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Russia Wants Over $1 Billion Redress From France for Mistral Warships

By Matthew Bodner

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The Russian navy frigate Smolny is seen at the STX Les Chantiers de l'Atlantique shipyard site in Saint-Nazaire, western France on Nov. 25, 2014.

The saga of France's suspended delivery of two Mistral-class warships to the Russian navy is nearing its endgame, a senior Russian defense industry official said Friday, but the two countries are still wrangling over a compensation package for Moscow that could exceed 1 billion euros ($1.1 billion).

Paris indefinitely suspended the 1.2 billion euro ($1.4 billion) purchase of the two helicopter-carriers late last year in response to Moscow's alleged support for pro-Russian rebels in eastern Ukraine. Russia has said it would demand its money back if the ships are not delivered.

“Consultations are currently under way with the French side on a settlement of the situation,” the deputy director of the Federal Service for Military-Technical Cooperation (FSMTC), Anatoly Pinchuk, told news agency RIA Novosti on Friday.

Pinchuk said the discussions were progressing and would conclude in May, but an unidentified source close to the negotiations said Friday that France and Russia were still haggling over how much money Paris should compensate Moscow for breaking the 2011 contract.

France is prepared to pay 785 million euros ($889.5 million) after selling the two carriers to a third party, the source said.

But Russia — which has veto rights over a sale — wants to see the money before the vessels are sold, and is seeking the larger sum of 1.16 billion euros ($1.3 billion) before it will approve a transfer.

This sum would cover not only the 893 million euro ($1 billion) advance that Russia paid upfront for the ships, but also additional costs incurred to prepare the country's ports to receive the vessels, train sailors to operate them and develop a special navalized version of the Ka-52 attack helicopter for service on board the ships.

President Vladimir Putin's spokesman, Dmitry Peskov, reiterated Friday that Russia was prepared to accept cash instead of ships.

"The principle is the following — either the goods or the money," Peskov said, adding that Putin and French President Francois Hollande had agreed to this basic approach.

France has been leaned on by the United States and some European countries not to deliver the two Mistrals, which are more advanced than anything currently operated by the Russian navy. But Paris is worried that losing the deal would hit its already fragile economy and damage its reputation on the global arms market.

Some Russian officials on Friday broke cover to demand that France's penalty should be substantially higher.

"We need to demand compensation from France — 1.5 billion euros — not only for the failure of the contract, but for all associated costs," the head of the State Duma's Defense Committee, Vladimir Komoyedov was quoted as saying by RIA.

(Material from Reuters was included in this report)

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