

A tale of two cities?

Benghazi and Dubai have more in common than one would think. The second cities of Libya and the United Arab Emirates (UAE) respectively were, as recently as 2008, mentioned in the same breath. Oil wealth fuelled huge infrastructure and housing projects, sovereign wealth funds gobbled up prestigious overseas assets, while their regimes' openness encouraged significant foreign direct investment (FDI). Libya was touted as the next Dubai. Both cities subsequently changed rapidly. Dubai became the poster-boy of the global financial crisis; Benghazi became a byword for civil war and destruction. But are both countries now back on track?

That these two states could be mentioned in the same breath, for however brief a period, is an exception to the rule. Dubai for decades fashioned its laws to encourage FDI, most recently with free trade zones such as the DIFC. As a result, Dubai had always been a safe haven within the Middle East and North Africa, benefitting from turmoil elsewhere. Libya has once again shown its inherent volatility, undergoing one of the most bloody regime changes of the Arab Spring. The leaders of Dubai and of the NTC in Libya should be commended for proposing ambitious plans for their countries so soon after their respective recession and civil war. While some of these plans are also to be commended, like limited initial public offerings for some

government-related entities (GREs), other plans risk returning these countries perhaps too quickly and unquestioningly to the paths they were on before they veered off-course. Two realities should cause both to readjust some of these more ambitious plans to the new subdued market realities: the extent of debt restructuring/infrastructure rebuilding to be undertaken, and the level of their intra-regional trade.

Sovereign defaults by the UAE/Dubai remain relatively unlikely. In the short term, a sovereign default by Libya cannot be ruled out, given the current turmoil; however, Libya should in due course be able to satisfy its obligations. Libya has US\$140bn of sovereign assets and is Africa's second richest nation by GDP per capita. Moreover, it has minimal debt, benefitting from several write-offs when Libya normalised its relations with the international community between 2003 and 2010. Dubai certainly has more debt, but it also benefits from both an implicit financial backing from Abu Dhabi – as seen with the latter's US\$10bn support of Dubai World in 2009, and an explicit policy that failure is unacceptable – as seen with Dubai's recent decree that healthy Emirates NBD should takeover troubled Dubai Bank. For both countries, challenges remain: Libya has the daunting task of reconstructing much of its war-torn infrastructure, while Dubai has more debt restructurings to undertake: most imminently US\$11.5bn, largely relating to Dubai Group and Drydocks

World; meanwhile its GREs have perhaps US\$105bn of debt to be repaid over the next few years.

Trade flows are another concern: less than 1% of the Maghreb's exports go to the six members of the Gulf Cooperation Council (GCC), while only 10% of intra-GCC trade is non-oil. Recovery strategies must appreciate the need to grow and diversify intra-regional trade, especially given that Libya is facing stiff competition for capital from the likes of Egypt and Morocco, and the UAE is facing similar from Saudi Arabia and Qatar.

A year after the start of the Arab Spring, the full economic impact is emerging. Write-offs and profit warnings have been made at companies ranging from Thomas Cook to Rentokil Initial, while Dubai-based Damac Properties, for example, recently filed an ICSID arbitration claim against Egypt. Possibilities for investors and traders certainly abound in the Benghazi and Dubai of today, but so too do potential pitfalls.

We invite holders of defaulted trade debts, defaulted investments, and rendered arbitral awards or judgments relating to the sovereigns and semi-sovereign entities of Libya or Dubai to contact us for advice.

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Africa Hyper-Exotics		October 2011	
Country / Issue	Price Range		
Angola / Trade	60.000%	65.000%	
Cameroon / Trade (non-HIPC)	14.000%	20.000%	
Congo / Trade (non-HIPC)	22.000%	26.000%	
DR Congo / Loans, Trade (non-HIPC)	16.000%	20.000%	
Ghana / Trade (non-HIPC)	74.000%	78.000%	
Kenya / Trade	39.000%	49.000%	
Mozambique / Trade (non-HIPC)	20.000%	26.000%	
Senegal / Loans, Trade (non-HIPC)	12.000%	16.000%	
Sudan / Loans, Trade (non-HIPC)	17.000%	21.000%	
Tanzania / Loans, Trade (non-HIPC)	10.000%	13.000%	
Uganda / Trade (non-HIPC)	14.000%	16.000%	
Zambia / Loans, Trade (non-HIPC)	13.000%	20.000%	
Zimbabwe / Trade	1.000%	4.000%	

Latin America & Caribbean Hyper-Exotics		October 2011	
Country / Issue	Price Range		
Cuba / Trade	2.000%	4.000%	
Cuba / Loans	5.000%	10.000%	
Suriname / Loans, Trade	14.000%	18.000%	

Eastern Europe Hyper-Exotics		October 2011	
Country / Issue	Price Range		
Azerbaijan / Trade	18.000%	23.000%	
Kazakhstan / Trade	60.000%	65.000%	
Georgia / Trade	11.000%	15.000%	
Serbia / Trade	44.000%	54.000%	
Turkmenistan / Trade	25.000%	35.000%	
Ukraine / Trade	20.000%	25.000%	
Uzbekistan/Trade	20.000%	24.000%	
Tajikistan / Trade	15.000%	20.000%	
Kyrgyzstan / Trade	11.000%	15.000%	

Middle East Hyper-Exotics		October 2011	
Country / Issue	Price Range		
Egypt Trade	65.000%	75.000%	
Iraq / Paris Club	70.000%	72.000%	
Iraq / Bonds	78.000%	80.000%	
Libya / Trade	25.000%	35.000%	
Syria / Trade	6.000%	11.000%	

Asia Hyper-Exotics		October 2011	
Country / Issue	Price Range		
Mongolia / Trade	22.000%	30.000%	
North Korea / Loans, Certificates	9.000%	12.000%	

Prices are a percentage of principal only, however assuming inclusion of an average amount of PDI for the specific debt instrument and the specific debtor. Trade debts and their documentation differ from case to case and price ranges should therefore be considered as a benchmark only.

Price ranges are based on a monthly compilation of sources and analytics. Liquidity on most instruments is very limited and trading may not have taken place for some time.

Omni Bridgeway is regularly requested to value distressed debt of countries not listed above, including distressed debt eligible under HIPC (Heavily Indebted Poor Countries) and/or Paris Club agreements. Such valuations are available on request.

Omni Bridgeway does not provide its legal services for debt that qualifies for treatment under the HIPC Initiative.

For such debt, Omni Bridgeway offers its clients the management and guidance through the HIPC reconciliation and restructuring process and related services.