

NATIONAL SECURITY BUREAU

ANALYSIS **of the circumstances of negotiating “Mistral” contract** **between Russia and France**

Warsaw, March 2010

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Introduction

Potential because not yet finalised contract for selling Mistral amphibious assault ship to Russia, should be perceived in the perspective of Russian new-imperial expansion and also French political and economic expansion conducted under President Sarkozy's auspices (which includes several strategic dimensions not only military industry). Having in mind his predecessor's, J. Chirac experiences, when France was outdistanced on the European scene by Germans due to the cooperation between Berlin and Moscow, President Sarkozy is a driving force of the revival in the relations between Russia and France. It allows Paris to continue their dreams about becoming again the main playmaker in Europe; on the other hand it offers Moscow free hand to manipulate French, German, and European policy, for instance by introducing to European agenda the issue of new collective security treaty. It is no coincidence that N. Sarkozy is perceived as the main advocate of launching talks with Russia that concern the project. Russian concept aims at marginalisation or simply closing down NATO, using its members to fulfil it. Moscow perceives the Alliance as a cold war relict, although still the official Security Strategy of the Russian Federation sees it as the main threat to the Russian interests. The purchase of Mistral assault ships triggers doubts concerning the real motivations of the authorities even in Russia.

1. History of Russian and French Mistral negotiations

Initial information about Russian and French talks concerning purchasing French Mistral class assault ships – helicopter carriers – appeared in French business newspaper "La Tribune" on 3 August 2009. The same day anonym officer from the Russian Navy Staff confirmed "ITAR-TASS" agency the fact that the talks with the French had been conducted.

„La Tribune" claimed that in the middle of June 2009 French Defence Minister sent a letter to his Russian counterpart Anatoliy Serdyukov, stating among others that „he shares the belief that the technical consultations between Russian and French experts should be launched as soon as possible" (the letter written by Mr. Heve Morin was obviously an answer to some kind of Russian suggestion). On the other hand, the officer quoted by "ITAR-TASS" said that the

talks started at the end of June 2009: "During the international exhibition of naval military technique in Petersburg the representatives of the Russian Navy Staff **were interested in tactical and technical performance of helicopter carrier able to take brigade of marines onboard**". During the exhibition's opening ceremony on 24 June 2009, Commander-in-Chief of the Navy, Admiral Vladimir Vysotskiy said that "it is possible that the warships will be purchased abroad". Since 1991 Russia has not bought any weapons abroad. The exception was purchasing small batch of sniper's rifles and aiming instruments (mainly laser type) in the 90s. **The first big foreign armament purchase contract concerned buying Israeli UAV at the end of 2008 and the beginning of 2009.**

On 27 August 2009 the Chief of Staff General Nikolay Makarov officially confirmed that Russia intends to purchase French Mistral amphibious assault ship. At the same time, N. Makarov made it clear that purchasing one warship must be accompanied by a licence agreement which will allow building 3 or 4 other ships in the Russian stockyards. The partner of French company DCNS would be St. Petersburg shipyard "Severnaya Verf" which is a part of the United Industrial Corporation holding (controlled by Sergey Pugachev, senator from the Tuva Republic, who owns the controlling interest). First warship would be supposedly built in Saint Nazaire stockyard (which belongs to STX France Company).

According to the information that appeared in August-September 2009, one warship costs the French fleet ca. **300 m. Euros**, and the total Russian contract amounts to ca 1,5 billion Euros.

On 12 October 2009 the Parisian newspaper „Les Echos” informed that the French authorities officially agreed to start negotiations with Russia. President Sarkozy's meeting with ministers, during which the decision was made, was supposedly to take place a day earlier.

"Les Echos" published on the other hand that the cost of one warship is approximately **400-500 million Euro**. According to the newspaper's information, DCNS is ready to transfer to Russia the licence; under condition that one warship would be manufactured in France. It applies to the "Mistral" unfinished due to financial problems, originally built for the French Navy and located in the Saint Nazaire stockyard.

It also turned out that the Petersburg exhibition was also visited by the delegation of the Dutch Damen Schelde stockyard. The stockyard manufactures "Johan de Witt" assault ship. The Dutch claim that the officers representing the Russian Navy Staff also spoke to them during the exhibition. Damen Schelde was ready to build four assault ships for Russians, but no information regarding the licence transfer was revealed. Such information appeared in September 2009.

Although Russians spoke to the Dutchmen it is **the French Mistral warship that came to Petersburg on 23 November 2009**. After 2 days visit in Petersburg the French participated in short trainings of Russian Baltic Fleet. It included training the landing of the Russian Ka-52 "Aligator" helicopters on the board of the French ship. Those are the only helicopters Russia could use for the purpose of equipping the ships that are to be purchased. Obviously the purpose of sending the ship to Russia was to allow the hosts to take a good look of it and test it using their own helicopters.

In the middle of December 2009 French and Russian experts met in Petersburg. The result was quite unexpected. According to "Interfax" agency (broadcast of 22.12.2009) **Russian party decided to put the contract for assault ships purchase out to tender. Companies from France, Holland and Spain were to participate in the tender** (this was the first time that the talks with Madrid were mentioned). Until that time there was no mention of any tender (which made Russian experts suspect that there might be a corruption going on among the navy commanders). It is justified to suspect that during the French and Russian negotiations some problems emerged, which made Russians using other offers to blackmail the French. The nature of the problems remains unclear.

It wasn't until 1 March 2010 when Spanish newspaper „El Pais" informed that **the Russian Navy delegation visited Ferrol stockyard in La Coruna harbour (which belonged to Navantia company)**. The daily did not specify the date when the visit was paid, but it definitely took place in 2010 (perhaps in February). **Ferrol stockyard is responsible for constructing "Juan Carlos I" landing helicopter docks** – of bigger displacement than Mistral, which means that they are capable of transporting more loads. **In 2007 French vessel lost to the Spanish one in a tender organised by the Australian Navy**. However, "El Pais" did not provide any information regarding the fact if there

were any talks concerning purchasing ships carried out in La Coruni, and in case they were, then on what conditions.

However, **already at the beginning of February 2010 „Commersant” informed that the French Ministry of Defence agreed to sell the vessel to Russia. On 8 February 2010, Jacques de Lajugie, Director International Development of the French Defence Procurement Agency (DGA) said that the Russians will also receive a licence to build three other vessels in Russia.** Mr. De Lajugie added that the negotiations will be continued because Russia is not planning to purchase one but four ships.

On the same day, i.e. 8 February 2010, President Sarkozy met with Robert Gates. The US Defence Secretary asked several questions, but the French President did not share the concerns of the American partner who suggested that selling the helicopter carriers to Russia might pose a threat to the Euro-Atlantic security.

As much as the French seem to be intent on finalising the contract (although it is still not clear how many vessels will be built in France and how many in Russian shipyards), **in Russia there is still no unanimity about that issue. At the beginning of February 2010 the Security Council held a meeting in Kremlin devoted to the purchase of Mistral. Most of the Council members were against the purchase (the biggest opponent was Deputy Prime Minister Igor Sechin), in favour was Minister of Defence Anatoliy Serdyukov.**

When Russian President Dmitriy Medvedev visited Paris on 1 March 2010, N. Sarkozy confirmed that both countries negotiate the sale of four helicopter carriers. At the same time delegation of French Navy started a visit in Moscow.

2. Other French and Russian contracts

Undoubtedly, to France Mistral negotiations are just one of many elements included in the package of economic cooperation developed with Russia.

In mid February 2010 Russian Ministry of the Interior officially informed about the intention to purchase Vehicle Blinde Leger produced in France by Panhard General Defence Company. The cost of one vehicle is 230-280 thousand Euros. Currently Russian Ministry confirms the purchase of

one testing vehicle. However, Russian Ministry of the Interior and Panhard are to announce the beginning of long term cooperation in June 2010, during the armament exhibition in Paris "Eurosatory-2010". Since November 2009 delegations of Russian MoI have been visiting Panhard's production facilities and its training ground located in France.

VBL has been purchased by 17 countries (including USA and Greece), it is 3,8 metres long; 2 metres wide; 1,7 metres high; weight is up to four tones; crew – 2 persons. Armament: heavy machine gun, set of antiaircraft rockets or antiaircraft machine gun.

Russian Ministry of the Interior plans to equip its Internal Troops responsible for conducting operations in Caucasus and other places in Panhards.

On 27 August 2009 when informing about Mistral purchase contract that was under preparation, the Chief of Russian Staff general Nikolay Makarov said that **the Russian Federation Ministry of Defence is preparing for the initial purchase of 8 sets of „Felin” infantry combat system.** One set is ca. 40 thousand Euros and first eight will be used for tests.

On 30 October 2008 Commander-in-Chief of the Navy, Admiral Vladimir Vysotskiy visited „Euronaval-2008” exhibition in Le Bourget near Paris. When visiting French stand, Admiral asked the representatives of the French company THALES about the possibility of cooperation in building large nuclear powered vessels. It is unclear if this conversation resulted with any conclusions.

Paris and Moscow are tightening the cooperation not only through the armament contracts. This cooperation covers several other strategic areas including energy and transport industry. During three day visit (1-3 March 2010) paid by President Medvedev¹ to France, the following projects² have been finalised:

- Gaz de France Suez signed an agreement with Gazprom on starting the construction of the Nord Stream across the Baltic Sea, receiving the package of 9 percent of shares in Nord Stream concern;

- French company Alstom, European leader in power generation and rail infrastructure, including engines and TGV carriages together with Russian TMH

¹ Russian President was accompanied by the main oligarch connected with Kremlin, who has been the wealthiest Russian since several years, Mr. Oleg Deripaska – President of the aluminum holding Rusal, and also head of the second biggest bank in Russia – Sberbank, Mr. Andrey Kostin.

² Paris tightens cooperation with Russia, Rzeczpospolita, 02.03.2010

group started a company that will provide complex modernisation of Russian rail network.

3. International reactions to the planned sale of Mistral

3.1. Discussion in Russia

Most of the Russian military experts – surprised by the decision about planning a purchase abroad – have a reluctant attitude towards this contract. Partially it is due to the fact that it violates the habits and national pride, and on the other hand there are legitimate and intriguing arguments being raised against the contract.

The Head of the Academy on Geopolitical Affairs (and former Chief of Staff) General Leonid Ivashov said that **Mistral is an excursion boat rather than a warship: it is not equipped with antiaircraft devices and antisubmarine instruments**". L. Ivashov is „hard-liner” general, known because of his „cold war” statements. However, his last argument deserves our attention. „Mistral’s” propelling system is protruding beyond the main part of the hull. It offers two good options: big manoeuvrability and considerable loading space used as a dock for e.g. two hovercrafts. However, such system is very susceptible even to not very strong attacks.

According to the Head of Centre for Military Forecast and member of the Volunteer Board at the Ministry of Defence Anatoly Cyganok the problem lies in the fact that the ship is adjusted to use and transport NATO equipment. **„One can clearly see that one of the officials simply got a nice bribe”** – said when talking to „Interfax” agency (9.02.2010).

The Head of the independent Centre for Analyses and Technology Ruslan Puchov noticed that **there were no special technologies applied when building the French warship, which would be out of Russian range. „Inside it reminds me of a passenger transatlantic liner, it is really comfortable and no doubt it can fulfil several type of missions, under one condition: that there is no war – he said – during the war though it will be a piece of junk, because in order to cut costs it was built basing on the civil (not military) technologies”**. Mr. Puchov also believes that there must have been a bribe offered to one of the Russian officials.

Russian Navy command has still failed to inform why they actually purchase the Mistral and where they would be deployed. **R. Puchov believes that Mistral can be used as a transporting ship, floating hospital, and the staff for landing operation or during the military and diplomatic missions.** However, none of the analysts was able to explain **why Russia needs transporting ship of 10 thousand nautical miles range.** „This ship serves to conduct colonial expeditions against a weak enemy.” – said one of them, Constantin Makiyenko. – “It can’t be used for operations in cold waters. It leaves us with the Black Sea. But why Black Sea would need a ship of 10 thousand nautical miles range?” According to C. Makiyenko, **using Mistral for potential conflict with Georgia makes no sense, because Russia currently has its bases in Abkhazia and does not have to conduct landing operations.**

Already in September 2009 French analyst **Arnaud Kalika, chief editor of strategic daily bulletin TTU warned that the ship will need some changes within the construction. The French designed it without taking into consideration operations in cold waters, in which most of the Russian fleet is based.** And in October 2009 **Vice-admiral Oleg Burcev (Deputy Commander-in-Chief of Russian Navy)** said that **the “Mistral” will be part of the Northern Fleet (based in Murmansk) and Pacific Fleet (Vladivostok).**

On the other hand, Ilya Kramnik, military commentator working for the “RIA Novosti” agency points out that Mistral is unable to operate alone. “In order to form 3-4 strike forces around proper number [of purchased] Mistral it is necessary to have 15-20 corvette-frigate class of ships and proper number of the remaining supporting ships.” Meanwhile Russia has neither the ships nor the money to produce them.

Russian supporters of the contract emphasise that:

- Russia purchases ship ready to use at quite low price (340-450 million Euros, depending on the variant);
- Having four assault ships allows to build in each of the Russian fleets (Northern, Pacific, Baltic, Black Sea) modern ship formations capable of supporting the army in operations resembling the war with Georgia, in the shortest possible time;

- **Concept of developing Russian Navy (until 2050-60) includes creating 5-6 groups with aircraft carriers. Mistral licence provides the Russian armament industry with a chance to quickly master the technologies necessary to produce large aircraft carriers.**
- Russian fleet can quickly master modern know-how of maintaining large aircraft carriers and operating the aircrafts.

3.2. French Reactions

Decision to sell Russia "Mistral" ships was not easy or explicit. Contrary to what might seem, the French understand controversies relating to that transaction, **and the Ministry of Foreign Affairs in Paris has been against it in 2009 already.**³ It is assumed that the prime mover in this case is the **Prime Minister F. Fillon**, and one of the main reasons for making the decision conclude the sale – apart from strengthening France's position within the EU, particularly in the context of competing with Germany, is the intention to provide employment for St. Nazaire shipyard workers.⁴ Official stand, readily used by the French officials is as follows: **since we say (as NATO) that it is necessary to have strategic partnership with Russia, we cannot refuse selling them weapons.** Additionally the French argue that they only sell "shells" without necessary equipment and technology.

According to Thomas Gomart, expert in French Institute of Foreign Affairs (IFRI), selling the Mistrals to Russia means that Paris recognises the role and position that Kremlin plays on the Black Sea. In his opinion, President Sarkozy's administration came to a conclusion that Russia is a difficult but essential partner and therefore Georgia and Ukraine should be permanently excluded from the West's sphere of interest and support. In this context the analyst has reminded about the recent decision of French *Eutelsat* to cancel the agreement on broadcasting Georgian satellite channel "First Caucasian" directed to the Russian speaking people living in this region. According to Mr. Gomart it is **censorship ordered by Kremlin.**⁵

Jacques de Lajugie, head of the international sales department in the French Ministry of Defence stated that if France did not sell its vessels to Russia,

³ *Les vents contraires du Mistral*, Le Monde, 26 January 2010

⁴ *Why is France selling amphibious assault ships to Russia?*, The Economist, 8 February 2010

⁵ *France arms Russia against allies and rules*, Gazeta Wyborcza, 13 February 2010

other member of the Alliance would do it. He reminded that Moscow sent letters of inquiry to Spain (*Navantia*) and Holland (*Damen Schelde*).⁶

3.3. NATO Secretary General Stand

On 10 February 2010 the spokesman for the Alliance J. Appathurai said that SG **Anders Fogh Rasmussen does not perceive Russia as a threat** and he hopes that Russia does not treat the Alliance as an enemy. He also noticed that **SG assumes that the transaction shall be concluded lawfully and observe the conventions regulating international sale of weapons**. He also stated that **concerns of some of the NATO members** resulting from the historical factors are understandable and should be **taken into consideration**.⁷

During his speech on Georgetown University on 22 February 2010 the Secretary said: „**This matter doesn't relate to NATO but bilateral relations between France and Russia. The Alliance is not engaged in this matter**“. He added that in his opinion “this contract is not connected with transferring *sensitive technologies* by France”, and „**believes that Russia will not use this ships to attack its neighbours or members of the Alliance**.”⁸

3.4. The US Reactions

The planned sale of Mistral to Russia triggered some controversies in Washington. This issue has been raised during the meeting between the Defence Secretary **R. Gates** and his French counterpart **H. Morin** on 8 February 2010, without any result though.⁹

On the other hand a letter written by 6 Republican Senators (including John McCain) to the French Ambassador in Washington (Pierre Vimont), in which they protested against the transaction was a major measure. In his reply, the Ambassador thanked them for their concern, but he stated that this issue is a matter of the French government. Senators argued that the sale of Mistral violates the provisions of Wassenaar Arrangement¹⁰ and conditions of truce signed after the war between Russia and Georgia in 2008.

⁶ *France snubs U.S., will sell ship to Russia*, The Washington Times, 9 February 2010

⁷ Weekly press conference of NATO press spokesman, 10 February 2010
http://www.nato.int/cps/en/natolive/opinions_61430.htm?selectedLocale=en

⁸ http://thecable.foreignpolicy.com/posts/2010/02/23/clinton_and_rasmussen_on_the_future_of_nato

⁹ *Gates Voices Concern About Warship Sale to Russia*, New York Times, 8 February 2010

¹⁰ **Wassenaar Arrangement** has been established in order to contribute to regional and international security and stability, by promoting transparency and greater responsibility in transfers of conventional arms and dual-use goods and technologies, thus preventing destabilising accumulations. Participating States seek,

Mistral issue might influence American internal negotiations relating to the new act (called Chris Dodd act) on the **sanctions against Iran**. The White House would like it to allow exceptions in the embargo granted to the companies coming from the countries that cooperate with the US on Iranian case. It would surely apply to France (first and foremost Total Company). Facing the transaction between France and Russia, the **Republicans want to subject the consent to put Paris on the list of parties allowed to trade with Iran to the issue of cancelling the sale of "Mistrals."**¹¹

American diplomats unofficially admit that **they are unable to block the transaction.**¹² We hear voices coming from the military circles that the Mistral sale is a subject of considerable concern for Pentagon. Americans think that the ships are semi civil vessels (concerning the construction and purpose), which lack basic equipment typical for warships. According to American experts there is no threat of modern electronics transfer. Russia will not order it together with the ships because it would not be compatible with the Russian systems.¹³

3.5. Georgian Position

Since the very first days when the planned transaction between Russia and France was announced, Georgian authorities have been categorically protesting carrying out diplomatic actions around the world and using the embassies as well as during the visits abroad paid by the President, Minister of Foreign Affairs and Secretary of the National Security Council.

During the visit in London on 17 February 2010 President of Georgia Mikheil Saakashvili expressed his concern relating to the sale of Mistrals to Russia. Giving the speech in Chatham House he said that the planned transaction "is a surprising and very risky step (for France)". According to Mr. Saakashvili by using the ships Russia can control any of the South and Eastern Europe countries around the Black Sea within few hours. He also reminded of **the statement made by the Commander-in-Chief of the Russian fleet, Admiral Vladimir Vysotsky who at the end of 2009 said to the Associated Press: "If we**

through their national policies, to ensure that transfers of these items do not contribute to the development or enhancement of military capabilities which undermine these goals, and are not diverted to support such capabilities. Wassenaar Arrangement groups 39 states, including countries covered by export restrictions of COCOM (Russia, Poland and other Central and Eastern European countries among others).

¹¹ http://thecable.foreignpolicy.com/posts/2009/12/22/republican_ready_to_tie_iran_sanctions_to_french_russian_arms_deal

¹² *Gates Voices*.....; op. cit.

¹³ <http://www.defensenews.com/story.php?i=4490124>

had such ships in 2008 then the problem (attack on Georgia) would be solved within 40 minutes not 36 hours”. According to the “Wall Street Journal” M. Saakashvili said also that *the whole contract might be a kind of bribe for France in exchange for not forcing Russia to observe the rules of 2008 truce*. Georgian President stated though that his country will not hand in any official protest in Paris and the subject of the contract shall be raised only during his talks with President of France.

Georgian authorities are now carrying out information campaign directed at stimulating NATO and EU members as well as western public opinion. They point out that Georgia is the last but simply one of the first target of Russian invasion and expansion. Then, according to Georgians, Russia has got Baltic States and Central-European countries in view. Simultaneously Tbilisi points out that Russians secretly militarise separatist provinces of Georgia: Abkhazia and Ossetia in the South Caucasus. This way they build the basis for overwhelming strategic advantage over the South Caucasus, implying that they perceive this region as their area of influence. This means that Russia consequently heads to overruling anyway illusory perspective of Georgia joining the Euro-Atlantic pact, undermining the right of the Georgian nation to self-determination and independent state.

3.6. Baltic States’ Reactions

Lithuania, Latvia and Estonia are the main critics (besides Georgia) of the transaction. Estonian Minister of Foreign Affairs Urmas Paet stated: „Relations between NATO and Russia become more and more schizophrenic. We hear about mutual friendship and cooperation and then we read in the new Russian defence strategy that NATO is their main threat”. **Lithuanian Minister of Defence Rasa Yuknevichiene** pointed the fact that **France does not consult the sale with its NATO and EU allies**. – “We learn it from the media” – emphasises Mrs. Minister. Representatives of Baltic States remind also about EU declarations that do not include any option of selling the weapons to the states that do not observe human rights and are risk to the strategic balance around Russian borders.¹⁴ The Head of the Estonian Defence Forces Ants Laaneots said in November 2009 that in case of locating Mistrals in

¹⁴ *France arms Russia....; op. cit.*

the Baltic Sea, the Baltic States shall have to undertake proper security measures.¹⁵

3.7. Discussion in Poland

Apart from the information and statements in media comments and reports there was no official stand announced by the representatives of Polish authorities on the planned transaction between Russians and Frenchmen. During his official visit to Tbilisi, the Head of the National Security Bureau raised the issue noticing that in relation to the new capabilities gained by Russian navy, there are new threats to Georgian sovereignty, and described Paris decision as „ill-judged action”¹⁶. It is worth to quote also the statements made by Polish MEPs in Polish newspapers: J. Saryusz-Wolski in „Gazeta Wyborcza” and Zbigniew Ziobro in „Rzeczpospolita” noticed the potential threat posed to Poland in case of dislocating Mistrals in the Baltic Sea.

Prepared by: Andrzej Łomanowski, Przemysław Pacuła, Łukasz Kudlicki.

¹⁵ <http://jamestownfoundation.blogspot.com/2009/12/black-sea-ripples-of-russias-mistral.html>

¹⁶ *Ta próba to zagrożenie dla całego świata*, Onet.pl za PAP, 20.02.2010 r.