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Putin Tells Schroder He'll Pay Soviet Debt

By PATRICK E. TYLER

The German chancellor, Gerhard Schroder, left Moscow tonight like a smiling creditor who got what he wanted from President Vladimir V. Putin of Russia, who saw off his guest with an affirmative airport declaration: "We intend to pay and will pay the debts of the former Soviet Union." About \$20 billion of the \$48 billion in Soviet-era debt is held by Germany.

After a festive weekend of negotiation, religious services celebrating the Eastern Orthodox Christmas, motor touring and even sleigh riding through the snowy Russian countryside, the two leaders, and their wives, Doris and Lyudmila, parted company today in high spirits. But neither indicated that a solution had been found to Russia's imminent default on \$1.5 billion in debt payments due in the first quarter of the year.

Mr. Putin seemed to be smiling tonight because Mr. Schroder said he and the Russian leader were still discussing ideas about how to convert part of that debt into investments in Russian industries, an idea that Mr. Putin favors. Negotiations are expected to be stepped up this month, both leaders said.

"No one in the world has an interest in placing Russia's economy in a situation where it will not be able to honor its international obligations," Mr. Putin said, explaining that 25 percent of Russian budget expenditures this year will go to debt and interest payments.

Mr. Schroder said nothing to disagree, and the tenor of parting remarks suggested that a compromise was possible along the lines of Russia's making a substantial payment this year as warranted by its strengthening economy, while some debt is rescheduled or converted into investments in Russian industries.

But Mr. Putin acknowledged the strong political pull on Mr. Schroder on the debt issue, saying, "At one point in our conversation, the chancellor told me that friendship is one thing, but duty is duty." Though Mr. Putin said nothing more about the context of the remark, it clearly signified the German position that stronger ties between Berlin and Moscow will not translate into debt forgiveness and that Mr. Schroder, as his government said in a statement this week, expects Russia to live up to its obligations.

The parting remarks by the two leaders did not touch on how each was looking to the incoming administration in Washington, or President-elect George W. Bush's proposal to build a national missile defense shield. Mr. Putin said, "It was very important for me to learn and hear, personally, from one of Europe's leaders, how Germany sees the development of relations between the European Union and Russia and between Russia and Germany."

Both leaders endorsed further medical studies into the possible health effects from NATO's use of depleted uranium ammunition during the 1999 offensive in the Balkans.

But Mr. Putin went further, criticizing NATO's intervention by saying, "The use of force in Yugoslavia, or anywhere in Europe in the 20th and the 21st centuries is absolutely unacceptable." Mr. Schroder just smiled and left for home.