political practice, statements and interviews are worth being studied in order to draw more or less clear picture of the relations of Azerbaijan and Georgia. On the other hand, future expectations and developments are vital for authorities of both countries, regional projects such as Baku-Tbilisi-Ceyhan, Baku-Tbilisi-Erzurum, or Baku-Tbilisi-Kars, private groups and businesses, and ethnic groups of Georgia to identify their long-term plans and strategies.

Considering the different political promises and severe struggle for power between the Ivanishvili Government and Saakashvili's United National Movement party, it creates a negative image of bureaucratic politics in Georgia which consequently pushes Azerbaijani authorities and the society to evaluate Ivanishvili's future aspirations, interests, and challenges. Without analyzing the real background, and focusing on just media reports or other sources of information about the actions of the Ivanishvili Government, it would not come to solid and substantiated expectations in Georgian-Azerbaijani strategic relations. Therefore this study will come to important conclusion remarks that scholars, media, researchers, policy-makers and any interest groups would get advantages of this paper. By this study, some could find reasons and views of the governments towards particular aspects of political, economic, business realities in the region.

More notably, there are not scholarly written articles or research projects about Georgia-Azerbaijan relations, and only media institutions and government bodies have released some studies on that topic. Even though almost everyone agrees that relations between two countries are strategic, friendly, and cannot be deprived by personalities, no one paid academic interests and need of deep investigation on the issues. As a pioneer research task, this study would contribute academia, and might grab attentions for further writings.

Methodology

The study is an explanatory research project which looks at developments in Georgian political scene, and follows the developments. In order to analyze and find out more precise and reasonable results of the topic of this research, inductive study method will be applied throughout the project. Analyzing conducted policies and strategies, statistical and economic data, theoretical approaches with both qualitative and quantitative research will give important outcomes to the researcher to come to concluding responses to the main goal of this research project. The author also plans to use a method of participant observation to get feedbacks about the influence of Azerbaijan in the society, politics, and economy of Georgia. Moreover, views of some researchers, officials, and academicians will be brought into play to learn their views and considerations can be significantly important for the analysis.

Although there is not clear hypothetical approach by the author, the main position of the study of the Ivanishvili government is the following:

- Many controversial steps and statements of the Ivanishvili government are not only because of their “destructive” politics, but as a result of their relatively weaker and inexperienced government officials, as well as emotional approaches against Saakashvili’s rule. Therefore, the following positions have to be tested what actually the Ivanishvili government looks for?

- Ivanishvili himself and his allies want to investigate all acts and implementations of the previous government in order to get economically beneficial, politically transparent information for the country. However, the Ivanishvili government faces with challenges in that regard for the reason of less experience in governance and politics, and their political aspirations that the new government can put into practice whatever they think.
- The Ivanishvili government is not influenced by foreign actors, particularly Russia, as it is thought in its pre-elections and initial periods in the rule. Most of statements and policies made by the new government to clarify “doubtful” points for them, and utilize those facts in their domestic and foreign relations which are also strongly connected with Azerbaijan.

For the purpose of structural analysis, the paper focuses on three aspects of study – domestic politics; Azerbaijan’s power over Georgia; and regional politics. It gives an opportunity of looking at broader picture, which influence the policy-making decisions of the Ivanishvili government.

Research Questions

With the purpose of getting more reasonable and substantial results we have to find answers of some of the following research questions:

- *What are the major trends and developments of policies of Azerbaijan and Georgia vis-à-vis each other?*
- *Why Ivanishvili tries to review and re-design relations with Azerbaijan?*
- *What are the major issues towards Azerbaijan can be improved by the Ivanishvili Government as the core of future foreign policy?*

Limitations

There are not many research and analysis papers and scholarships, and the case of the Ivanishvili Government in Georgia will be the very pioneer of research strategies and foreign and political implications in the South Caucasus. Therefore, outcomes of this research, as a case study method, will not be generic and applicable globally. However, it will explain the main causes, trends, and consequences, it will be uneasy to give fully valid and reasonable future prognosis and expectations. The most difficult part of this research is to find reliable and official documents and data when the author encounters with a news or statement about investigations on corruption, nepotism, or any kind of illegal activities. Therefore, it creates troubles for the researcher to substantiate that information.

Conceptual Explanations

First of all, in order to analyze the relations of both countries and challenges of the Ivanishvili Government theoretically we have to look at the ongoing policies and development through the eyes of *bureaucratic politics*, *interdependence theory*, and *realist perspective* of foreign policies of Azerbaijan.

- From a bureaucratic politics perspective, after power transition to Ivanishvili's Georgian Dream, decision-making process became more difficult for both government and president. Due to mutual challenges, implementation of one's idea and proposal is made more complicated and even politically misleading for domestic and foreign stakeholders.
- Interdependence theory explains that countries are not willing to deteriorate development of their bilateral relations. A government of a country cannot easily change its views and approach toward the other. Interdependence influences decisions of governments before

applying them. Governments should calculate costs and benefits of their policy implications.

- On the other hand, Azerbaijan's existence and importance in the region can be explained through a realist view of regional politics. In order to become regional leader Azerbaijan is willing to influence the regional actors with the possible economic and strategic dominance over Georgia. Of course, Georgian authorities also desire to enhance their own power in the region and use the advantages that they have.

For those actors of politics in Georgia and their relations with Azerbaijan, three theoretical views would explain why Ivanishvili is interested in more transparent and efficient relations with Azerbaijan, and how challenges encounter him. In domestic politics, mostly bureaucracy of the presidential office and government bodies challenge each other, and question the other's proposals. Realpolitik approach of Azerbaijan towards Georgia, and vice-versa, challenges the Ivanishvili Government as well. In regional affairs, Ivanishvili should consider mutual strategic importance and interdependence of both countries for their partnership.

Moreover, we have to conceptualize some main elements of research in order to be clearer and more precise throughout the project. *Economic impact* can be understood as a role of an actor over macroeconomic value of capital accumulation of the country. According to Koehane and Nye, *interdependence*, most simply defined, means mutual dependence... refers to situations characterized by reciprocal effects among countries or among actors in different countries (Koehane & Nye, 2012). *Soft power* is another form of power in which a country does not use coercion and economic means to influence the other, but utilizes its resources to affect the other country with attraction and persuasion (Nye, 2012). In this research, we will refer the South Caucasus as a *region* – geographically delimited and politically consist of three countries

Azerbaijan, Georgia, and Armenia. D. Femes conceptualizes *regional power*, which is part of a geographical region, is ready to assume leadership and displays the necessary material and ideational capabilities for power projection in the region, and is highly influential through multiple channels in regional affairs. Along with the mentioned features, regional powers have the existence of leadership projects and the provision of collective goods for the region, and economic, political, and cultural interconnections within the region (Daniel Femes, 2010).

ANALYSIS

In order to study Ivanishvili’s considerations and challenges the study looks at the processes in the context of (1) domestic politics of Georgia, (2) Azerbaijan’s existence in Georgia (particularly focused on SOCAR), and (3) regional politics. Domestic political instability and struggle for more political leverage between main competitors – Georgian Dream and United National Movement - generate more vulnerable situation in Georgian politics, which consequently affects foreign policy of her. Recent policy of expansion of SOCAR and Azerbaijan’s political will also create more influence for Azerbaijan on Georgia, and the

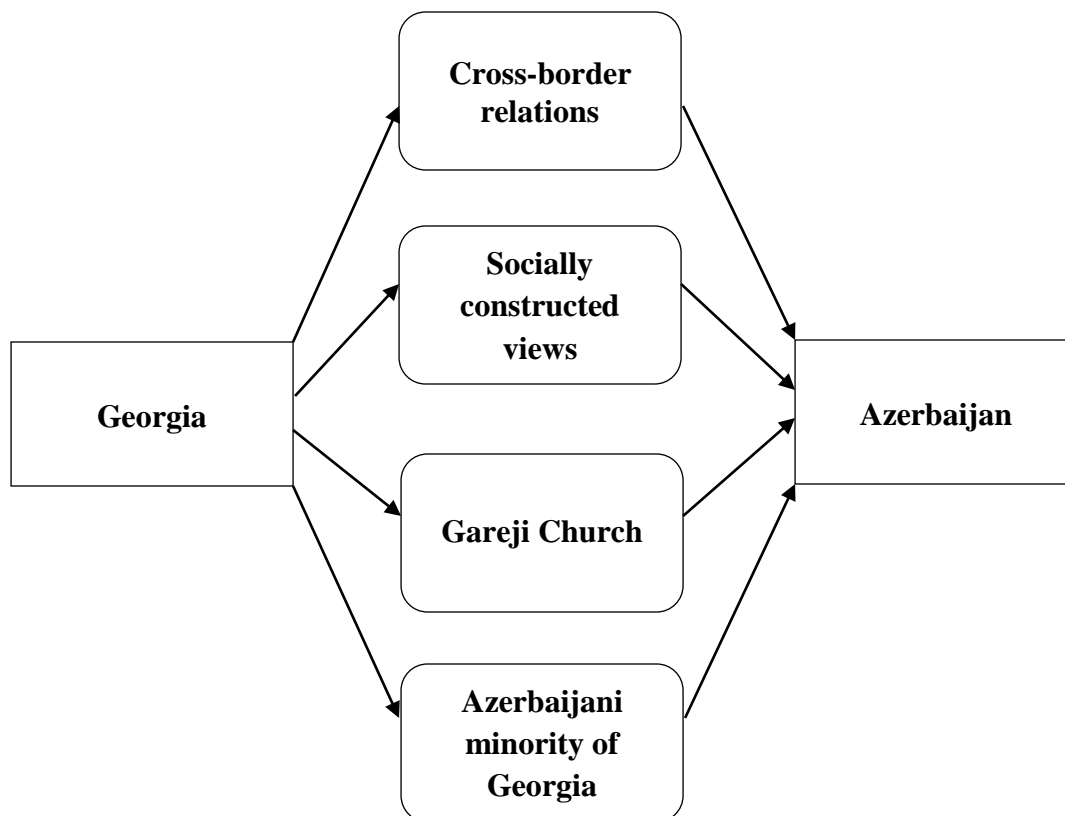


Ivanishvili government clearly understands such trends and developments, and takes them into account. Moreover, Ivanishvili’s political mission on foreign policy does not only cover Georgia

itself when the issue comes to regional politics. Georgia is a party in many regional cooperation projects and political aspirations.

Ceteris Paribus factors between Georgia and Azerbaijan

Background of bilateral relations of two countries has particular important areas that also affect current situation and might be thought by policy-makers in their decisions and considerations. Therefore, before looking at contextual analysis it would be useful to evaluate those areas, and then assess the main aim of the study. These issues between the two are always in the scene of political and diplomatic relations under any governments of the respective countries. It might be a different political actor but not Ivanishvili to rule Georgia, those major four factors would definitely affect his or her interests and challenges towards Azerbaijan. Therefore, here, the four influential aspects would be considered as important subjects of bilateral relations, but due to main three contexts of this study, they would be envisaged as *ceteris paribus* (all other things being equal or held constant).



Based on participant observation, conducted interviews, and official statement, the study takes a look at the following areas which influence bilateral relations of two countries, and their policies.

Looking for these areas also gives sufficient substantiation to a position of the study:

- a) Cross-border relations since independence of both countries have been developed in specific ways. During the previous governments cross-border relations brought different issues, ranged from smuggling to border-markets, to the scene of politics.
- b) For the purposes of assessing public opinion towards Azerbaijan and Azerbaijanis in Georgian society, it is useful to look at polls and surveys whether there is positive or pessimistic socially constructed views that might be in need of politicians.
- c) The Gareji Monastery on the border of two countries is one of the main issues that is in the interests of both governments. Because of historical religious and cultural importance of the Church, Georgians want it to be within their borders that they can visit and arrange their religious ceremonies without any restrictions. On the other hand, considering its strategic location Azerbaijan keeps a part of the caves under its control. The issue also needs to be taken into consideration by the Ivanishvili Government.
- d) The fourth area of this section is Azerbaijani minority in Georgia. The study does not going to deep into their historical, cultural background, neither to their problems in social, economic, or political spheres, but briefly looks at their political activeness and how their position affects Georgian politics and governments. Based on observation and personal experiences, it is worth noting that in Saakashvili's rule, Azerbaijani minority faced more respect and less intolerance.

Cross-border relations

An official source shows 6.5% of total population in 2012, Azerbaijanis usually count the number of Azerbaijani minority unofficially almost half a million. Since independence of both countries the minority has been encountering an identification of citizenship and nationality. Most of them do not understand and speak the official language of Georgia. In the early years of independence, both states were weak enough to provide sound border security because of their internal political power struggles, challenges from separatist groups, and lack of state capacity to provide protection of civics and properties. As witnessed observers say, according to internal problems of the countries, both governments could not provide legal custom procedures which eventually led to smuggling of oil and diesel products on the borders. Some may argue that under such circumstances Azerbaijani minority could have moved to Azerbaijan for finding jobs or staying. Sadakhlo bazaar was one of the border trade locations built on the borders of three countries in order to prosper regional trading, and consequently to produce relatively better conditions for the local people around those bazaars. Ilham Shaban (personal communication, February 2012) of Oil Research Center argues that Sadakhlo bazaar was one of the places where people could have been legally and illegally trading. As Tomas de Waal writes, “Georgian and Armenian politicians closed ... these markets in the earlier part of the last decade, saying that they were a massive source of illicit goods, smuggling, and tax-free trade. Technically speaking both markets were havens of contraband.” (Tomas de Waal, 2010). After Saakashvili’s triumph on the Rose Revolution in 2003, Georgian authorities started investigations on corruption, illegal businesses, and smuggling issues, and with no doubt, Sadakhlo border market was one of those targets. Consequently, Saakashvili signed a decree to close the market in Sadakhlo village

(Tomas de Waal, 2012). Saakashvili's reforms prevented many illegal businesses and shadow economies indeed.

Socially constructed views

Historically, Azerbaijan and Georgia have been living in a friendly environment, and there are very few cases that two nations clashed or faced with conflicts. After getting independence, the two experienced more reliable and tangible partnerships, cooperation, and projects which enhanced public opinions of each nation vis-à-vis each other. For the purposes of analyzing public opinion towards Azerbaijanis in Georgia, Caucasus Barometer data of The Caucasus Research Resource Centers (CRRC) conducted polls in Georgia, and the polls show that about 80% of Georgians are positive on making friendships with Azerbaijanis, and almost the same percent of populations are willing to do business with Azerbaijanis. The question asked by CRRC – biggest friend of Georgia – Azerbaijan is in the TOP 5 countries (Caucasus Barometer, 2011). The results of polls show that Georgians have always positive views towards Azerbaijanis in general. Therefore, governments in Georgia take those results into calculations when they speak about Azerbaijan. Dr. Kakachia mentioned these facts in the interview, and also he added an important fact which changed views of Georgians towards Azerbaijan after the war in 2008 between Georgia and Russia over the disputed areas. *“Azerbaijan’s rather vague position to support Georgia made relatively negative effect on Georgians. However, they understand the reasons and background of such position, they were expecting something more. Despite such few facts, still Georgians think of Azerbaijan as their strategic friend, and it will be the same in the future.”* (Kornely Kakachia, personal communication, February 2012)

Gareji Church

The cave monastery known by Georgians as David Gareji and Azerbaijanis as Keshish Dagh is an important religious centre and cultural monument for Georgians. Azerbaijanis regard it as part of their cultural heritage, and also say it lies on strategic high ground... The current border runs through the monastery grounds, with the majority of the churches on the Georgian side. There are border guards on both sides... The monastery is situated in southern Georgia, 565 kilometers from the Azerbaijani capital Baku and 60 km from the Georgian capital Tbilisi. It dates back to the sixth century and is spread over 25 kilometers of arid landscape, with hundreds of buildings and churches built into rocks and cliffs, many of them still inhabited by monks. Demarcation of the area is called as “not a dispute” between two countries by officials of both states. Georgians can easily visit the monastery to pray and Azerbaijanis for the touristic purposes (Idrak Abbasov, 2007). The monastery complex, which has withstood attacks by Tamerlane and Shah Abbas alike, holds strategic significance for both Azerbaijan and Georgia. From the Udabno ridge, both Azerbaijani and Georgian territory can be easily monitored. "From the military point of view, this position has importance for both countries," said Uzeir Jafarov, an independent Azerbaijani military expert in Baku and a retired colonel. "Theoretically, in the case of military conflict, the side which enjoys control over these heights will get a big advantage." To hold on to the churches on Georgian territory, Tbilisi has proposed giving Azerbaijan an as yet publicly unspecified section of Georgian land near the Azerbaijani border. "All we need to do is to find a common language with our Azerbaijani colleagues," Georgian Deputy Foreign Minister Giorgi Manigaladze, who oversees the State Commission on Border Delimitation and Demarcation, told reporters in Tbilisi on October 30. Azerbaijani officials, however, say that they are unwilling to consider the exchange. "There is no room for territorial exchange [with Georgia]. There are no

negotiations over this issue," Deputy Foreign Minister Khalaf Khalafov, co-chairman of the intergovernmental commission on border delimitation with Georgia, said at a press briefing in Baku on November 2. Azerbaijani officials say that in the past three years Georgia has twice offered sections of Georgian territory in exchange for recognition of the current border division of the David-Gareja monastery, but that Baku has rejected the offers in both times (Petriashvili and Ismayilov, 2006). During the Saakashvili rule, the parties could not succeed in finalizing the status of Gareji monastery, and on the 17th of May 2012, a telephone conversation was held between the Georgian Foreign Minister, Mr. Grigol Vashadze, and his Azerbaijani counterpart, Mr. Elmar Mammadyarov. The two discussed various topical issues concerning bilateral relations between their two countries, and also focused on the problem of the Udabno monastery (a Georgian cultural monument within the Davit Gareja monastic complex) The Ministers agreed that the problem will be addressed in the foreseeable future (The Ministry of Foreign Affairs of Georgia, May 17, 2012). *"At the meeting during the NATO Summit, Presidents Mikheil Saakashvili and Ilham Aliyev discussed another round of talks that are to be led by diplomats from the two countries, members of a special border commission. In their opinion, a workable solution is needed in the context of future cooperation between both states."* – writes A. Wozniak on the Eastbook.eu. Grigol Vashadze, the Foreign Minister of Georgia, announced: "I want to stress that this is not a new problem; during the Soviet times, intentionally or unwittingly, the administrative border was drawn in a way that 2 percent of this monastery complex fell on the Azerbaijani side of the administrative border. I want to stress that as soon as we return back to Georgia we will demand upon the President's instruction to immediately hold a meeting of the [bilateral Georgian-Azerbaijani border delimitation] commission in order to continue working on this issue with doubled efforts" (Anna Wozniak, 2012).

Dr. Korneliy Kakachia of Georgian Institute of Politics highlighted the dispute over David Gareji monastery complex between two countries as the only major unresolved issue of Azerbaijan-Georgia relations. Kakachia thinks if the Ivanishvili Government would come to an agreement of delimitation of the border and status of Gareji Church, then there would be nothing significantly disputable issue between two strategic partners. *“if the new government of Georgia would achieve a successful negotiation with their Azerbaijani counterparts on the delimitation of the mentioned area, it would be an important agreement to demonstrate strong bases for the future partnership with Azerbaijan. This also would be politically vital issue for the domestic audience who visit Gareji and think of its importance for their religious and cultural heritage.”* (Kornely Kakachia, personal communication, February 2012).

Azerbaijani minority of Georgia

Another important issue exists and foreseeable in Georgia regarding Azerbaijani minority of the country. Despite the fact that Azerbaijanis are the second largest ethnic group in Georgia, Azerbaijani minority have relatively loyal, pacific, and inactive socio-political engagement in politics, civil society, and social life of the country. As experts and officials agree, the main problems of those Azerbaijanis are the language barriers and lack of well-developed civil society institutions. Civil societies, NGOs, youth organizations of Azerbaijani minority are more or less engaged in social, cultural, and education problems. Some may consider the ethnic Azerbaijani community as a source of Azerbaijan’s power in Georgian domestic affairs. On the contrary, some may argue this claim as a weak statement because of the real situation and the direct role of ethnic Azerbaijanis in Georgian politics. As Ilham Shaban (personal communication, February 2012) recommends, Azerbaijan can invest in businesses, but more importantly should develop civil society and improve civil engagement processes of Azerbaijani people of Georgia.

Whatever happens in the political realm of Georgia, Azerbaijani minority would be considered as a sensitive and vital issue for any political actor. It would happen not only because of their relations with Azerbaijan, but also due to domestic stability. Although Azerbaijani minority is politically less active, as the second largest ethnic group they are large share of electorate for political parties.

Domestic Politics

The current political picture of Georgia is rather anecdotal when we look at the ongoing processes after the parliamentary elections in 2012. The President and the Government represent different political groups which are opposite to each other, try to find any point to challenge each other. Just after becoming the premier, Ivanishvili started investigations of the Saakashvili Administration. Even few days before the election, video shots of brutality and torture acts in police buildings came to media (Al Jazeera, 2012) which, according to some experts, led Ivanishvili to win the election over Saakashvili's United National Movement (Darziyev, 2012). As Saakashvili is always proud of his success in eliminating corruption, changing the picture of police in society, creating business-friendly and transparent environment, it is significantly important for Ivanishvili to find some mistakes of Saakashvili in order to decrease his popularity in political realm. Investigation of former cabinet members, including ministers, actually draws attention to realities of Saakashvili's back-scene politics. Moreover, malicious scuttlebutts about Saakashvili's corrupted business relations with SOCAR Georgia and many other companies are taken into account when Saakashvili is criticized. Therefore, investigations of any acts of Saakashvili are very important for Ivanishvili and his politically allied counterparts. Ivanishvili will look for any chin-wagging deals of Saakashvili with any businesses which may also consequently come to the SOCAR Georgia.

On the other hand, even challenging Saakashvili is still possible indeed, however, gaining full power in politics without United National Movement is not possible in the current situation of Georgia. Because of the existence of strong opposition of Saakashvili's party in the parliament, and pro-Saakashvili elite clans of Georgia, Ivanishvili himself is challenged in many policy considerations. Saakashvili is also looking forward to find any issue to get credits of that and gainsay Ivanishvili's politics. These confrontations between Ivanishvili's coalition and Saakashvili's party lead the consequences in which both of them lose their credibility in economic and political deals with other countries, especially neighboring Azerbaijan.

Dr. Kakachia says in the conducted interview *“foreign policy can be considered as a continuation of domestic politics, it is normal to encounter some new challenges in relations with Azerbaijan. Azerbaijani parties can get different views and statements on Georgian side because of unstable and volatile domestic politics. Whenever domestic political stability will be achieved, the new government will understand ongoing situation, and clearly stress their priorities, everything would be easily clarified with Azerbaijan in the context of bilateral relations.”* (Kornely Kakachia, personal communication, February 2012). According to Dr. Kakachia, Georgian media institutions also play an essential role with their interpretations of the statements and grounds. *“Sometimes media, especially politically affiliated agencies over-exaggerate a simple issue or concern, and then interpret according to their own interests. Saakashvili's supporters speculate news from Georgian Dream coalition as flash and politically negative issue which can hurt the strategic relations with Azerbaijan. On the other hand, Ivanishvili affiliated media do the similar interpretation of any controversial statement of the Saakashvili Administration.”*

As many analysts, Kakachia also mentioned in his article, bilateral relations between Azerbaijan and Georgia is not dependent upon political actors and personalities, but strong friendship and cooperation. Strong relations with Azerbaijan and mutual need of support in the resolutions of territorial conflicts of each country are in the interests of both countries (Kakachia, 2013).

Azerbaijan's leverage and role in Georgia

Georgian population is composed of different ethnic groups, including Azerbaijani minority of Georgia. According to official statistics, Georgian Azerbaijanis are the second largest ethnic after Georgians (The Government of Georgia, 2013). The current social, economic, and political circumstances of Georgian Azerbaijanis are more or less weaker than ethnic Georgians. Owing to the facts that Georgian Azerbaijanis have language and social problems, and they are weaker in political participation, they might not be considered as a strong power in Georgian politics. However, Georgian Azerbaijani minority is not a main research unit of this section, and will not be broadly covered here, they had great influence over elections of Saakashvili's and his party's wins in post-revolution period. Azerbaijan has a soft power source with the existence of second-largest minority in Georgia. Overall, as the Foreign Minister of the Ivanishvili cabinet M. Panjikidze highlighted in her statements in Baku in March 2013 that *"Azerbaijan is a very crucial economic factor for Georgia because it has made a large number of direct investments in our country. Azerbaijan is the second largest investor in Georgia's economy... Last year alone saw the emergence of 134 companies involving Azerbaijan's investment in Georgia. The total number of such companies is more than 500." ... This illustrates how close economic ties we have. Some 12 per cent of direct investment made in Georgia comes from Azerbaijan... We wish that the number of such companies would increase, since there is nothing better than receiving*

such help from one`s neighbors. In addition, these ties are very important in terms of maintaining stability and good relations in the region.”(AzerTag, March 20, 2013).

One of the main actors of this research is ***SOCAR in Georgia***, and the question why Azerbaijan is becoming influential and gaining leverages over Georgia with the help of SOCAR can be analyzed in the following way. Being the largest state-led entity helped SOCAR to seek business profits, as well as to become a key player of Azerbaijan in economic, foreign and political realm. Particularly, Georgia is one of the most successful marketplaces for SOCAR to acquire more and more opportunities to become influential in the country. SOCAR’s investments in the next-door neighbor play an essential role in its economic development, energy supply, and political considerations. In 2011, Foreign Direct Investment (FDI) in Georgia was calculated as \$US 1117244.149 thousands, and approximately 12.3% of that flow belonged to Azerbaijan. Note that 18.2% of overall FDI flow was invested in energy sector of the country. Considering SOCAR’s investments one can estimate the weight of Azerbaijani investments in Georgian economy, particularly in its energy sector.

- ***SOCAR as an energy actor***

In recent years, SOCAR started an enlargement policy to expand the market and invest in overseas. Particularly, during the Saakashvili Administration, SOCAR has started a business in energy sector of Georgia. Building petroleum stations and gas distribution, and being one of the major participants of Georgia helped SOCAR to play a key role as an energy supplier. According to Brenda Shaffer, energy security is widely conceived to have three main components – reliability and affordability of supply, and friendliness to the environment (Brenda Shaffer, 2009). Because Azerbaijani energy resources (consequently, SOCAR) could be more appropriate for Georgian energy security priorities, SOCAR gains more advantageous position as such.

According to official statistics of SOCAR, out of 383440 tons of imported oil products to Georgian economy, 328435 tons were Azerbaijani resources in 2012. In the end of 2012, SOCAR increased the network of petroleum stations up to 100. Moreover, according to the agreement between SOCAR and Georgian government, “SOCAR Gas Export-Import” company imported 1394869000 cube meter natural gas to the market in 2012. “SOCAR Georgia Gas” company has built 2790 km gas lines so far, and the company supplies gas to 176780 subscribers. Last year, the company imported 532588000 cube meter natural gas to Georgian market. Further, last year, SOCAR has bought shares of “ITERA Georgia”, and consequently took the gas supply of all regions of Georgia (except the capital Tbilisi) under its control (Civil.ge, November 1, 2012).

- ***SOCAR as an entrepreneurship***

Investments and running businesses in Georgia helped SOCAR to improve and diversify its markets. Along with being an important energy actor, SOCAR is becoming a developing business entity. According to the latest statistics, “SOCAR Georgia Petroleum” has invested \$US 149700000 in Georgia since 2006. SOCAR also became the largest taxpayer of Georgian economy in 2009 (SOCAR Georgia Petroleum, 2010). “SOCAR Georgia”, with all its sub-companies, paid all the tax payments to Georgian state budget in 2012 which was counted as 269514743 Georgian Lari (approximately, \$US 165.35 mln) (SOCAR Georgia, 2013). Besides energy distribution, SOCAR owns port areas of in Black Sea coast, such as Kulevi Terminal, and the company is also improving its Corporate Social Responsibility projects, invests in sports and education, and cultural and civil societies (SOCAR Georgia, 2013). As a business entity SOCAR has already significant input in Georgian economy.

- ***SOCAR as a foreign policy actor***

Considering the facts that Azerbaijan and Georgia are strongly interdependent neighbors in the South Caucasus, the two have opportunities to utilize their advantages over the other one. However, Georgia is not the only transit option for Azerbaijan to export its hydrocarbon resources, Georgia has obtained more important geopolitical role to provide an access to Azerbaijan and other Caspian energy-rich countries to transport their productions to world oil markets. Moreover, Baku-Tbilisi-Ceyhan, Baku-Tbilisi-Erzurum, Baku-Tbilisi-Kars, TANAP, TRASECA, and many other regional projects enhanced Georgia's substance as a relatively more reliable, friendly, less risky, and less costly transit route. On the other hand, Azerbaijan aims at getting more opportunities to influence Georgia for the purpose of its existence in Georgia, and use the opportunity to economically and geographically suppress Armenia in the region.

After the Rose Revolution, Georgia became the World's number one reformer in 2005-2012 – announced by the World Bank group (Georgia.gov.ge, 2012). However, particularly after the war in 2008, Georgian economy encountered with troubles and decreases in economic growth markets (Papava, 2008). Taking Georgian government's liberalized and investment-friendly business environment into account, Georgian market has become a good option for Azerbaijani investments. Definitely, SOCAR is the main actor to take the advantages of situation, and becomes an influential player in Georgia both in the Saakashvili's administration, or Ivanishvili's period.

- ***SOCAR as a political tool***

As a political power, with its huge amount of share in Georgia economy, energy market, and political support of Azerbaijani political institutions, and cultural and historical ties of the two countries, SOCAR can change the political agenda of Georgian authorities. Building

Azerbaijan's soft power vis-à-vis Georgia, SOCAR can be considered as an influential element of the situation. Corporate Social Responsibility programs, local Azerbaijani minority of Georgia, friendly political relations and environment, support for civil engagement, successful marketing, brand-making and sponsorship strategies, as well as cultural ties are the tools that SOCAR can improve its power over the Georgian Government. As SOCAR officially inaugurated in 2012, Marneuli "Tea house" is a cultural center for local Azerbaijani residents which covers chess-playing, dance classes, carpet-weaving and English language trainings. In Tbilisi, M.F.Akhundov Museum has been renovated by SOCAR's funding. Besides those activities, SOCAR has invested in education of students in Georgia. Within its scholarship program, SOCAR has fully paid tuition fee for 447 young students studying in Georgian universities, and 205 students got SOCAR stipends for their achievements. Moreover, SOCAR continues its sponsorship to Georgian Football Federation and Georgian Chess Federation under its supporting sport principles (SOCAR Georgia, 2013).

Only SOCAR's existence in Georgia gives Azerbaijan a power to exert in Georgia when Ivanishvili tries to challenge any issue related with SOCAR Georgia. It is very understandable why Ivanishvili visited the office of SOCAR Georgia in Tbilisi, and met with Rovnaq Abdullayev, the President of SOCAR just after the elections (The Government of Georgia, 2012). Negotiations with SOCAR on the price deals of fuel and gas in Georgia were also on the top of agenda during Ivanishvili's first official visit to Baku in December 26, 2012 (The President Administration of Azerbaijan Republic, December 26, 2012). After the meetings with Azerbaijani authorities, Ivanishvili talked to media and confessed that he had made a mistake on price deals with Azerbaijan.

The Ivanishvili Government had found out some issues to investigate the roots of corruption or less transparent contracts and agreements during the previous governments. There were particular cases related with SOCAR Georgia that media highlighted them as “confidential” or “undisclosed sum”. For example, Reuters reports that “Azerbaijan's state oil group SOCAR said on Thursday it has acquired Itera-Georgia, enabling it to sell gas directly on the Georgian market except in the capital Tbilisi... SOCAR President Rovnag Abdullaev told reporters that the cost of the acquisition was *confidential* but not large” (Reuters, 2012). Another news from civil.ge portal reports “SOCAR bought unfinished oil terminal in Kulevi in late 2006 from the late tycoon Badri Patarkatsishvili for undisclosed sum” (Civil.ge, May 16, 2008). All of those kinds of news and cases grab Ivanishvili’s attention to find any illegal and corrupted points to challenge Saakashvili and his allies. The questions are considered to be raised when Ivanishvili tries to negotiate with SOCAR authorities. A foreign policy expert says this statement shows that Azerbaijan affected Ivanishvili’s initial considerations, and exerted its leverage on that particular issue. The development of processes as such also describes the will and capacity of Azerbaijan to become regional power. Another expert Ilham Shaban thinks the reason why Ivanishvili had changed his initial statements about SOCAR in Baku should not be necessarily related with SOCAR’s influence in Georgia, but also incapability of the Ivanishvili cabinet in political and diplomatic negotiations. *“Ivanishvili is a successful businessman indeed, but he has no experience in politics, and therefore, he consistently makes political mistakes in his statements.”* (Ilham Shaban, personal communication, February 2012)

Dr. Kakachia’s approaches towards SOCAR’s existence in Georgia as a sensitive issue that is worth paying attention have quite significant grounds. Dr. Kakachia thinks of SOCAR as a purely business-oriented institution, and stresses the possible negative outcomes of any political

affiliation in Georgian politics. *“Georgian domestic political scene is so responsive towards any foreign interference such as SOCAR’s possible role. SOCAR would support or stand in a position against any political party would rather damage bilateral and regional affairs. Georgian politician would then argue on other many issues, and complicate the current circumstances. Moreover, it could be counted as intervention to domestic affairs of Georgia by political actors.”* (Kornely Kakachia, personal communication, February 2012)

Because of domestic political struggle between Saakashvili and Ivanishvili, both try to convince their Azerbaijani counterparts, and ensure them, which one is more reliable. From a bureaucratic politics perspective, these kinds of developments negatively affect Georgia’s foreign policy. When Ivanishvili visited Baku in December 2012 after arriving from Brussels as his first visit to Azerbaijan, he mentioned *“after commissioning of the Baku-Tbilisi-Kars railway, cargo traffic through Georgian railways would go down. It was a hasty statement. There are no problems in this issue as a matter of fact.”*(AzerTag, December 26, 2012). *“I have expected a very warm welcome in Azerbaijan. But we got more - a brotherly attitude... Relationship between the two friendly countries can serve as an example for other countries... I have decided to pay my first visit to Azerbaijan, because relations between our countries are historically friendly. Our goal is to deepen our relations and bring them to a level that allows us to take into account a common position in the international arena.”*(AzerTag, December 26, 2012). By this visit, Ivanishvili demonstrated his will to strengthen bilateral relations with Azerbaijan. Azerbaijani officials have taken a position to wait for stability in Georgian domestic politics before publicly announcing any statement about persons or government of Georgia. After a short period of time, President Saakashvili visited Baku and Nakhchivan in February, 2013. During the visit, Saakashvili stressed volatile political situation in Georgia, and “irresponsible” statements of the new

government, which might hurt strategic and brotherly relations of two countries. As he always criticizes Russia's role in the region, again mentioned Russian interferences in the political realm of two countries. Dr. Anar Valiyev writes on the Jamestown Foundation that *“Saakashvili... clearly saw the danger Azerbaijan and Georgia are facing... In particular, he said that Georgia and Azerbaijan are threatened by the possibility of destabilization by Russia. Georgia faces disintegration while Azerbaijan fears Russian-sponsored regime change. “A billionaire named [Soyun] Sadikhov in Russia is from Georgia’s Gardabani region and promised to achieve autonomy for Azerbaijanis in Georgia... At the same time, Sadikhov, together with another billionaire, Vagit Alekperov... are planning a regime change scenario similar to the Georgian one”* (Anar Valiyev, 2013).

The statements that Saakashvili pointed out can be considered as a manipulation of the situation because he wants to gain more popularity and ensure his counterparts in Azerbaijan about the possible “dangerous” outcomes of the incumbent government in his country. The politics of Georgia is highly sensitive and complicated that two major actors of Georgian politics try to substantiate their arguments and wills by criticizing the one's danger. As Dr. Kakachia underlined the importance of Azerbaijan's position in that regard, *“it would be harmful for both countries to support one of the two and make a clear position about the other one. As those two actors firstly should come to a concluded political arrangement after the presidential elections on October, 2013, and later all aspects of Georgia’s attitude towards Azerbaijan would be clear for all parties.”* (Kornely Kakachia, personal communication, February 2012)

Regional Politics

In the early years of independence, Georgian and Azerbaijani borders were not well protected against smuggling and contrabands. This situation was in favor of many groups in the region if

we consider the incumbent ongoing insurgences in the Caucasus. Petrol products were delivered across borders to sell in a neighboring country at relatively cheaper price than the market conjecture prices. Many people found the only income source in smuggling in micro-level, however in macro-level; it was also a political tool for many authorities. According to Ilham Shaban, *“contraband groups delivered Azerbaijani petrol products to Russian territories during the first and second Chechen wars in the North Caucasus, and it was significantly beneficial for those groups. On the other hand, Russian authorities also are also interested in that weak border controlling because smuggling and contraband products were sources of daily income for many in the warfare regime. In the southern and southeastern borders of Georgia Azerbaijani products were traded with Armenian business people. There were many concerns about Azerbaijani oil products to be delivered to Armenia. Azerbaijan’s official isolationist policy against Armenia in any trade relations or regional projects was breached in that weak border controlling, Azerbaijani authorities had raised those questions before Georgian government.”* (Ilham Shaban, personal communication, February 2012). When Saakashvili became the president and started “zero tolerance for crime” policies, he enhanced Georgian border and customs regime against any kind of illegal businesses. It was particularly not in favor of Russia, but Georgia-Armenia border control made Azerbaijani authorities satisfied with circumstances. Later, SOCAR’s entrance to Georgian market was strongly supported by the Saakashvili Administration in terms and conditions of contracts, and compromises towards SOCAR in many projects. All those issues, moreover prices of energy utilities were the main reasons when Ivanishvili draws attention to investigations of SOCAR’s activities in Georgia.

As it is obvious large-scale regional projects such as Baku-Tbilisi-Ceyhan and Baku-Tbilisi-Kars are not welcomed by Russian authorities and contradict their interests in the region. When

Ivanishvili made a statement about the importance of Baku-Tbilisi-Kars railroad project, some thought his position as pro-Russian because it was what exactly Russia desired to be happened in Georgia. Some experts argue that it is a signal for Georgian domestic political realm and neighboring countries that the Ivanishvili government will serve in favor of Russia. However, he mentioned geopolitical importance of Baku-Tbilisi-Kars railroad project for the region. On the other hand, according to the new Government of Georgia, the project is less beneficial for Georgia in terms of its economic outcomes. It can be analyzed as a calculation of domestic transportation system, and financial results. Baku-Tbilisi-Kars railroad will significantly change the directions of transports of goods to Black Sea ports of Georgia. Particularly Batumi port may lose its economic gains and strategic importance for the region. Georgia will become just a transit country while now it practices its leverage on broader strategic importance. Therefore, Ivanishvili tried to review and negotiate terms and conditions of the project, and made such comments on that issue. According to a foreign policy analyst (no name, personal communication, March 2013), Ivanishvili's will to negotiate new terms and conditions cannot be realistic policy, and would change regional political aspirations of stakeholders. Azerbaijan invested in Baku-Tbilisi-Kars railroad in the beginning of that project, and gave long-run and cheaper credit funds to Georgia to construct Georgian part of the project. Turkey is another strongly interested stakeholder of the railroad that will lead Turkey to gain economic, geopolitical, and strategic outcomes. Moreover, Baku-Tbilisi-Kars railroad will carry goods from and for other regional actors. Therefore, Ivanishvili's considerations are less likely to be implemented and agreed among stakeholders. Even, Ivanishvili himself pointed out that he made a statement earlier, and did not take all aspects of the project into account (Georgia Times,

2012). It explains the question of why the Ivanishvili Government encounters with challenges in their considerations about Baku-Tbilisi-Kars construction.

Trabzon declaration

On celebration of 20 year Anniversary of Diplomatic Relations Foreign Ministers of Azerbaijan, Turkey, and Georgia met in Trabzon, Turkey in June 8, 2012 to discuss further developments in the region, and to promote peace, stability and prosperity of parties. So called “Trabzon Declaration” was signed by the ministers and it connects many fields of cooperation among parties. The trilateral declaration demonstrates their will to increase economic relations, peace and stability, economic prosperity, and Euro-Atlantic integration. Importance of regional projects such as Baku-Tbilisi-Kars, Baku-Tbilisi-Erzurum, Baku-Tbilisi-Ceyhan, Southern Transport Corridor, TRASECA, Black Sea cooperation in the fields of energy, trade, transportation, and political relations (The Ministry of Foreign Affairs of Republic of Turkey, June 2008, 2012). Trabzon Declaration is later supported by the Ivanishvili Government, and new Foreign Minister M. Panjikidze. Again three countries met in a ministerial meeting in Batumi, Georgia in March 28, 2013 to discuss deepening cooperation in 1 in trilateral sectoral cooperation. Georgia’s close and friendly relations with Turkey and Azerbaijan are based on strategic partnership,” Maia Panjikidze, the Georgian Foreign Minister, said at a joint news conference after the trilateral meeting (Civil.ge, 2013). Moreover, The Ivanishvili Government until that meeting already confirmed their foreign policy priorities, and declared their will to enhance cooperation with Azerbaijan and Turkey to improve regional projects, including Baku-Tbilisi-Kars railway.

Dr. Kakachia relates some points in this regard with less experienced cabinet of Ivanishvili and scarce human resources available to him. *“In many cases, those members who are in charge of economic and political calculations of regional politics for Georgian government have less*

experience in politics, and cannot consider all possible outcomes for their neighbors.” (Kornely Kakachia, personal communication, February 2012). As the Ivanishvili’s foreign minister also supported in Batumi Meeting, they had not such a strict rejection idea about Baku-Tbilisi-Kars railroad project, but they rather made a controversial statement before.

Conclusion

Considering all possible explanations of Ivanishvili’s attempt to review his foreign and domestic policy issues regarding Azerbaijan, we can assume some conclusions about the research goals of this paper. After six month period in government, and all trends and developments show the fact that Ivanishvili and his Georgian Dream coalition want to improve the current relations with Azerbaijan in many fields, particularly energy and regional project, however lack of experience and political emotions still are going on through the period.

Some argue that Ivanishvili and his pro-Russian politics intentionally questions regional projects and Georgia-Azerbaijan relations. However, it is not so straightforward to substantiate those arguments because of his statement on Russian-Georgian relations that his Government is willing to normalize political and economic relations of the two countries. However, it is unlikely possible under the current status-quo in the region and Russian existence in two occupied Georgian territories. Furthermore, the Ivanishvili Government officially announces their foreign policy considerations to integrate and improve negotiation on joining NATO and European Union. Therefore, it is less likely as a result of Russian interests, hard and soft power over the region that the Ivanishvili Government challenges regional projects and relations.

As Vladimir Socor cites *Nezavisimaya Gazeta*, “*On April 10 and 12, Prime Minister Bidzina Ivanishvili amplified the prosecutor-general’s, justice minister’s, and other officials’ recent threats ... to investigate President Mikheil Saakashvili and his team on a variety of charges,*

including their alleged responsibility for Russia's 2008 invasion of Georgia, loss of territories, mismanagement of military operations, and rumored accusations of Georgian involvement in criminal acts during that war... According to him, Saakashvili's government could have handled the situation easily by inviting international observers and evacuating residents of villages under attack." (Vladimir Socor, April 16, 2013). Again this statement created big controversies in the Georgian political realm, and Ivanishvili had to express his statement with some edited elements: *"It was Russia who violated the territorial borders of a sovereign country and carried out aggression against our country, followed by the occupation of our territories... Nonetheless, it is our duty to ensure questions of public interest are not left unanswered. We must investigate and discover the truth, which – I am convinced – will not harm the image of our country or its territorial integrity. Actions which our government should have taken or not, do not justify Russian aggression."* (Ivanishvili, April 12, 2013). All those very recently followed events on political developments in Georgia show that still Ivanishvili run into misleading remarks and statements though his government aims to clarify many vague and vital issues for Georgia. The above-mentioned latest statement of Ivanishvili clearly demonstrates that the hypothetical position of this study that Ivanishvili cannot be considered as a Russian-influenced leader and the Ivanishvili government condemns both the domestic challenger Saakashvili and the neighboring aggressor Russian Federation.

His considerations and attempts to review regional political relations also can be analyzed through the lenses of a business-minded, patriotic Georgian political leader who tries to earn more economic outcomes of all possible considerations and businesses, including Baku-Tbilisi-Kars and SOCAR Georgia. He may want to increase national welfare of Georgia with more economically viable and efficient, and politically transparent politics towards Azerbaijan. All

ongoing conversations and unproved and investigated blames on the Saakashvili Administration, “confidential” business deals of SOCAR in Georgia, and domestic political rivalry will push Ivanishvili to focus on confrontations vis-à-vis Azerbaijan and its power over Georgia.

The question that why Ivanishvili faces with challenges in his considerations can also be explained within the regional power politics, Azerbaijan’s leverage in Georgia, and domestic political altercations, as all mentioned above. It is still hard to explain the future expectations whether he will be successful enough to exert the goals and considerations that he promises and highlights, or he will take some of his words and promises for domestic and regional audiences. The issues, i.e. regional projects and energy cooperation, cannot be destructed by making contentious statements which are later followed by apologies and clarifications.

The study which was started in January 2013 and scrutinized the processes and trends till early April 2013 can be concluded that, despite Ivanishvili’s lack of experience and sometimes hassled and emotional statements and considerations, his coalition in the government would not go to any serious confrontations with Azerbaijan as it has been underlined many times. Rather the Ivanishvili Government will look for strengthening cooperation in political sphere, more support in energy issues, and better trade relations with Azerbaijan.

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