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France to Pay Russia Less Than 1.2 Billion Euros in Mistral Deal

By The Moscow Times

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PARIS — The total cost to France of reimbursing Russia for canceling two warship contracts will be less than 1.2 billion euros, French Defense Minister Jean-Yves Le Drian said on Thursday.

Le Drian said on radio RTL the initial price for the two Mistral helicopter carrier warships had been 1.2 billion euros, but France will have to pay less than that because the ships were not been finished and the contract was suspended.

"Talks between President Putin and President Francois Hollande have concluded yesterday. There is no further dispute on the matter," he said.

He added that the discussions had been held in an amiable way and that there were no further penalties to pay over the contract, which was cancelled because of Russia's role in the Ukraine conflict.

"Russia will be reimbursed euro for euro for the financial commitments taken for these ships," he said, adding that the ships are now fully owned by the French state.

In exchange for the reimbursements, France will have full freedom to do whatever it wants with the two undelivered vessels, which contain some Russian technology, according to statements from Hollande's office and Russian President Vladimir Putin on Wednesday.

Le Drian said that France, whose navy already has three Mistral warships, would look for other buyers for the two ships.

"I am convinced there will be other buyers. Already a number of countries have expressed an interest for these two ships," he said.

Canada and Singapore have been mentioned as potential buyers. So has Egypt, which has just bought French fighter jets and naval frigates.

The ships' builder, state-backed DCNS, said last month it was spending at least 1 million euros ($1.1 million) a month to hold on to them.

DCNS is 35 percent owned by defense group Thales and 64 percent by the French state.

France last year suspended the Mistral contract, dating from 2011, after coming under pressure from its Western allies over Russia's role in the Ukraine crisis.

The long-discussed French sale was Moscow's first major Western arms purchase in the two decades since the fall of the Soviet Union. Nicolas Sarkozy, who was France's president when the order was struck, had hailed the signing of the contract as evidence the Cold War was over.

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