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THREATS AND RESPONSES: ECONOMIC TIES; Russia Angry At Iraq Rebuff Of Oil Deal

By Sabrina Tavernise

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The Russian government today angrily condemned a decision by Iraq to cancel a large oil contract with a Russian oil company, calling it a blow to relations between the countries.

Russia's Ministry of Foreign Affairs said in a statement: ''Such a step can only be interpreted as going against the friendly nature of Russian-Iraqi relations. It evokes bewilderment that it was done at a time when Russia is trying to ease tensions around Iraq.''

The ministry did not say how the cancellation might affect Russia's position on a potential war in Iraq. It did, however, express anger with Baghdad at a time when the United States is threatening military action over what it says is President Saddam Hussein's pursuit of weapons of mass destruction. Moscow has strongly opposed military action.

Political experts said the cancellation had severed an important tie between Russia and Iraq, and might reduce Russia's resistance to military action. ''Iraq lost Russia as a well-wishing partner,'' said Igor Bunin, head of the Center for Political Technologies, a Moscow-based research institute. ''The last connecting thread just broke.''

Russia would probably have abstained from any vote in the United Nations Security Council authorizing military action against Iraq, Mr. Bunin said, ''but now Russia will abstain with pleasure.''

A Kremlin spokesman, however, said the contract was part of the relationship between Russia and Iraq, and would have no bearing on Moscow's decisions in the Security Council, where Russia has veto power.

Today's statement was Russia's first formal reaction to Iraq's move to repudiate one of the strongest economic ties between the countries. The $3.8 billion contract, signed in 1997 by a consortium of Russian oil companies led by Lukoil, was rescinded last week over what Iraqi officials said was Lukoil's failure to fulfill the terms of the contract.

Lukoil, for its part, said the work in question was not allowed under the terms of United Nations economic sanctions against Iraq, an interpretation the Foreign Ministry appeared to back today, when it said, ''No Russian company can violate the sanctions regime.''

In private, Russian officials have been harsher. The government-owned news agency Ria-Novosti quoted an unidentified government source on Friday as saying the cancellation ''removes one of the main reasons for Russia to oppose military action against Iraq.''

Iraq's ambassador in Moscow, Abbas Khalaf Kunfuth, played down the contract cancellation at a news conference today, saying it did not represent a rupture in relations, but was simply the consequence of a long-running standoff with Lukoil. Mr. Kunfuth said Iraq would welcome other Russian oil companies to develop its oil fields, adding, ''I want to assure our Russian partners that Iraq continues and will continue large-scale cooperation in the field of the oil and gas industry.''

Lukoil executives saw diplomacy behind the decision. Lukoil's first vice president, Leonid Fedun, was quoted by the Russian news agency Interfax as saying it was an attempt to ''somehow influence or even punish the Russian side for its failure to prevent the U.N. Security Council from voting on sending weapons inspectors to Iraq.''