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SUBJECT: CANDID DISCUSSION WITH PRINCE ANDREW ON THE KYRGYZ
ECONOMY AND THE "GREAT GAME"
REF: BISHKEK 1059
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Classified By: Amb. Tatiana Gfoeller, Reason 1.4 (b) and (d).

1. (C) SUMMARY: On October 28, the Ambassador participated in a two-hour brunch to brief HRH the Duke of York ahead of his meetings with the Kyrgyz Prime Minister and other high-level officials. She was the only non-subject of the United Kingdom or the Commonwealth invited to participate by the British Ambassador to the Kyrgyz Republic. Other participants included major British investors in Kyrgyzstan and the Canadian operator of XXXXXXXXXXXXX. The discussion covered the investment climate for Western firms in the Kyrgyz Republic, the problem of corruption, the revival of the "Great Game," Russian and Chinese influence in the country, and the Prince's personal views on promoting British economic interests. Astonishingly candid, the discussion at times verged on the rude (from the British side). END SUMMARY.

2. (C) British Ambassador to the Kyrgyz Republic Paul Brummell invited the Ambassador to participate in briefing His Royal Highness Prince Andrew, the Duke of York, ahead of his October 28 meetings with Kyrgyz Prime Minister Igor Chudinov and other high-level officials. The Prince

was in Kyrgyzstan to promote British economic interests. Originally scheduled to last an hour over brunch, the briefing ended up lasting two hours, thanks to the super-engaged Prince's pointed questions. The Ambassador was the only participant who was not a British subject or linked to the Commonwealth. The absence of her French and German colleagues was notable; they were apparently not invited despite being fellow members of the European Union. Others included major British investors in Kyrgyzstan and the Canadian operator of the Kumtor mine.

"YOU HAVE TO TAKE THE ROUGH WITH THE SMOOTH"

3. (C) The discussion was kicked off by the president of the Canadian-run Kumtor mine, who described at length his company's travails of trying to negotiate a revised mining concession that provides a greater stake in Kumtor's parent company to the Kyrgyz government in exchange for a simplified tax regime and an expanded concession. He was followed by the representative of the British owner of Kyrgyzneftigas, who explained his company's role in Kyrgyz oil exploration and production, as well as doing his share of complaining of being harassed and hounded by Kyrgyz tax authorities. One example he gave was that a Kyrgyz shareholder was now suing the company, saying that his "human rights" were being violated by the terms of his shareholders' agreement.

4. (C) The Prince reacted with unmitigated patriotic fervor. To his credit, he diligently tried to understand the Kyrgyz point view. However, when participants explained that some Kyrgyz feel that they were "unfairly" led in the 1990s to sign unfavorable contracts with Westerners, he evinced no sympathy. "A contract is a contract," he insisted. "You have to take the rough with the smooth."

"ALL OF THIS SOUNDS EXACTLY LIKE FRANCE"

5. (C) After having half-heartedly danced around the topic for a bit, only mentioning "personal interests" in pointed fashion, the business representatives then plunged into describing what they see as the appallingly high state of corruption in the Kyrgyz economy. While claiming that all of them never participated in it and never gave out bribes, one representative of a middle-sized company stated that "It is sometimes an awful temptation." In an astonishing display of candor in a public hotel where the brunch was taking place, all of the businessmen then chorused that nothing gets done in Kyrgyzstan if President Bakiyev's son Maxim does not get "his cut." Prince Andrew took up the topic with gusto, saying that he keeps hearing Maxim's name "over and over again" whenever he discusses doing business in this country. Emboldened, one businessman said that doing business here is "like doing business in the Yukon" in the nineteenth century, i.e. only those willing to participate in local corrupt practices are able to make any money. His colleagues all heartily agreed, with one pointing out that "nothing ever changes here. Before all you heard was Akayev's son's name. Now it's Bakiyev's son's name." At this point the Duke of York laughed uproariously, saying that: "All of this sounds exactly like France."

6. (C) The Prince then turned to the Ambassador for an American take on the situation. The Ambassador described American business interests in the country, which range from large investments such as the Hyatt hotel and the Katel telecommunications company to smaller investments in a range of sectors. She stated that part of the problem with business conditions in Kyrgyzstan was the rapid turnover in government positions. Some reacted to their short tenures in a corrupt manner, wanting to "steal while they can" until they were turned out of

office. While noting the need for greater transparency in doing business, she recounted that she had hosted the American Chamber of Commerce's Members Day last week (attended by the Foreign Minister and the Deputy Minister of Trade and Commerce) which had been widely attended and a resounding success (see reftel). She then described the beneficial impact on the Kyrgyz economy of the Coalition Air Base at Manas Airport.

"YOU HAVE TO CURE YOURSELF OF ANOREXIA"

7. (C) With a mock groan, the Duke of York then exclaimed: "My God, what am I supposed to tell these people?!" More seriously, he invited his guests to suggest ways Kyrgyzstan's economic prospects and attractiveness could be improved. Everyone agreed that in his talks with the Prime Minister and others, he should emphasize the rule of law, and long-term stability.

8. (C) Agreeing with the Ambassador's point about rapid government turnover, they urged him to impress upon his hosts the importance of predictability and the sanctity of contracts in order to attract more Western investment. At the same time, they pointed out that none of this was necessary to attract Russian, Kazakh, or Chinese investments. It appeared to them that the Kyrgyz were satisfied with their level and on the verge of "not bothering" with making the necessary improvements to attract Western investments. Returning to what is obviously a favorite theme, Prince Andrew cracked: "They won't need to make any changes to attract the French either!" Again turning thoughtful, the Prince mused that outsiders could do little to change the culture of corruption here. "They themselves have to have a change of heart. Just like you have to cure yourself of anorexia. No one else can do it for you."

PLAYING THE GREAT GAME (BY EXTENSION THE AMERICANS TOO)

9. (C) Addressing the Ambassador directly, Prince Andrew then turned to regional politics. He stated baldly that "the United Kingdom, Western Europe (and by extension you Americans too)" were now back in the thick of playing the Great Game. More animated than ever, he stated cockily: "And this time we aim to win!" Without contradicting him, the Ambassador gently reminded him that the United States does not see its presence in the region as a continuation of the Great Game. We support Kyrgyzstan's independence and sovereignty but also welcome good relations between it and all of its neighbors, including Russia.

10. (C) The Prince pounced at the sound of that name. He told the Ambassador that he was a frequent visitor to Central Asia and the Caucasus and had noticed a marked increase in Russian pressure and concomitant anxiety among the locals post-August events in Georgia. He stated the following story related to him recently by Azerbaijan's President Aliyev. Aliyev had received a letter from President Medvedev telling him that if Azerbaijan supported the designation of the Bolshevik artificial famine in Ukraine as "genocide" at the United Nations, "then you can forget about seeing Nagorno-Karabakh ever again." Prince Andrew added that every single other regional President had told him of receiving similar "directive" letters from Medvedev except for Bakiyev. He asked the Ambassador if Bakiyev had received something similar as well. The Ambassador answered that she was not aware of any such letter.

11. (C) The Duke then stated that he was very worried about Russia's resurgence in the region. As an example, he cited the recent Central Asian energy and water-sharing deal (septel), which he claimed to know had been "engineered by Russia, who finally pounded her fist on the table and everyone fell into line." (NOTE: Interestingly, the Turkish Ambassador to the Kyrgyz

Republic recently described her analysis of the deal to the Ambassador in strikingly similar language. END NOTE.)

12. (C) Showing that he is an equal-opportunity Great Game player, HRH then turned to the topic of China. He recounted that when he had recently asked the President of Tajikistan what he thought of growing Chinese influence in Central Asia, the President had responded “with language I won’t use in front of ladies.” His interlocutors told the Prince that while Russians are generally viewed sympathetically throughout the region, the Chinese are not. He nodded, terming Chinese economic and possibly other expansion in the region “probably inevitable, but a menace.”

RUDE LANGUAGE A LA BRITISH

13. (C) The brunch had already lasted almost twice its allotted time, but the Prince looked like he was just getting started. Having exhausted the topic of Kyrgyzstan, he turned to the general issue of promoting British economic interests abroad. He railed at British anti-corruption investigators, who had had the “idiocy” of almost scuttling the Al-Yamama deal with Saudi Arabia. (NOTE: The Duke was referencing an investigation, subsequently closed, into alleged kickbacks a senior Saudi royal had received in exchange for the multi-year, lucrative BAE Systems contract to provide equipment and training to Saudi security forces. END NOTE.) His mother’s subjects seated around the table roared their approval. He then went on to “these (expletive) journalists, especially from the National Guardian, who poke their noses everywhere” and (presumably) make it harder for British businessmen to do business. The crowd practically clapped. He then capped this off with a zinger: castigating “our stupid (sic) British and American governments which plan at best for ten years whereas people in this part of the world plan for centuries.” There were calls of “hear, hear” in the private brunch hall. Unfortunately for the assembled British subjects, their cherished Prince was now late to the Prime Minister’s. He regretfully tore himself away from them and they from him. On the way out, one of them confided to the Ambassador: “What a wonderful representative for the British people! We could not be prouder of our royal family!”

COMMENT

14. (C) COMMENT: Prince Andrew reached out to the Ambassador with cordiality and respect, evidently valuing her insights. However, he reacted with almost neuralgic patriotism whenever any comparison between the United States and United Kingdom came up. For example, one British businessman noted that despite the “overwhelming might of the American economy compared to ours” the amount of American and British investment in Kyrgyzstan was similar. Snapped the Duke: “No surprise there. The Americans don’t understand geography. Never have. In the U.K., we have the best geography teachers in the world!” END COMMENT.

GFOELLER