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Russia to Settle Soviet Debt in 2017

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Russia's Finance Ministry announced last week that it had cleared the Soviet Union's $60.6 million debt to the former-Yugoslavian nation of Macedonia. This leaves Russia with just one more payment to settle: $125.2 million owed to Bosnia and Herzegovina.

An unnamed finance ministry source told Russian tabloid Izvestia that the debts would be cleared by the end of the summer.

Russia inherited a debt of more than $66 billion when the Soviet Union collapsed in 1991. Much of the money owned to the Yugoslav government came from business deals which saw communist Yugoslavia provide the Soviet Union with consumer goods.

“In a sense, it is a PR campaign,” economist and politician Andrey Nechaev said. “Despite sanctions, we are paying our debts. It's a nice way to show that Russia is a reliable borrower.”

The Kremlin was able to pay off $22 billion of Soviet debts to the Paris Club — a group of 17 creditors including the United States — in 2006. Soviet debt to China was settled in 2015 with a payment of 400 million Swiss francs ($400 million).

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The Soviet Union previously owed $2.1 billion debt to South Korea. Former Finance Minister Alexey Kudrin signed a deal with his counterpart in Seoul in 2003, writing off part of the debt while agreeing to pay the remaining $1.5 billion over the next 23 years.

Russia's foreign debt amounted to $ 38.6 billion as of Oct. 1, 2016, according to Central Bank statistics. Moscow pledged to cut foreign borrowing in the wake of financial sanctions in 2014, but tumbling oil prices has left the Kremlin struggling to plug the state budget.

Russia's Finance Ministry announced in July 2016 that it planned to spend over a third of Russia's $72 billion national welfare fund between 2017 and 2019 on balancing the government's books.

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