**1010**

*Article Content*

THREATS AND RESPONSES: BUSINESS; Iraq Says Russian Oil Company Met Dissidents

By Sabrina Tavernise

Dec. 18, 2002

Iraq said today that it canceled a large oil contract with a Russian oil company because executives from the company had met with the Iraqi opposition-in- exile.

Iraq's deputy prime minister, Tariq Aziz, said in an interview with The National Post, a Canadian newspaper, that the contract with Lukoil, Russia's largest oil company, had been canceled because it had discussed the fate of a major oil field with opponents of President Saddam Hussein. ''Lukoil went to Washington to get assurances that their contract will be implemented after the removal of the Iraqi regime,'' Mr. Aziz said in the interview published today. ''This is outrageous of them because they signed a contract with us. Such conduct cannot be accepted.''

It was the starkest statement yet by an Iraqi official about the cancellation last week of the multibillion dollar contract. It also was a shift in reasoning by Iraq, which until now had said the contract was rescinded because Lukoil had delayed development at the West Qurna oil field.

A Lukoil vice president, Leonid Fedun, said that he was unaware of such meetings and reiterated that the company was unable to begin developing the field because of constraints imposed by United Nations economic sanctions. Mr. Fedun said that Lukoil executives met with American officials this fall, but said that they had not formally discussed Iraq.

Iraq's abrupt cancellation of Lukoil's contract severed the single most important tie between the two countries at a time when the United States is threatening to go to war against Iraq over what it says is Mr. Hussein's pursuit of weapons of mass destruction.

Moscow has been Baghdad's strongest supporter, in part because of the oil contract, political experts said, adding that the broken contract might lessen Russia's resistance to military action.

A senior Bush administration energy official said this month that the topic of Iraq had come up during a meeting he had with Lukoil's chief executive, Vagit Y. Alekperov. He gave no details on the meeting except that it took place before President Bush met with President Vladimir V. Putin in Russia last month.

''Lukoil has the most immediate concern,'' the official said. ''There was a broader sense that they wanted to know what the outlook was.''

A senior Western diplomat in Moscow would neither confirm nor deny that Iraq had come up in talks between an American under secretary of energy and Mr. Alekperov. He said only that the meeting ''focused on the bilateral energy relationship'' between the United States and Russia.