

Finance Minister: Russia Will Act If Ukraine Defaults on Debt Payment

By [The Moscow Times](#)

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Russian Foreign Minister Sergei Lavrov (C), Konstantin Kosachyov (L), Chairman of the Federation Council Committee on Foreign Affairs, and Ilyas Umakhanov, Deputy Chairman of the Federation Council, walk after a session of the Federation Council, Russia's upper house of parliament, in Moscow, Russia, May 20, 2015.

Russia will seek redress in international courts if Ukraine does not respect the terms of its foreign debt repayments, Russian Finance Minister Anton Siluanov said Wednesday.

The Ukrainian parliament, the Rada, passed a law on Tuesday that gives the government the right to halt payments to creditors, as Kiev wrangles over the terms for restructuring \$23 billion of foreign debt.

Russia holds a \$3 billion Ukrainian eurobond whose full repayment is due by the end of the year. Moscow's relations were wrecked by the conflict in eastern Ukraine, and it has declined to join the debt restructuring talks.

Asked about the prospect of Ukraine halting repayments to its international creditors, Siluanov told reporters: "In effect, that is a default by Ukraine."

"For the time being we don't have any grounds [to say that]. If a payment is missed, we will exercise our right to go to court," he said. Ukraine was due to make its next eurobond repayment to Russia, worth \$75 million, next month, he said.

Ukraine is holding talks to restructure sovereign and state-guaranteed debt to plug a \$15 billion funding gap, but negotiations have soured in the past week. Bondholders object to any writedown on the principal owed; Kiev says their stance showed a lack of good faith.

Russian Foreign Minister Sergei Lavrov said Wednesday that the Rada's move was "regrettable" but said Moscow was not currently planning any legal steps.

"We have a precise timeframe for the repayment of the \$3 billion spent in buying Ukrainian state bonds. We have not sought early repayment of this money, but [final] repayment falls due at the end of the year anyway. Our position is unchanged," he told the Russian parliament.

'Discredited'

Lavrov said Ukrainian authorities would be "completely discredited" if Kiev stopped paying its foreign creditors.

Ukraine's economy, long dogged by pervasive corruption and other woes, has been further weakened by a costly conflict in the east of the country between government forces and pro-Russian separatists that has killed more than 6,100 people.

Moscow, which annexed Crimea from Ukraine in March 2014, stands accused by the West and Kiev of being a key driving force behind the separatists in the east. Though Russia gives the rebels political backing, it denies direct military involvement in east Ukraine despite mounting evidence on the ground.

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