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Enhancing Returns in a Shifting Sovereign Enforcement Landscape

Rising sovereign debt and evolving restructuring and enforcement dynamics are reshaping recovery strategies. Developments in restructurings in low- and middle-income countries and increased enforcement against long-standing debtors are creating new opportunities for coordinated, cross-border approaches that can enhance recoveries and accelerate timelines beyond traditional sovereign litigation.

Creditors and investors in sovereign debt are operating in an increasingly complex but opportunity-rich environment. Recent developments, including changes in sovereign debt-restructuring processes in low- and middle-income countries, as well as increasing enforcement activity against long-standing debtors such as Venezuela and Argentina, are creating new avenues for recovery beyond traditional enforcement methods.

With global public debt surpassing US\$100 trillion and refinancing pressures mounting amid high interest rates and geopolitical risk, the dynamics of sovereign enforcement are changing. Claims once considered too difficult to monetize can now yield stronger returns when pursued through coordinated, cross-border strategies that extend beyond the litigation approaches sovereigns have anticipated.

A disciplined, outcome-focused enforcement strategy can materially improve recoveries and accelerate timelines.

#1: Focus on Key Commercial Counterparties. Enforcement against sovereign assets remains challenging and often protracted, unfolding across multiple courts and political channels and implicating various commercial interests. Sovereign immunity protections frequently limit the effectiveness of traditional asset-seizure strategies, particularly where large judgments or arbitral awards are involved.

Rather than focusing solely on asset identification and execution, creditors should prioritize strategies that create meaningful leverage and drive the sovereign toward a durable resolution. In evaluating enforcement targets, it is critical to assess both the economic value

of the asset or revenue stream and the broader impact of lawful enforcement actions on the sovereign's access to trade, financing, or strategic relationships.

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Effective enforcement campaigns increasingly look beyond assets themselves to the networks surrounding the sovereign—such as key commercial counterparties, multilateral or bilateral lenders, export credit agencies, and ratings institutions. Engaging across these networks can accelerate settlement discussions and improve outcomes.

#2: Preserve and Control “Young” Assets Through Receiverships. Receiverships remain a powerful but underutilized tool in sovereign enforcement campaigns. While not available in every jurisdiction, the appointment of a post-judgment receiver can be critical for preserving the value of assets that are still developing or that require active management to generate returns.

In cross-border contexts, receiverships can be particularly effective where sovereigns rely on commercially operated assets, state-owned enterprises, or offshore revenue-generating structures. Securing oversight of these assets or cash flows can prevent value erosion, enhance transparency, and materially shift negotiating leverage. Even the act of seeking a receivership may prompt earlier engagement by the sovereign, given the attendant risks of intrusive discovery/disclosure and loss of control over assets.

#3: Remember: A Settlement Is Not the Finish Line. Reaching a settlement with a sovereign debtor is often a milestone—but rarely the end of the enforcement journey. Sovereigns that have defaulted on contractual or treaty obligations may be equally willing to breach settlement agreements, particularly where payments are structured over time.

Settlement terms must therefore be crafted with enforcement in mind. Creditors should consider securing payment obligations through mechanisms such as consent judgments, third-party collateral, or security located in enforcement-friendly jurisdictions. Where possible, settlements should preserve immediate recourse in the event of a subsequent default. Planning for the next breach before it occurs is essential to protecting recoveries and avoiding the erosion of hard-won leverage.

Enforcement strategies are evolving as sovereign debt burdens continue to rise. For investors and creditors seeking to maximize recoveries, early planning and unconventional enforcement strategies are increasingly central to achieving timely and meaningful returns.

About Kobre & Kim

Kobre & Kim is a global law firm focusing on cross-border disputes and investigations and global asset recovery, often involving fraud and misconduct. The firm:

- Formulates and executes cross-border strategies across global jurisdictions, including Latin America, BVI, Cayman, Cyprus, Delaware, Dubai, Hong Kong, Israel, Korea, the PRC and the United States.
- Focuses on helping clients realize value from their claims, developing investigative, enforcement, and asset tracing/recovery strategies in the pre-dispute stage to maximize future monetization.
- Often works with other law firms to enforce high-value judgments, arbitration awards, and defaulted debt worldwide with our integrated team of former government prosecutors, Hong Kong Solicitor Advocates, UK solicitors and barristers (including King's Counsel), and offshore lawyers.