

Gaddafi fall cost Russia tens of billions in arms deals

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ST PETERSBURG, Russia (Reuters) - Russia lost tens of billions of dollars in potential revenues from arms deals with Libyan leader Muammar Gaddafi's fall, the official in charge of Russia's arms exports said on Wednesday.

Russia, the world's No. 2 arms exporter, has frequently cited losses of \$4 billion (2 billion pound) in Libyan arms contracts. "The figure of \$4 billion is only nominal, the real lost revenue could top tens of billions of dollars," said Mikhail Dmitriyev, the head of Russia's Federal Service on Military and Technical Cooperation.

"There is no doubt there were losses... We have no contacts with the new Libyan leadership in the (defence) field any longer," he told reporters in the northern city of St Petersburg.

The Kremlin has been criticised by some diplomats for its ambiguous stance in the Libya crisis: failing to support the Western-backed revolt against Gaddafi, backing sanctions against him and allowing Western military action.

Such was the discord within the Russian elite over Libya that it provoked a rare public disagreement between Prime Minister Vladimir Putin and President Dmitry Medvedev.

Russian companies have invested hundreds of millions of dollars in oil and gas exploration there, and Russian Railways was building a railway under a 2.2 billion euro (1.8 billion pound) contract.

Arms contracts signed under Gaddafi's rule made up 12 percent of Russia's 2010 arms exports, worth a total of \$10 billion. An arms embargo imposed in February caused Russia to forfeit \$4 billion in new contracts.

Moscow shipped Gaddafi the guns and rockets that were used in vain against rebel forces that came to form the interim ruling council. The council has consolidated its grip on the country after Gaddafi's capture and death late last month.

Russia supported an initial Security Council resolution imposing sanctions on Gaddafi and his government, but abstained from a resolution in March that allowed military intervention.

The nation's oil firms had a variety of interests in Libya, ranging from a landmark asset swap deal between Italy's ENI and the oil arm of state gas company Gazprom to a crude supply relationship between Libya and a major Mediterranean refinery where LUKOIL is a shareholder.

Medvedev's envoy to Africa, Mikhail Margelov, said on Wednesday that Gazprom Neft and ENI have revived their joint venture in Libya and that he saw no reason for other major contracts to be reviewed.

"I see no reason for the Libyan authorities to review these contracts. They bring profits both to us and them. We are not going to lose any of oil and infrastructure projects, I am sure of that," he said.

But Gazprom Neft's CEO Alexander Dyukov told reporters last Friday that the deal, in which Gazprom was to take over the Elephant project in Libya as part of a swap for gas assets in Russia, was still subject to force majeure.

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