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Russian investments in Kyrgyzstan

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On 19 February the Russian company Rosneft signed a framework agreement in Bishkek for the purchase of two Kyrgyz companies engaged in fuel distribution. Rosneft will buy all the shares in the *Bishkekskaya Nieftianaya Kompaniya* company and a 50% stake in INTEK, which owns the fuel complex at the airport in Osh, the second largest in the country. A memorandum of intent was also signed for Rosneft to purchase a 51% stake in Manas International Airport near Bishkek, and invest up to US$1 billion there. It is the largest airport in the country; and next to the civilian airport there is the military Manas Transit Centre, the only American base in Central Asia, whose closure is planned for July.

Commentary

- The economic dimension of Russia's actions may undermine Chinese plans to make Kyrgyzstan independent of imports of Russian fuel. In the last year China has built and launched a US$200-million refinery at Karabalta in the north of the country, which can meet half of Kyrgyzstan's annual demand for petroleum products (about 600,000 tons), and thereby reduce the country's dependence on imports from Russia. After the Rosneft purchase is finalised, Russian companies (GazpromNeft Asia and LUKoil) will control most of the fuel distribution market in Kyrgyzstan, and it is possible that they will continue to import Russian fuel, which will affect the profitability of the Chinese refinery in Karabalta. This would be the first case of an active Russian move against China's energy policy in the region.
- In the political dimension, the Russian investments in Kyrgyzstan show that Russia is ready to strengthen its presence in Central Asia by using economic tools also. Kyrgyzstan is the country where Russia can most easily and cheaply accentuate its position in Central Asia; and this country also most clearly focuses and displays the geopolitical rivalry for the region (Kyrgyzstan is the only country where both American and Russian military bases are located). With the completion of the ISAF mission in Afghanistan at the end of 2014, Western influence will decline in Central Asia; this opens up opportunities for a bigger role for China, which is the largest economic partner in the region. In this context, the plans to buy the controlling stake in the Manas airport indicate that Russia is seeking to block any continued (civil) US presence, and also to prevent other players (such as China) from taking over the aviation infrastructure left behind by the US.
- Russia's energy expansion in Kyrgyzstan has not been directly caused by a desire to respond to the events in Ukraine, which have been adverse for Moscow. Russia has a

strong presence in the hydropower sector in Kyrgyzstan, and in 2013 Gazprom bought the Kyrgyz gas company Kyrgyzgaz, which is deep in debt and is having trouble securing supplies from Uzbekistan, for a nominal fee of US$1. At the same time, due to the failure of Russian policy in other theatres, one cannot rule out the possibility that Russia will step up its actions not only in Kyrgyzstan, but also in other Central Asian countries.