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## Persian Gulf – Law Firms

### Negotiating Away The Fears

*The Editor interviews Sheila Shadmand, Partner, Jones Day.*

**Editor:** Sheila, as the Administrative Partner of the Dubai office, tell us about the office's practice.

**Shadmand:** We opened the Firm's Dubai office in March 2009. Dubai has positioned itself in the global economy as a bridge between East and West. But, it is more than simply a bridge because the Middle East itself is very much a destination for both inbound and outbound investments and other business activity. There is worldwide interest in investing in the Middle East and untold wealth in the Middle East seeking foreign investment opportunities. All this is reflected in the project finance, infrastructure, M&A and international litigation and arbitration work that we do. The focus of our practice is international. We don't focus only on Dubai, the UAE, or the region but on the whole world doing business here.

Our office composition currently consists of seven lawyers, including two partners: Arman Galledari, who is a Banking and Finance lawyer who has considerable experience in Project Finance, particularly in Energy and Infrastructure, and my practice focuses on International Litigation and Arbitration. Our staff includes a consultant who has been practicing law in Dubai for over 30 years, which gives us the benefit of local law capability not found within other U.S. law firms currently in Dubai; an Of Counsel with experience in Banking and Finance, particularly in the real estate sector; two Corporate/M&A associates; and one Banking and Finance associate. We gain additional strength because of our close working relationship with other Jones Day offices throughout the world. Our clients know that the Jones Day structure, which is unique for a firm of our size and

stature, gives them confidence that our lawyers can and will draw upon the experience of each of our over 2,500 lawyers worldwide when the client's needs necessitate – without the interference of personal conflict issues that sometimes arise within other firms' partner compensation structures.



**Sheila  
Shadmand**

**Editor:** Tell us about the Firm's clients in the region.

**Shadmand:** We have a number of clients in the project finance arena, including private developers, governments, multilateral organizations, lenders, private equity, and sovereign wealth funds, whom we advise on the development, financing, disposal, and acquisition of complex and high-profile energy and infrastructure projects. The headquarters of these clients span the globe.

We also have a number of clients who are interested in general corporate and M&A activities in the Middle East. Thus, we've assisted our global clients on issues ranging from regulatory and compliance, to how and where to incorporate, as well as how to structure their newly formed or acquired entity to get the full benefit under the laws of the applicable jurisdictions.

We also maintain an active counseling practice, advising many of our U.S. clients on FCPA, OFAC, embargo, anti-money laundering, and other issues unique to international business.

On the litigation and arbitration side of our practice, we advise foreign and local entities who have a dispute that has some relation to the Middle East, whether the plaintiff or defendant resides here, the issue

that gave rise to the dispute took place here, there is evidence to be obtained here, or there is an order, judgment or award to be enforced here – and everything in between.

Litigation and arbitration in the region, and consequently our practice, is developing at a fast pace. We try to advise our clients as early as possible in the lifespan of a dispute, because the way we bring a claim might depend on where the client will want an award or judgment enforced. There is little use and lost costs in bringing a lawsuit in a particular manner just to discover later that the jurisdiction where you want or need your judgment or award enforced will not recognize the judgment or award.

Arbitration is the preferred international dispute resolution mechanism in Dubai. The arbitration facilities available here are of an international scale, and their procedures are similar to those in other world-class arbitration centers, giving our clients a little more clarity in the arbitration process than they might otherwise get in the Middle East.

**Editor:** What triggered Dubai's transformation into an international financial and economic center?

**Shadmand:** Dubai is the vision of its ruler, H.H. Sheikh Mohammed bin Rashid Al Maktoum. Dubai, is one of the seven Emirates of the UAE, which is in total smaller in several respects than its neighboring Arab states, including its more limited supply of natural resources. Thus, Sheikh Mohammed, along with his father Sheikh Rashid ("the Father of Dubai") realized as early as the 1970s that in order to be sustainable over the long term, Dubai needed to be something much more than the wealth of its natural resources. Thus, Sheikh Mohammed and his father began to diversify Dubai's economy away from oil and towards trading, shipping, banking, and tourism.

*Please email the interviewee at [slshadmand@jonesday.com](mailto:slshadmand@jonesday.com) with questions about this interview.*

Today, Dubai is an international financial capital and investment market and economic center. It's really a fascinating place when you see it today, knowing the country's history. And it is truly an international community whose strength is built upon the people, businesses and organizations who have come here from all over the world to interchange information and build upon the insights they gain from one another.

**Editor: What is the situation with respect to Dubai World?**

**Shadmand:** The real estate sector in Dubai saw an incredible and perhaps unsustainable amount of growth over the recent term. The Dubai World situation is being addressed by the government and the affected entities. I think hindsight will prove that the current situation was beneficial in the sense that it gave everyone an opportunity to step back and embark on a more measured and systematic growth, which will actually make Dubai stronger in the long term. It is better for Dubai to have this happen to its local economy during a time when the global economy is also experiencing a restructuring of sorts, rather than losing its competitive edge by experiencing a downturn when the rest of the world is not.

**Editor: How is the local economy doing?**

**Shadmand:** Like every other major finance capital in the world, we are seeing signs of recovery. To say that Dubai has been insulated from the economic downturn of the financial world is not true, but to say Dubai has suffered worse than other economies is also not true. If anything, the basic tenets of Islamic or Shari'ah law that must be adhered to in Islamic financing and related transactions may have helped protect many of the investments and investors in this part of the world.

**Editor: How has the global financial crisis affected Jones Day?**

**Shadmand:** What we have seen in other downturns is that when the economy is doing well, we are able to advise our clients on M&A, banking and transactional solutions for their business needs. When the economy is not good, our clients tend to need dispute resolution, bankruptcy and restructuring advice to obtain a satisfactory resolution. Given that Jones Day is very strong on both sides of this business coin, the result is that the Firm has remained on a fairly even keel during these various phases of the economic cycle.

**Editor: Does the office provide advice on Shari'ah law?**

**Shadmand:** Yes – two of the lawyers in our office have considerable experience in Islamic finance, which enables us to assist our regional clients in structuring transactions that are Shari'ah compliant.

**Editor: Are financial institutions, including the sovereign entities, extending credit?**

**Shadmand:** The economy in Dubai has certainly seen signs of recovery, and the skittishness that I think existed in the market here about six to eight months ago has slowly waned. I think it is as true in Dubai as it is in other parts of the world that we are nearing the end of the economic reshuffling where the weaker entities are consumed by the strong, and the strong begin to re-enter the market.

**Editor: Compare the UAE insolvency laws with those in the Western world.**

**Shadmand:** It is a very interesting time for the developing bankruptcy laws in the Middle East, which do not currently exist as a complete regime that for the most part operate under the auspices of a judicial system as it does in the West. The system that prevails in the West makes it possible for a debtor that meets certain conditions to continue its operations and restructure itself so that it may emerge from bankruptcy as a stronger entity, while paying its creditors to some extent in as efficient and fair a manner as possible. This has proven to be a good method not just for the debtor and its creditors as a whole, but for the local economy as well. If a major corporation is suffering financially and is forced to close its doors, the local economy will experience a waterfall effect in the resulting lay-offs, which in turn affects other local business, which in turn starts to affect mortgages and real estate, and so goes the final spiral.

The Middle East does not currently have a complete bankruptcy system as I've described. Generally speaking, the insolvency laws in most of the developing nations in the Gulf Cooperation Council (GCC) or in the Middle East North Africa (MENA) region provide a mechanism for a company facing insolvency to appoint a receiver or trustee for the purpose of winding down its operations. There has historically been a stigma associated with bankruptcy in the Middle East that has kept these bankruptcy laws from developing into a system as I've described. I think the Mid-

dle East is recognizing that this needs to change and that an effective and complete bankruptcy system is good for the debtor, creditors and the community as a whole. We are starting to see the product of that change in things like the institution of the Dubai World tribunal.

**Editor: To what extent is an understanding of the culture and language of the UAE necessary in conducting your law practice? What orientation does the firm provide to lawyers assigned to the Dubai office from other Jones Day offices?**

**Shadmand:** I would say an understanding of the culture in the Middle East is definitely a must. There is so much history here, and unfortunately many people in the United States do not have a very good or accurate understanding of the Middle East. We have chosen to staff our office with UK- and U.S.-trained lawyers who already are very well versed in the culture of the Middle East and the type of business that's being conducted here, either because they are originally from this region or have previously lived in this region.

With respect to language, because Dubai is quickly becoming an international financial capital, English has become the default language of the business community. For example, the official language of the Dubai International Financial Center's (DIFC) laws, courts and arbitration center is English.

**Editor: What future role do you expect the GCC states to play in the world economy?**

**Shadmand:** They will continue to become increasingly important. There are several GCC nations whose GDP growth rate percentage is double and triple that of India and China; they are smaller nations certainly, but they have growth rates that cannot be ignored.

**Editor: Do you have any final thoughts that you'd like to convey to our readers?**

**Shadmand:** It is important to keep in mind the overall strength of Dubai and the UAE, as well as its position in the Middle East. Dubai has an unparalleled infrastructure in a region full of wealth, a world-class talent pool, and the vision and leadership of a stable government. And Dubai World is but a piece of a very diverse economy. It is for these reasons that Dubai will continue to be an important global financial center for the Middle East decades to come.