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Libyans Weighing Contract Options

By Irina Filatova

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A man repairing a fountain in Tripoli, Libya, that was damaged in the war. **Manu Brabo**

The Libyan government said it might honor contracts that had been signed with Moscow during the regime of Moammar Gadhafi after checking them for corruption schemes, but analysts warned Sunday that Russian companies could ultimately be forced out of the market after the country took an ambiguous position during last year's revolution.

Libya welcomes investors who want to work in the country, but it will thoroughly review contracts with Russian companies that were terminated last year amid the unrest, the country's Prime Minister Abdurrahim El-Keib said last week.

"Do we want to see the Russians in Libya again and do we want them to work on the projects? Probably. If these contracts don't serve the regime and didn't have any connections with it previously," he said during a visit to Washington.

The Libyan government is "theoretically" ready to prolong the contracts, "but only after examining them" and if they were "in line with legislation and have no corruption component," El-Keib said, RIA-Novosti reported.

The Libyan government could find any excuse to leave Russian companies out in the cold, said Vladimir Isayev, a professor at Moscow State University's institute for Asian and African studies.

"But it's absolutely clear that companies from countries that supported the revolution in Libya will be in preferential conditions," he said by telephone.

El-Keib indicated his government's discontent over Russia's position during last year's unrest.

"Are we satisfied with how Russia behaved in that situation? With all respect no," he said.

The Kremlin refused to support NATO's air raids on Tripoli that were aimed at helping the opposition overthrow Gadhafi, who had been in power for 40 years.

But Russia also didn't veto the United Nations resolution that imposed a ban on all flights in Libyan airspace and called for the protection of civilians by all possible means.

President Dmitry Medvedev said in March last year that the conflict in Libya should be resolved peacefully, but two months later he called for Gadhafi to step down, saying he had lost legitimacy as the country's leader.

The tension between the two countries escalated last week after Moscow accused Libya of establishing a special camp to train rebels to overthrow Syrian President Bashar Assad, with Russia's UN Ambassador Vitaly Churkin saying the effort undermined stability in the region.

El-Keib said he's not aware of any camps, Reuters reported. He said, however, that Libya supports the Syrians for "raising their voice asking for freedom."

The transition government, which was installed in Libya after Gadhafi's death in October, is seeking to cooperate with the United States and European countries that helped oust Gadhafi, so Moscow is unlikely to see previous contracts resumed, said Alexander Gusev, director of the Institute for Strategic Planning and Forecasting.

"Russia is gradually losing its presence in Libya, but not because Russia wants to," he said, adding that Russian companies in the country are likely to be replaced ultimately by U.S. and European rivals.

The refusal of the Libyan government to resume contracts with Moscow might result in Russian companies losing billions of dollars, with arms exporters being among those most affected.

The estimated size of contracts to supply weapons to Libya in 2011 through 2013 totals $2.5 billion, and Russia had received only half of that sum, Gusev said.

But the supplies are unlikely to resume because the transitional government's position is that it doesn't intend to import weapons in such significant volumes, he said.

Russia is unlikely to see the contracts on arms exports resumed because the arms were supposed to supply Gadhafi's army. The new army is likely to rely on European suppliers, Isayev said.

A spokesman for Rosoboronexport, the state agency in charge of arms exports, declined to comment on the issue Sunday.

The analysts said domestic oil companies might also lose presence in Libya, one of the leading oil exporters in North Africa.

Tatarstan-based Tatneft, which won a tender in 2005 to explore for crude in the country, has already seen about $100 million in losses, Reuters reported last year, citing an unidentified source in the company.

Tatneft, as well as other Russian companies, had to evacuate its workers from Libya after the start of the unrest.

Meanwhile, the Energy Ministry hopes that domestic companies will resume work in Libya by the middle of 2012, but to hold a dialogue the country should have a permanent government and a ministry in charge of natural resources in place, Deputy Energy Minister Anatoly Yanovsky said late last year.

Gazprom Neft, which agreed last year to buy part of Italian energy giant Eni's stake in a project to explore the Elephant oil field 800 kilometers south of Tripoli, plans to send its experts to Libya next month "to assess the situation," the company's chief executive Alexander Dyukov told journalists late last month.

Another domestic company that is optimistic about its contract in the country is Russian Railways.

The company started construction of a 550-kilometer railway from Sirt to Benghazi in 2010, and chief executive Vladimir Yakunin said in November that Russian Railways hopes to complete the $2.2. billion project.

He said, however, that Russian Railways' losses in Libya had already reached 20 billion rubles ($67.7 million).

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