

Russian President Medvedev signs strategic, business deals in France

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On March 1-3, Russian President Dmitry Medvedev, accompanying business leaders, made a commercial and diplomatic visit to France. During his visit, France and Russia made business deals on energy and manufacturing, and began negotiations over selling French warships to Russia. France sought Russian support for tougher sanctions against Iran over its nuclear programme.

On March 1, Medvedev was hosted at the Elysée Palace by French President Nicolas Sarkozy. In a joint press conference with Medvedev, Sarkozy said: “We are no longer in the Cold War. I want to express my conviction that Russia is not an adversary, but a partner.”

For his part, Medvedev said: “Indeed, we have strategic relations. France has long been a partner for our country.” Concerning French investment in Russia, he said: “France is now ahead of the United States. This means we are on the right track.”

According to Russian news agencies, French investment in Russia last year outstripped US investment for the first time, at a total of \$10.4 billion. French investment is centered in the energy, retail, auto, transport, construction, insurance and banking sectors.

Sarkozy, who has taken a bellicose stance against Iran, sought Russia’s support for tougher sanctions against Iran in the UN Security Council. Russia and China have been reluctant so far to support any punitive UN measures against Iran.

On Iran, Medvedev said: “Russia is ready with its partners to prepare well-adapted sanctions. Sanctions must be thoroughly weighed and they must be intelligent. They must not be directed against the civilian population, these sanctions must be a last recourse when dialogue is no longer possible.”

Sarkozy announced that France had started exclusive negotiation to sell four *Mistral*-class amphibious assault ships, which can transport about 16 helicopters, dozens of

tanks and 450 soldiers. This has prompted criticism from Georgia as well as the three Baltic countries in NATO—Latvia, Lithuania and Estonia. Georgia criticised France, saying “the sale would allow Moscow to invade any former Soviet republic or eastern European country within hours.”

Referring to the 2008 Russo-Georgian war over South Ossetia, Russian Admiral Vladimir Vyssotsky told the *Nezavissimaïa Gazeta*: “With a *Mistral*-type vessel during the South Ossetian conflict, the Russian military could have accomplished all its missions in 40 minutes instead of 26 hours.”

Also on March 1, French energy firm GDF-Suez signed a business deal on the Nord Stream pipeline project with Russian energy giant Gazprom, the world largest natural gas exporter. The deal gives GDF Suez a 9 percent stake in the Nord Stream gas pipeline project, which is being built to connect Russia and Germany via the Baltic sea. According to the firms, the deal means Gazprom will supply France with an additional 1.5 billion cubic metres of gas per year, starting in 2015.

French transportation and automotive firms also signed agreements. French engineering firm Alstom signed a contract to take a 25 percent stake in Russian train parts maker Transmashholding. On March 1, French automaker Renault inaugurated its upgraded Avtoframos plant in Moscow with an investment of €150 million; production capacity is set to double to 160,000 vehicles per year by 2011.

Several French press outlets pointed out that Medvedev’s visit constitutes a shift in the French foreign policy. They noted that Sarkozy—who criticised Russia’s human rights record and its role in Chechnya at the time of his election in 2007—has returned to a more traditional orientation towards Russia.

As the Franco-Russian negotiations on Iran make clear, this shift takes place in the context of Sarkozy’s broadly pro-

American foreign policy. The daily *Le Monde* noted that France's alignment with Russia aimed to get its support for sanctions against Iran, hoping that would convince China not to block a UN resolution against Iran.

On March 2, *Le Monde* wrote: "The Paris-Moscow axis of 2010 is not that of 2003, which tried to block the US. From the French standpoint, it's a question of participating in or even increasing the recent hardening of the Obama administration towards Iran. Paris sees its role as a 'guide' of the West on the proliferation question, and calculates that Russian agreement might convince the Chinese not to block anything at the UN."

The negotiations on the *Mistral* did, however, have the character of a warning to the US. The French government, which negotiated the accord that ended the 2008 Russo-Georgian war, opposes military confrontations with Russia. This comes as Washington discusses the potential reinstallation of US missile bases in eastern European countries such as Romania and Bulgaria.

In the run-up to Medvedev's visit, the US press criticised French plans to sell Russia the *Mistral*-class ships. On February 3, the *Washington Post* wrote: "six Republican senators, including John McCain (Ariz.), wrote a letter in December to the French ambassador in Washington, Pierre Vimont, complaining that the sale would be inappropriate because it would suggest that France approves of Russia's conduct, which the letter called increasingly aggressive and illegal."

In an editorial published on February 15, the *Post* wrote that Russia "promptly broke promises, and it remains, to this day, in gross violation of the cease-fire agreement as it occupies swaths of Georgian territory." It added, "we find it surprising that Mr.Sarkozy's response to this Russian violation is to furnish the Russian navy with a vessel."

During Medvedev's visit, Sarkozy defended the *Mistral* sale. He said: "In the morning, we say to the Russian leadership, 'We need you to resolve a certain number of crises in the world, especially the Iranian crisis, which is very important, vote with us on the Security Council, let us elaborate together a common resolution,' and then in the afternoon we say: 'No, no, sorry, since we do not trust you, we are not giving you the *Mistral*.' What is the coherence of this position?"

The shift in French policy also reflects the outbreak of a southern European debt crisis, centered on the financial markets' refusal to lend money to the Greek government. Spain and Portugal, and potentially Italy, are also targeted by the markets and are also preparing social austerity measures. These events deal a serious blow to Sarkozy's foreign policy

in Europe, which had been focused on discussions of a potential Mediterranean Union.

Much of the press commentary has centered on the rise of tensions with Germany. On February 15, the *New York Times* noted "an acute sense among the French elite that its traditional focus on the Mediterranean, while letting Germany focus on Eastern Europe, risks becoming a serious political and economic liability."

French right-wing daily *Le Figaro* commented: "France and Russia both have reasons to believe they may need each other in a world transformed by the financial crisis." It added: "Our country intends to profit from the possibilities offered by the Russian market and cannot allow itself to leave it all to Germany who, years ago already, made the decision we are making today."

It added: "As the seventh largest investor and ninth largest exporter to Russia, France absolutely must do better."

Whatever its ultimate implications, the Franco-Russian deal underlines the rising tensions and uncertainties in world politics — as was brought out by French officials' attempts to commemorate the history of Franco-Russian friendship.

After landing in Paris, Medvedev was driven across the Alexander III Bridge, named after the czar who signed the 1892 Franco-Russian alliance. Directed largely against Germany, the alliance encouraged France to deepen its investments in Russia and played a critical role in the outbreak of World War I. The Bolsheviks repudiated Russia's debts to France after the October Revolution in Russia, as France helped organise an international military intervention by the imperialist powers against the young Soviet regime. In 1927, the French government of Raymond Poincaré cut off negotiations on the debt, which remains a political issue today in France.

Commenting on Medvedev's visit, *La Croix* noted that an association of French creditors continues "to demand settlement from Russia for debts dating from before the Bolshevik Revolution." These creditors estimate that "the total debt would today be roughly €75 billion. That is far more than the €300 million France received in a state-to-state agreement in 1996."

French government sources indicated that the issue would not arise in the negotiations with Medvedev. However, the French government maintains that private creditors still have the right to press Russia for reimbursement.



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