

KYRGYZ DEMAND OVER \$2 BILLION TO KEEP MANAS OPEN

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Classified By: Ambassador Tatiana C. Gfoeller, Reasons 1.4 (b) and (d).

1. (U) This cable contains an Action Request at paragraph 15.

Summary

2. (C) Ambassador met with Presidential Chief of Staff Usenov and Foreign Minister Sarbayev February 2 to deliver Ref A points. Usenov presented a long list of demands to keep Manas Air Base open: arranging forgiveness of \$1.8 billion of Kyrgyzstan's foreign debt (none of which is owed to the U.S.); payment of \$150 million "owed" from the 2006 base agreement; a new agreement changing the status of the Base from a "military" base to a "transportation and logistics" base, to be guarded by Kyrgyz military; move the Base from Manas to Osh; payment of \$300 million per year for access to the base; \$2 billion for a "joint venture" to build a north-south energy corridor; a \$500 million loan, at 0.75% over 40 years, with a 10-year repayment grace period; and \$1 million each to the families of Ivanov and Yasynov. Usenov said it was premature for a phone call between the Secretary and President Bakiyev, as the sides need time to study the proposals. Usenov urged that the U.S. send a high-level team to meet with Prime Minister Chudinov to begin negotiations. He said that it was likely that Bakiyev would invoke the 6-month notification of Base withdrawal upon his return from Moscow, but the U.S. should interpret this as a signal to begin negotiations. End Summary.

3. (C) Ambassador delivered Ref A points to Presidential Chief of Staff Daniyar Usenov on February 2. Foreign Minister Kadyrbek Sarbayev also attended the meeting. Both Usenov and Sarbayev listened closely and took notes as the Ambassador detailed the U.S. proposals and initiatives. Usenov thanked the Ambassador for the quick U.S. response, and, referring to his January 31 telephone call with Under Secretary Burns, added that he was "always open for dialogue." He said he hoped that decisions could be made that would be "beneficial for both sides," allow for greater economic cooperation, and continue the fight against terrorists in Afghanistan. Usenov said that the international financial crisis had hit Kyrgyzstan hard, and he was impressed that the new U.S. Administration was "ready to talk in concrete terms."

"Enormous Pressure"

4. (C) Usenov said that the Kyrgyz government was under "enormous pressure" from Kyrgyz society, the Russians, and the Chinese to close Manas. Usenov said that Kyrgyz society was against the Base because of "unresolved old problems," including the Ivanov and Yasynov cases. He claimed that since the 2006 Base access agreement, the U.S. had not listened to Kyrgyz concerns. As a result, Usenov said, at a minimum there would need to be a new Base agreement changing the status of the Base from a

"military base" to a "transportation and logistics" base. It would be necessary to move the Base to Osh, "where it would be closer to Afghanistan and Uzbekistan." Usenov said that when the U.S. pressured Kyrgyzstan to help with the Andijon refugees, the U.S. promised to help if Kyrgyzstan had problems with neighboring Uzbekistan as a result. Usenov claimed that Kyrgyzstan has had serious problems with Uzbekistan, including increased natural gas prices and a threat by Uzbekistan to seize control of water resources by armed force, but the USG has abandoned it vis-a-vis an increasingly hostile Uzbekistan.

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5. (C) Usenov continued that promised Russian and Chinese economic assistance was contingent on closing the Base. Usenov noted that 500,000 Kyrgyz working in Russia send back \$1 billion per year in remittances, and he claimed that Prime Minister Putin had threatened to throw them out of Russia unless the Base is closed. He said that Russia had added financial incentives to the threat: \$283 million in debt forgiveness, \$150 million grant; \$300 million loan at 0.75% over 40 years with a 10-year repayment grace period; \$1.7 billion for a joint venture to build Kambarata 1, which would create 20,000 jobs.

6. (C) Usenov claimed that China was also putting forward a financial package contingent on closing Manas. He said the package included a \$500 million credit at 3% through the Shanghai Cooperation Organization; \$2 billion for a 50-50 joint venture to build the Kyrgyzstan portion of a Beijing to Istanbul railroad; and \$500 million for a development fund.

"The Base is a Commodity"

7. (C) Usenov said flatly that Manas had become a commodity -- a "marketable good" -- and "you know the price." Usenov said that \$40 million for the Base was "far too little." He claimed that the U.S. paid \$500 million per year for bases in the Philippines and Turkey, and suggested that if the Base here is a "military base," then the U.S. should pay a similar amount. Usenov dismissed the U.S. proposal for a \$20 million development fund as completely inadequate, noting that even though he wasn't the wealthiest Kyrgyz, he himself could afford to put up \$20 million.

Kyrgyz Financial Demands

8. (C) Usenov then presented a list of financial demands to the U.S. side:

--Arranging forgiveness of \$1.8 billion of Kyrgyzstan's foreign debt, none of which is owed to the United States (detailed list sent to SCA/CEN).

--Payment of \$150 million "owed" from the 2006 base agreement;

--Payment of \$300 million per year for access to a base;

--\$2 billion for an economic development fund, which would establish a 50-50 "joint venture" to build a "north-south energy corridor." Usenov suggested that the joint venture could include U.S. firm AES, and the project would transport Russian and Kazakh electricity to Afghanistan and beyond.

--A \$500 million loan, at 0.75% over 40 years, with a 10-year repayment grace period;

--\$1 million each to the families of Ivanov and Yasynov.

9. (C) Usenov said that Kyrgyzstan had done much to support partnership with the U.S. For example, he said, despite being a "Muslim country," Kyrgyzstan "had been silent" on Gaza. He said that Kyrgyzstan "had been silent" about "what the U.S. was doing to Iran," despite Iran being an observer at the SCO. He also claimed that Kyrgyzstan always supports the U.S. at the UN. He expressed the hope that even if the Base closed, we would remain "friends and partners."

Closure Notification Likely

10. (C) Usenov said that they had heard the message about not taking a precipitous step, but, he warned, it was likely

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Bakiyev would return from his trip to Moscow with an announcement about closing the Base. If Bakiyev decides to do this, then the next step would be for the government to approve and prepare a draft law for parliament. MFA would notify the Embassy. If parliament approved the law, the MFA would then provide the official notice that the U.S. has 180 days to vacate the Base. Usenov said that the U.S. side should not panic if this happens, but instead see this as a signal to begin negotiations.

No Cooperation on Ivanov Investigation

11. (C) Usenov rejected the USAF proposal to send a legal team to Kyrgyzstan to continue the Ivanov investigation (Ref D). He said that all the Kyrgyz side wanted was money for the widow. He said he was sure that the U.S. side would follow through on the case, but after delays of two years, "We have no interest in your procedures."

Will Study Proposals, Welcome Team

12. (C) Usenov said that the Kyrgyz side would study the U.S. proposals seriously, some of the proposals were "very interesting." He said he would convey our message and proposals immediately to Bakiyev, but it would be premature for the Secretary to call Bakiyev. When the two sides are "closer to agreement," a call would be welcomed. 13. (C) Usenov proposed establishing a "working group" for this issue, consisting of Foreign Minister Sarbayev and the Ambassador. He rejected the idea of the Kyrgyz sending a delegation to Washington. He said that he looked forward to welcoming a high-level U.S. team, "with the power to sign agreements." Usenov closed by invoking an "American proverb" (in English): "Show me the money."

Comment

14. (C) The Kyrgyz response -- in essence challenging us to beat the Russian package -- indicates the confidence they have that the fruits of Bakiyev's trip to Russia will more than compensate Kyrgyzstan for revenue lost due to closing the Base. The information on a supposed Chinese assistance package, also conditioned on closure of the Base, is new to us. Despite the outrageousness of the Kyrgyz demands, Usenov made clear that the Kyrgyz are still open to negotiations, even after giving us the six months notice to close the Base. This leaves open the possibility that they are amenable to settling for less than their latest demand. 15. Action request: Post requests press guidance as soon as possible as the U.S. response is developed.

GFOELLER