



# EAST-WEST DEBT

Your partner in solving defaulted trade and bank debt.

Issue No. 17  
April 2005

## Contents

**1 - Alea Iacta Est:**  
*80% of Iraq debts forgiven by  
Paris Club*

**4 - The Importance of  
Ratings**  
*Crucial assessment tool for  
investors*

**7 - News in brief**  
*About Serbia, Libya, Syria and  
Uzbekistan*

**8 - Colofon**  
*About East-West Debt, disclaimer  
etc.*

## Alea Iacta Est

Article by *Didier de Baere,*  
Head of Legal Department East-West Debt.

### 80% of Iraqi debts forgiven by Paris Club

*It has taken less time than expected for the Paris Club to decide what percentage of the outstanding Iraqi debt will be forgiven. The political contradictions between Europe, the United States of America and Russia appeared to have less influence in this area than was thought.*

Driven by different feelings, the above mentioned major creditors in the Paris Club did not want to have a new foe amongst themselves and felt an urge to show their generosity. The result achieved on November 21st, 2004, is remarkable ; only 20% of the face value of the outstanding debt will have to be repaid by Iraq. It must seem unjust though to a lot of other debtors, like Argentina and several African countries, that a country, full of possibilities to repay a large portion of its outstand-

ing debt, receives preferential treatment whereas they have to negotiate for months every single percentage of forgiveness.

quick deal for the Iraqi case, containing a considerable effort from their side.

For obvious reasons, the United States presented themselves as the great defender of the Iraqi cause. The rhetoric of bringing freedom and democracy to the country could not be upheld without making substantial efforts in the debt field. After the quarrels over the Iraqi situation in the period preceding the second Gulf War, many European nations were terrified of starting up a new round of heavy tensions with the big brother from the other side of the ocean. Of course, it was also of big help to suppress discussions with France by promising that Total would not be pushed out of the oil market in post-war Iraq. With two sides already on the same side of the fence, Russia had little choice than to follow suit, however, not before obtaining some additional concessions relating to its own outstanding debt and its current position on the Iraqi market.



ing debt, receives preferential treatment whereas they have to negotiate for months every single percentage of forgiveness.

#### 1. General background

The protagonists of the Paris Club all had their reasons for not letting the negotiations drag on for years and to come to a

#### 2. Influence of the decision

However, this decision of the Paris Club is not the end of discussions in respect of the Iraqi debt, it is merely the beginning. A lot of creditors think that the decision of the Paris Club settles everything, once and for all. However,





## Alea Iacta Est: 80% of Iraqi debts forgiven by Paris Club

this is far from the truth. An agreement in the bosom of the Paris Club is only the big frame setting, the rough borders of the playing field in which the various players can have their "faites vos jeux". Besides the fact that only a first hurdle in the negotiations has been tackled, the impact of the decision is also limited by the very scope of the Paris Club itself. In first instance, we will take a closer look at the limitations of the decision of the Paris Club. A next chapter will then examine why the declaration of the Paris Club has ultimately an influence in the long term.

### ***2.1. Limitations of the Paris Club***

#### ***2.1.1. A framework decision to be worked out***

A lot of confusion has emerged among creditors of Iraq. Lots of them tend to think that it is only a matter of time before all Iraqi debts will be settled at 20% of the face value and expect this to happen as soon as the newly elected government will be installed.

However, this view is far too optimistic. The Paris Club agreement is only a general indicator which will need to be put into practice by bilateral negotiations between Iraq and every single Paris Club creditor country. It goes without saying that these bilateral negotiations and the execution of a reached agreement can take several years and even decades. The Paris Club itself is for the moment referring to 23 years. In the end, the various bilateral agreements can also contain a set of additional requirements for the creditor country which makes the agreed 20% to be far less in reality, due to debt swaps, preferential treatment a.o.

Moreover, it depends to be seen for each and every single creditor whether its own government will include or try to include their debt in the bilateral negotiations. And even in case their own government is willing, it is not certain that Iraq will accept. Indeed, the Paris Club has set a range of rules to which the debt in question has to adhere in order to fall within the scope of the Paris Club agreements.

#### ***2.1.2. Limitation of the scope of the Paris Club***

Before a debt can be considered to fall within the Paris Club arrangements, it will have to live up to the following standards : a public sector debt, on a medium or long term (longer than one year). Although these requirements are not applied severely (for instance, a private debt insured by a public entity can be included), most of the western creditors do not fall within the scope of these requirements. Invoices, bank guarantees and letters of credit with a maturity date of less than 365 days can never be included and not all private western creditors were insured by their national credit insurer.

The conclusion to be drawn is quite simple ; not a lot of the private debts on Iraq will fall within the Paris Club

**No cure - No Pay**  
**Only in case of recovery we**  
**will charge our success fee.**

negotiated agreements and those creditors whose debts are included have to be aware that they will have to probably wait another 23 years before 20% of the principal of the debt will have been repaid. As such, it seems that they should really consider whether it is worth while joining up.

Yet, despite the limitations of the Paris Club agreement, it will also have influence and leave its fingerprints on further negotiations and efforts of private creditors.

#### ***2.1.3. Only an agreement, not a repayment***

Finally, one may not forget that re-scheduling agreements only exist on paper and do not guarantee payment in reality. Many creditors have concluded rescheduling agreements, to repay outstanding debts in instalments, with (African) countries only to find out some months later that these rescheduling agreements are not honoured. When this happens, practice has learnt that in the end it always leads to debt forgiveness.

### ***2.2. Influence of the Paris Club agreement***

A general Paris Club agreement is always a blueprint for further debt negotiations, a precedent voluntarily invoked by the debtor to influence private creditors to forgive a similar or even higher percentage of the outstanding amount. This will not be different for Iraq, especially taking into account the generosity shown by the creditor governments. It is only a matter of time before the London Club (the informal group of creditor banking institutions) will follow its governmental equivalent from the French capital. Needless to be said that it is difficult then for the private creditor, standing on its own and with fewer influence than the London and Paris Club to urge for a better deal.

A second point of influence of the Paris Club agreement is the fact that the debt repayment will be institutionalised. This is a rather positive element, however, containing some dangers. When a certain (governmental) body is established, trusted with the debt repayment, certain



requirements for the debts in question will be set out. Not living up to one of these requirements will then be enough for Iraq to escape refunding.

A parallel between Iraq and the situation after the collapse of the former Soviet Union can be drawn. Russia, as successor of the Soviet Union, and the Paris Club reached an agreement over new IMF support upon condition that Russia would take on its behalf the repayment of the old USSR debts. Russia agreed and instructed the Vnesheconombank - up till then the bank responsible for foreign payments in the Soviet Union - to take the burden of control of any repayment on its behalf. Vnesheconombank drew up a register containing the accepted unpaid debts and sticks to this register to decide which outstanding debt will be repaid. A misfortune for those who do not appear in the register since their debt is not eligible for payment.

A similar procedure is taking place in Iraq. The outstanding debt, of which no one knows exact total, is being mapped out and the creditors are being registered. Since a lot of documents have been destroyed during the two Gulf wars, this is not an easy nor straightforward process and therefore requires active intervention from the creditors themselves. Most creditors are not aware of this however and undertake no action at all. The result of this inactivity may be that already now, or in some years time, their debt is forgotten or untraceable and they will not be repaid.

### **3. Conclusion**

As things stand today, only governmental debts will be repaid for 20% of the principal over a period of around 23 years. Although not certain, the private sector might follow on similar conditions. However, private debts eligible for repayment will have to be registered and this is not yet the case for most western creditors. This is why an organisation like East-West Debt continues to play its role of creditor advisor in the post war Iraq.

### **4. The importance of East-West Debt**

Having people aboard with an expertise of 17 years in the Iraqi market, East-West Debt knows its way around and

understands what needs to be done in the interests of the creditor. Indeed, not only can East-West Debt make sure that the concerned Iraqi debts get registered in name of the creditor, it can also make it possible that a creditor receives a quicker or a higher payment than the one promised in the current Paris Club agreement. This seems impossible, but it is absolutely not.

#### ***4.1. Registration of the Iraqi debt***

East-West Debt knows its way around the current Iraqi labyrinth. As such, we have helped our clients in order to get their debt registered as soon as possible. This is certainly not overly zealous, if one looks at the total of the Iraqi outstanding debt. Although a democratically elected government of Iraq will probably try to please the creditor countries, it will also seize every possible opportunity to lighten the debt burden. Any excuse will then do not to include certain debts in the total of claims eligible for repayment. Our advice was therefore not to take any risk and to register. Fortunately, the initial deadline for registration has been prolonged from February 15<sup>th</sup> till April 15<sup>th</sup>, 2005, so the opportunity is still there. However, companies with outstanding Iraqi claims should take action now and, if interested, can still contact East-West Debt to assist them.

#### ***4.2. A quicker repayment***

As described, repayment of private Iraqi debts can take years and even decades. The mentioned example of Russia shows that this is a fact. Even today, Russia is still repaying former USSR debts of 20 years ago. Taking the debt burden into account, this might even take longer for Iraq. Some creditors do not have that patience. Secondly, it is unknown whether Iraq will invoke the time limitations applicable to debts. Therefore, a quick sale of the debt can be considered. Indeed, some investment funds are buying Iraqi debt directly, of course at limited prices, hoping they will receive more for them in the future or because it is interesting in light of a certain swap or transaction. East-West Debt has excellent relations with nearly all of these funds and seeks the most interesting partner for each of its clients in order to ensure them a quick sale for the best price possible.

#### ***4.3. Enforcing the position of the creditor***

It is to be expected that repayment of a private debt will never exceed 20% of face value. Of course, this is not considered to be enough by every creditor. East-West Debt helps out creditors in order to try to make sure that the principal is set at its highest level possible. By using certain legal tactics this is possible from time to time but honesty obliges to say that solutions might dry up in the near future. Once again, a reason not to wait to contact East-West Debt in order to find out what can be done.

In the meantime, plain judicial debt collection of Iraqi assets has become nearly impossible although some backdoors have not been completely closed yet. If possible, East-West Debt does not hesitate to maximize any opportunities for the benefit of its clients.

Last but not least, East-West Debt has set up a network of local contacts in Baghdad to continually investigate whether settlement at a higher amount than 20% is still possible. Indeed, it appears that some creditors get preferential treatment when the right buttons are pushed locally. Do not hesitate to contact us to see whether your particular debt can be included in these preferential schemes.

We will continue to closely monitor the situation and in the meantime invite anyone with an outstanding Iraqi claim to contact us in order to see whether our assistance can be worth while.

## **Russia, Syria and Libya debt?**

**Many companies and/or banks are still holding uninsured overdue receivables on Russia, Syria and Libya, due to unpaid exports or loans.**

**Please contact us for our solutions**



# The Importance of Ratings

*Sovereign ratings are a crucial assessment tool for investors and businesses seeking information about the financial risks in developed and emerging markets worldwide. Given the importance of this subject for the financial sector and for those with financial responsibilities, we have asked Standard & Poor's as a "top player" in this field to write an article explaining "the world behind the ratings". This is part 1 of a small series; in the next newsletter you will find an article that gives more specific information about the rating of the "transition economies" in post-communist countries.*

## **Behind the Ratings**

Sovereign defaults have always reflected a variety of factors, including wars, revolutions, lax fiscal and monetary policies, and external economic shocks. Today, fiscal discipline, debt management, structural inefficiencies constraining productivity, and contingent liabilities arising from weak banking systems are among the significant economic policy challenges facing many sovereigns. The associated credit risk, which may seem manageable for a time, can quickly mushroom - as events in a number of emerging market countries in the late 1990's have shown. Standard & Poor's believes an understanding of sovereign ratings - what they mean and the criteria behind them - is as relevant now as ever.

## **Forward-Looking**

Standard & Poor's sovereign credit ratings reflect its opinions on the ability and willingness of sovereign governments to service their commercial financial obligations in full and on time. Ratings coverage continues to expand, with the 100th sovereign rating in 2004 assigned to Burkina Faso.

A rating is a forward-looking estimate of default probability. Sovereign ratings are

not "country ratings", an important and often misunderstood distinction. Sovereign ratings address the credit risks of national governments, but not the specific default risks of other issuers. A rating assigned to a non-sovereign entity is, most frequently, the same or lower than that assigned to the sovereign in the main country of domicile, but may be higher. Defaults by rated sovereign issuers of bank and bond debt include those of the Republic of Argentina; the Russian Federation and the Islamic Republic of Pakistan, although other rated sovereigns have defaulted in the years before they were rated. Default and transition studies indicate that, compared with corporate ratings, sovereign ratings show more stability at most rating levels. In most instances, the sovereign default record is lower than the corporate default record. However, such comparisons are affected by the small sample size of sovereign defaults. Standard & Poor's expects sovereign default probabilities to converge with corporate ratios over time as the number of sovereign observations increases, something one would expect given the same rating definitions.

tive aspects of the analysis incorporate a number of measures of economic and financial performance and contingent liabilities, although judging the integrity of the data is a more qualitative matter. The analysis is also qualitative due to the importance of political and policy developments and because Standard & Poor's ratings indicate future debt service capacity.

Standard & Poor's divides the analytical framework for sovereigns into 10 categories. As part of the committee process that Standard & Poor's uses to assign credit ratings, each sovereign is ranked on a scale of 1 (the best) to 6 for each of the 10 analytical categories. There is no exact formula for combining the scores to determine ratings. The analytical variables are interrelated and the weights are not fixed, either across sovereigns or over time. Most categories incorporate both economic risk and political risk, the key determinants of credit risk. Economic risk addresses the government's ability to repay its obligations on time and is a function of both quantitative and qualitative factors. Political risk addresses the sovereign's willingness to repay debt.

## **The 10 categories are:**

- Political Risk (including stability and legitimacy of political institutions);
- Income and Economic Structure (including prosperity and the degree to which an economy is market-oriented);
- Economic Growth Prospects (including size and composition of savings and investment);
- Fiscal Flexibility (including government revenue, expenditure and surplus/deficit trends);
- General Government Debt Burden (including share of revenue devoted to interest);
- Offshore and Contingent Liabilities (including robustness of financial sector);
- Monetary Flexibility (including price behavior in economic cycles);
- External Liquidity (including reserve adequacy);
- Public-Sector External Debt Burden (including sensitivity to interest rate changes);
- Private-Sector External Debt Burden (including sensitivity to interest rate changes).

## **Iraqi debt**

Many enterprises, banks and insurance companies are still holding uninsured trade debts on Iraq, due to exports or loans originating from before 1990. Please be aware that these claims on Iraq may become time-barred very soon.

**East-West Debt is particularly interested in purchasing or collecting your Iraqi claims guaranteed by the Rafidain and Central Bank of Iraq. Please contact us for more details.**

## **No Exact Formula**

Standard & Poor's appraisal of each sovereign's overall creditworthiness is both quantitative and qualitative. The quantita-

Rated sovereigns formed an exclusive club of the world's most creditworthy governments until the 1990s. Standard & Poor's rated just a dozen sovereign issuers in 1980-all at the 'AAA' level. Rating downgrades were relatively rare over the remainder of that decade and, when they occurred, were usually of modest dimensions. Nowadays, the sovereign sector is far more heterogeneous. The 106 sovereigns Standard & Poor's now monitors carry ratings between 'AAA' and 'SD' (Selective Default). Given the range of credit quality, rating changes occur more frequently. Standard & Poor's has introduced an internal early-warning system to assist in rating surveillance.

### **Strong Response**

Rating changes occur whenever new information significantly alters our view of likely future developments. This usually results from the policy response or the degree of latitude in a given area being different from what was expected.

One of the lessons of recent years for sovereigns is that a strong policy response that identifies and addresses sources of stability is key. Whether the problem is a weak banking sector, excessively leveraged corporates, inflexible exchange-rate regimes, or high fiscal imbalances, a strong policy response is crucial for strengthening both the economic environment and sovereign creditworthiness.

For more information: Kevin Daly, Director Marketing Sovereign Ratings Standard & Poor's, London (Tel.: +44 20 7176 7112)

### **Argentina Sticks to a Rough Game**

As mentioned in the front page article, Argentina finds itself in a similar position as Iraq. This country would also love to reschedule its defaulted debt this spring, and is also in the region of \$100 billion in such debt. Yet the differences are also striking. Where Iraq has ten thousands of creditors, Argentina has over half a million making the Iraqi number only a mere handful. The government of President Kirchner has antagonized and alienated virtually everybody to whom it owes money, where the general attitude towards the Iraqis was one of goodwill

and sympathy from the start. And most importantly, Argentina's bilateral debt is negligible compared with the amount it owes the private sector (in Iraq, it's the other way around).



### **"Absolutely Unacceptable"**

Nearly three years after Argentina declared a moratorium on its foreign debt, the country last winter finally looked as if it was going to launch a bond exchange in an attempt to cure the default. Still, not every observer was confident that it would achieve much success.

One important reason is that most of Argentina's bondholders seem determined to reject the country's offer out of hand. When last June the government proposed to write off 75% of the debt, a major group of creditors reacted immediately. The Global Committee of Argentina Bondholders (GCAB), which claims to speak for about 44% of the bondholders, called it "absolutely unacceptable". Argentina is not negotiating in good faith, said GCAB Co-Chairman Nicola Stock. Thus far, creditors have said they want at least 65% of their original investment back.

Still, the government seems confident it can gain a significant participation rate in a swap. This confidence was buoyed in October when the country's private pension funds agreed to accept the controversial proposal.

### **Time is a Weapon**

The most important player in the Argentine team is Roberto Lavagna, the

Economy Minister. Since he took over in April 2002 he has been branded confrontational with little regard for international financial protocol or tradition. He hasn't only taken a hard stance towards the creditors, but also towards the International Monetary Fund (IMF). His most effective weapon has been time. By spinning the restructuring process out for almost three years, he has worn a lot of investors down.

The problems in Argentina have become the world's biggest sovereign debt crisis. So far, the government's stubbornness seems to have paid off. The economy is rebounding, there is plenty of cash to finance investment and the government is saving some \$700 million a month by not paying its creditors. But there are also major risks. The central bank has given warnings that unless Argentina regains access to international capital markets the cost of renewing domestic debt in 2005 and 2006 will drag down growth. And the country will need fresh money from the IMF to repay it next year. It may not get that without a deal acceptable to, say, 70% of bondholders.

### **Law Suits**

For that reason, Argentina's aggressive game is seen by many analysts and bondholders as short-sighted. Another criticism of Argentina's approach is that it has created a problem in the form of lawsuits by angry investors determined to seize Argentine assets. In August, for example, EM Corporation, owned by the Dart family, won an appeals court judgment against Argentina for \$740 million for payment of defaulted Argentine bonds.

A scary prospect for Kirchner's government? Not necessarily. It is not clear which assets investors can seize. The government sold off all the state-owned companies in the privatisation process of the 1990s. Assets abroad such as embassy buildings and vehicles are protected. Even

**Still holding  
Libya claims?**

**Contact us!  
We have solutions!**



an attempt to seize cash in a US bank account belonging to Argentina's privatised postal company, expropriated by the state last year, failed. One fact reveals investors' perceptions of their chances of success through the courts: only a handful have taken out lawsuits. Most believe it to be a waste of time.

### ***Saudis are Taking Small Steps towards Change***

Saudi Arabia, the oil colossus run by one of the Arab world's most conservative and autocratic regimes, is facing unprecedented economic, social and political upheaval. No other county, analysts say, is so rich and yet so poor.

Saudi Arabia has 25% of the world's oil reserves, but the average Saudi woman has six children, and state funds have not kept pace with the population boom. Incomes have fallen by about two-thirds since the Eighties, and unemployment is up to 30%. An army of youngsters is simmering with frustration. Women and children beg at traffic lights, a sight unthinkable just a few years ago. Concentrating on oil, the government has done little to stimulate private enterprise.

### ***7000 Princes***

Meanwhile, up to 7,000 princes live lavishly at state expense and millions of 'guest workers' from Asia, often treated like servants, keep the country running. Many employers, Saudi and foreign alike, insist they are cheaper and work harder and can be dismissed without all the bureaucracy attendant on a Saudi.

It is not all bad news. The government's domestic debt may be over 100% of gross domestic product, but its external debt is zero. If Saudi Arabia chose to tap the international capital markets, economists agree, demand for Saudi debt would be almost insatiable. But, to the more conservative of the al-Saud ruling family in particular, borrowing from foreigners is anathema.

Corruption dominates and distorts the entire Saudi system; some estimate that 25% of Saudi GDP goes towards the support of the royal family and its patronage network. Much is written in the West about splits within the family, as well as challenges from reformers, fundamentalists and even the United States.

## **Overdue trade or bank debt?**

Companies and banks with overdue trade or bank debt in emerging markets are invited to **contact us**

In case of recovery, we can offer you the best terms and conditions available in the market.

But talk of the collapse of the House of Saud seems premature. While internal differences within this huge structure exist over relations with the West, or political and economic liberalization, the family is united in its desire to maintain control. And it would be wrong to overlook the fact that the royals have many loyal supporters within the kingdom.

### ***Bomb Attacks***

After the 11 September attacks Saudi Arabia came in for harsh criticism from the US, for tolerating a milieu where perpetrators of bombings could live unchecked. American pressure on the government to crack down on Islamic charities, change the orthodox, inadequate school curriculum and democratise political life increased.

The leadership was reluctant to act, but a series of suicide bomb attacks within their own borders appeared to convince the government that action is needed on two fronts: a crackdown on militants and the first tentative reforms. Crown Prince Abdullah, who rules Saudi Arabia in place of his sick half-brother King Fahd, seems to be committed to reform. He has done much to discourage royal extravagance – even forcing the many other princes to pay for their own airline tickets – and is slowly beginning to modernize this devoutly Islamic country. Saudi Arabia is even taking a step towards democracy, with municipal elections, the first since the creation of the state in 1932. Reforms granting women more rights have already been introduced, and laws are being re-written to encourage women to start

businesses and to invest capital. Ten years ago, hardly any women worked.

### ***Own Pace***

However, Prince Abdullah is not in an easy situation. While most people accept the need for change, they want it to happen at their own pace, not at one dictated by the West. Saudi Arabia, with its mixture of autocratic rule and puritanical Wahabi Islam, has been a breeding ground for militancy for more than a decade, and Western and Saudi intelligence experts believe there are still several thousand extremists within the kingdom who are prepared to use violence. Many Saudis supported the events of September 11, and a majority at least felt a degree of satisfaction that America was suffering.

Another problem is that the Crown Prince's brothers have power bases independent of him. Some of them support the very religious bigots Abdullah is now fighting. This renders the government ineffective. The arrest in March 2004 of a number of reformers demonstrated the fragility and sensitivity of the process.

The next few years will be crucial. Saudi Arabia needs major change and a real government to prevent the country sliding into chaos, but Abudallah will have to carefully seek out a path between the demands of the reformers and those of the hardliners, while moving at a pace the cautious Saudis will accept.

### ***Campaign for Debt Relief gets UN Backing***

A call for the cancellation of virtually all outstanding loans to poor African countries was made in a report by the United Nations Conference on Trade and Development. The UN report argues that the existing debt relief program promoted by the IMF and the World Bank looks increasingly unlikely to fulfil its purpose.



African countries involved in the Highly Indebted Poor Countries (HIPC) scheme have on average barely a 40% chance of achieving sustainable levels of debt that they can service without further relief or rescheduling, it says. Kofi Annan, UN Secretary-General, has cited rising demands for a "new framework" going beyond the HIPC initiative launched eight years ago. Jeffrey Sachs, Mr Annan's special economic adviser, has suggested African governments should stop debt payments.

This shows that, with backing that includes U2 singer Bono and the Pope, the campaign for debt relief is gaining momentum. The US and Britain are touting rival plans to erase the debts entirely. America wants simply to write off the debts of HIPC countries. According to President George Bush's Treasury, part of the money these countries borrow from international institutions goes straight back to Washington to service existing loans. Why not simply cancel the debts and switch to grants? Although the Treasury is not promising any new money, it says that eliminating debt would be a big step forward.

#### More Cash

Britain, by contrast, is offering more cash and wants more countries to help. Last September, Gordon Brown, the Finance Minister, said that the goal should be debt relief of up to 100% for all poor countries, not just those that are officially deemed to be heavily in debt. To "lead by example" he promised that Britain would pay its share (10%) of the debt service owed by poor countries to the World Bank and the African Development Bank.



Debt activists are delighted. They hope that the rivalry between rich countries will bring both debt write-offs and pledges of new money. Critics however question whether total debt relief makes

sense. In their eyes, eliminating all the HIPC's debts is both unfair and risky. The HIPCs do not include all the poorest countries, just the ones that are both poor and heavily in debt. Why should Uganda or the Republic of Congo have all its debts cancelled, but not Bangladesh, a poor country that has managed its debts more competently?

By broadening the prospect of relief to all poor countries, the British proposal eliminates that inequity. But it does not eliminate the risks associated with complete forgiveness; particularly that debt elimination might not encourage prudent policies in the future.

## NEWS IN BRIEF

*The London Club, a group of commercial lenders, has agreed to write off more than half of Serbia's US\$2.8 billion debt to the group and re-schedule payments on the remainder over the next 20 years. The interest rate for the remaining debt of \$1.08 billion will be an annual 3.75% over the first five years, and 6.75% for the 15 years following. The deal with the London Club came three years after Serbia-Montenegro, the Balkan union formerly known as Yugoslavia, agreed with the Paris Club of sovereign lenders to slash the US\$4.4 billion owed by Serbia by 66%.*

The United States has formally resumed diplomatic ties with Muammar Gaddafi's government in **Libya** after 24 years. Libya's ties with the West have strengthened since it renounced weapons of mass destruction in December 2003. The result is that the Libyan government is now prepared to resume talks with the old western trade partners to settle outstanding debts and to talk about new investments in the country.

In sharp contrast, America in 2004 this year imposed economic sanctions on **Syria**, after long accusing the Arab state of supporting and failing to stop militants en-

tering Iraq and threatens to sharpen them after the assassination of former Lebanese Prime Minister Hariri early February of which Syria is suspected to be involved. President Bush ordered a freeze on certain Syrian assets in the US and a halt to all American exports apart from humanitarian items. Syria has denied wrongdoing and says sanctions will only harm US interests. It remains to be seen what influence the sanctions will have on the already limited position of Syria in the international financial markets.

The United States has frozen aid to Uzbekistan, because of what it calls a lack of progress in democratic reforms. The US State Department said last July that Uzbekistan had made some encouraging progress over the past year on human rights, but Washington was disappointed by a lack of progress towards democracy. Uzbekistan has received tens of millions of dollars in US aid since 2001, when, after the September 11 attacks, it allowed American forces to use an air base near the Afghan border. Earlier this year, the European Bank for Reconstruction and Development (ERBD) also pulled aid to the country, citing slow reform and a dire human-rights record.

**Holding an Angola debt?**

**Holding a Russia debt?**

**To check upon the possibilities consult**

**EAST-WEST DEBT  
free of charge**

## DEFAULTED TRADE OR BANK DEBT IN EMERGING MARKETS?

We have debt recovery possibilities in the  
following countries:

AFRICA	ASIA	EASTERN EUROPE
ALGERIA	BANGLADESH	ARMENIA
ANGOLA	KAZAKHSTAN	AZERBAIJAN
CONGO	PAKISTAN	RUSSIA
IVORY COAST	TURKMENISTAN	UKRAINE
ZIMBABWE	UZBEKISTAN	SERBIA
LATIN AMERICA	MIDDLE EAST	SOUTH-EAST ASIA
ARGENTINA	IRAN	BIRMA
BRAZIL	IRAQ	INDONESIA
CUBA	LIBYA	MALAYSIA
ECUADOR	SAUDI ARABIA	THAILAND
VENEZUELA	SYRIA	VIETNAM

For further solutions, also on countries not mentioned here,  
contact our offices at:

EAST-WEST DEBT - Meir 24, 2000 Antwerp, Belgium  
Tel.: +32 3 231 45 03 Fax: +32 3 231 95 45  
E-mail: [mail@eastwest.be](mailto:mail@eastwest.be) Website: [www.eastwest.be](http://www.eastwest.be)



East-West Debt has made every effort to ensure the accuracy of this publication. Neither the company nor any contributor can accept any liability for - including but not limited to errors, omissions, opinions or advice given. This publication is not a substitute for professional advice and all information is for guidance only.