

# A legal market on the move

Iberia's businesses are on the move. Depressed home markets and limited prospects for new growth are prompting an increasing number of Spanish and Portuguese companies to look abroad for new opportunities. A larger number of businesses are now generating a greater proportion of their revenues overseas.

Spanish multinationals have been seeking new opportunities outside Spain and Portugal for many years but recent times have seen the search for new markets become a necessity for all type of businesses.

The reasons behind this exodus lies both in the narrowness of companies' domestic markets, worsened by the financial crisis, coupled with reduced Government spending on areas like infrastructure and public procurement, and the inability to raise finance from banks or the capital markets.

In Portugal, the €78bn EU, ECB and IMF financial assistance package is only the most public face of the country's domestic issues, say lawyers, but which is accelerating the impact of cuts in public spending.

"Due to the current adverse economic and financial environment an increasing number of Portuguese clients are seeking opportunities in new markets, and specifically in the lusophone countries," says João Vieira de Almeida, Managing Partner of leading Lisbon-based firm Vieira de Almeida (VdA). "This trend affects companies across most business sectors, which are attempting to diversify risk and increase margins."

Pedro Furtado Martins, the newly-elected Managing Partner of Sérvulo & Associados agrees: "The Portuguese economy is going through difficult times and facing demanding challenges. Taking this into consideration, the largest businesses are looking to invest especially in the fast-growing economies including Brazil, Mozambique and Angola."

As they look internationally many companies are seeking to make the very most of their natural advantages.

"Entering competitive and confident international markets is one way both to expand and leave trouble behind," says Javier Villasante, Head of International at Cuatrecasas Gonçalves Pereira.

Transport and infrastructure, alongside

energy and finance remain the major international focus of Spanish and Portuguese companies, sectors in which many have solid technical leads offering the best guarantee of winning new mandates and transactions.

"The process of internationalisation is practically no longer an option for many businesses but has become one of the few avenues of growth available to them," says Luis Fernando Guerra, Managing Partner of Deloitte Abogados y Asesores Tributarios.

## New approaches

Companies are not however merely looking to start new operations afresh, they are taking some of their most senior people with them. Over the past year a number of Iberian General Counsel have relocated as their businesses demand higher levels of legal and strategic input.

Indicative is the relocation of Eduardo Ruiz Montoya to São Paulo, the former Legal Director Iberia and Central & Eastern Europe at Hewlett-Packard has become Legal Director Brazil, Latin America & Canada. Others are taking on wider responsibility, with many, including Joaquín Valenzuela at insurance giant Allianz, extending their role from Head of Legal Iberia to include Latin America.

Such developments reinforce not only the importance of Latin America for law firms but their entire ability to meet changing client demand. A number have nonetheless begun to make subtle but important changes to their international strategies, with an evident loosening of formal ties and the search for new and wider referral options.

Indicative was Garrigues' decision to rationalise its Central European practice at the end of 2010, with the closure of the Bucharest office and the reinforcing of Warsaw as a regional hub. In Latin America it maintains the Affinitas network, although it has established



Las empresas de la Península Ibérica están en expansión. Las oportunidades limitadas de crecimiento en los mercados nacionales hacen que cada vez más compañías españolas y portuguesas miren hacia Latinoamérica, Africa y otros mercados. La Península Ibérica ofrece un paisaje heterogéneo para los inversores, aunque con la recesión es posible que encuentren más "gangas". Los despachos tienen que adoptar una visión más internacional, pero también necesitan identificar dónde establecer lazos más fuertes. Para algunos, ello significa tener menos relaciones aunque más estrechas; para otros, sin embargo, la mejor política es tener la mayor cantidad de amigos posible.





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its own association in Brazil with Rio-based Schmidt Valois Miranda Ferreira & Agel Advogados and applied to open an office in São Paulo.

“In Latin America, we have made a clear commitment to Brazil, looking to develop our presence in that country, although the regulatory framework is not straightforward. We will look at other opportunities as and when they emerge,” says Garrigues co-Managing Partner Fernando Vives.

Brazil has not however always proved easy for Iberian firms as the leading local firms have little appetite for mergers. Cuatrecasas has also sought to expand its São Paulo practice following the dissolution last year of ties with national firm Machado Meyer Sendacz e Opice.

“Our strategy depends on the specific market. In some we aim to acquire in-depth knowledge so it does not make sense for us to participate in bilateral relationships. In others where the number of independent, high-quality law firms is limited, it makes sense to develop close relationships with one or two law firms,” says Villasante.

Gómez-Acebo & Pombo too has sought to loosen its Brazilian ties with long-standing ally Pinheiro Neto, in part to increase inward and outward bound referral options. Nonetheless, it is Europe that remains the firm’s main international focus albeit the US is of growing importance, says Managing Partner, Manuel Martín.

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**Mutual satisfaction**

Such an approach is repeated by smaller or niche firms who see a greater need to be flexible and to have more open referral networks. Firms like Cardigos, pbbbr or Esquível in Lisbon, or Pedro Alemán, Sagardoy, Iuris Valls or Araoz & Rueda in Spain have a high profile for just such a reason. “We are now more polygamous than ever,” says Cliff Hendel, Partner at Araoz & Rueda.

The approach is shared by national Spanish firm Broseta, says Julio Veloso, Head of Corporate in the Madrid office. “We believe that all strategies are good. In our case we have opted for a mix of best friends and alliances. Depending on the country in question we would not discard other types of approach provided that we remain independent.”

Control of the firm’s own destiny is also important for mid-size Lisbon-based F. Castelo Branco & Associados (FCB&A). “Sometimes it is not quantity that matters but quality and we have sought not to have as many friends as possible but the best possible friends,” says Partner Pedro Guimarães.

Despite the scale of companies’ international expansion, many firms take the view that such developments are merely

the acceleration of a well-established trend.

“Our priority jurisdictions remain the same – US, Germany, UK and France, and more recently Brazil and China, although Colombia and Peru have increased their attraction for clients. Our approach is to co-operate with as many firms as possible that share our interests,” says Fernando Quicios, Madrid Partner with Pérez-Llorca.

Even for some of Iberia’s largest firms it is business as usual. “The best friends approach remains our core strategy,” says Jaime Folguera, Head of Competition at Uría Menéndez. “We continue co-operating to keep improving the way we work together and to maintain the excellence which describes us individually and as a group.”

For other firms, it is not how you approach internationalisation but where you place your focus. Lisbon-based Miranda Correia Amendoeira & Associados is considered to have one of the best established pan-African practices. “Our strategy has not changed an inch. Our principal commitment is to Africa and will remain so for the foreseeable future,” says Managing Partner Rui Amendoeira.

Markets may rise and fall in popularity but firms’ strategies cannot therefore be made up overnight, emphasise many. “We have spent a lot of time analysing where our clients are going and what we can do for them but, as we have experienced in Angola, building the right team with the right capability takes time,” says Miguel Castro Pereira, Managing Partner of Abreu Advogados, which is expected to announce Brazilian capacity in the autumn.

**Returning focus**

It is perhaps inevitable that Iberian law firms’ clients keep bringing them back to Latin America.

Lawyers point to the growth of business sectors such as logistics, in Argentina and Chile, and agriculture in Peru, but clearly it is towards Colombia, Mexico and Brazil that most have a focus. “These three jurisdictions together with China are the countries outside the EU where we are more closely collaborating to service our clients’ needs,” says Folguera at Uría Menéndez.

Even for the Iberian offices of the global firms it is of high importance. “The region is still a primary focus for our clients, with a number of countries standing out because of their stable regulatory framework,” says José Luis Huerta, Managing Partner of Hogan Lovells in Madrid.

Brazil is inevitably a major focus for companies and law firms alike, with a population of over 200 million, rising consumer demand and a major focus on infrastructure development, and not only because of hosting the 2014 World Cup and 2016 Olympic Games.

The two largest Iberian M&A deals of the past 12 months both involved Brazil: Telefónica’s €7.5bn acquisition of Portugal Telecom’s (PT) share of mobile operator Vivo, and PT’s subsequent €3.8bn purchase of a 22.45 percent stake in Telemar’s Oi; and the three way Brazilian battle for control of Portugal’s largest cement producer Cimpor.

Portuguese firms are therefore placing greater emphasis on ensuring they have the correct levels of country coverage.

“Brazil is at the top of the list of most multinationals





seeking interesting business opportunities, while many Portuguese companies now see it as a priority market," says João Vieira de Almeida.

The country nonetheless presents challenges even for the Portuguese. Language and legal ties offer an obvious connection, but many lawyers report that sophisticated clients are increasingly happy to instruct local firms directly.

Nonetheless a number of Lisbon's largest firms are looking to reassert their ties. PLMJ has maintained a joint venture with TozziniFreire since 2004, Morais Leitão Galvão Teles Soares da Silva's (MLGTS) exclusive relationship with Mattos Filho Veiga Filho Marrey Jr. e Quiroga Advogados dates back to 2006. Likewise SRS Advogados has a long-standing relationship with Veirano Advogados.

Perhaps a more obvious challenge is the ability of the global firms to make an impact, given their limited ability to offer domestic advice under the local Bar rules, say some. Nonetheless, among the most high profile recent arrivals has been Jones Day, under the lead of former Madrid Managing Partner Luis Riesgo; joining firms such as Clifford Chance, Linklaters, Allen & Overy and DLA Piper in São Paulo.

#### Into Africa

A market in which the Portuguese do however see expanding prospects is Africa, and specifically in the former colonies of Angola and Mozambique, alongside Cape Verde, Guinea-Bissau and São Tomé & Príncipe.

"We have seen keen interest in African countries that are rich in mineral resources, especially Angola but also Equatorial Guinea, while infrastructure projects have also attracted the attention of investors from Portugal and elsewhere," says Amendoeira of Miranda.

Vieira de Almeida may have been relatively slow to embark on international expansion but is now placing strategic emphasis through its newly-launched VdAtlas, hiring Allen & Overy lawyer Nuno Castelao to help co-ordinate matters alongside Partner Tiago Marreiros Moreira.

Alongside Pinheiro Neto, it has signed a joint venture agreement with Mozambique's Silva Garcia Advogados e Consultores and Angola's Paulo Antunes Advogados.

The firm is looking to match the approach taken by rivals in Africa including Miranda, PLMJ, F Castelo Branco & Associados, Abreu Advogados and SRS Legal, say some, and to target both inbound and outbound deal flows.

Portugal's largest firm PLMJ also has deep Africa expertise but has recently changed its local affiliations, establishing a new Mozambique joint venture GLM - Gabinete Legal Moçambique, and in Angola, GLA - Gabinete Legal Angola.

Angola investment is essentially centred in infrastructure, energy, mining and distribution; in Cape Verde it is mainly tourism, while in Mozambique it encompasses manufacturing, agriculture, tourism, mining and energy, says Tiago Caiado Guerreiro, Partner with Lisbon's Franco Caiado Guerreiro & Associados, which is also active regionally.

AVM Advogados is the only African firm to launch in Portugal, but has also now expanded from its base in Angola to the Mozambique capital Maputo. Aside from Cuatrecasas Gonçalves Pereira, which has built on the lusophone ties of its Lisbon office, the major Spanish firms have concentrated their operations in north Africa, particularly Morocco, as also is

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Miranda Correia Amendoeira



Madrid-based Suárez de la Dehesa Abogados.

"Our priority is to become the legal firm of reference for entrepreneurs and small and medium enterprises looking to expand in Tangier and northern Morocco," says Managing Partner José Antonio Suárez Lozano.

#### Conduits

Spanish and Portuguese firms are also now utilising their established strengths to capture work that is not even bound for Iberia. Garrigues, Cuatrecasas, Uría Menéndez and Roca Junyent are all promoting their China practices to facilitate investment into Latin America.

MLGTS and PLMJ have also signed exclusive co-operation agreements with Chinese firms for Brazilian and lusophone African investments. Macau-based MdME has joined MLGTS' Legal Circle, while PLMJ has aligned itself with 30-office national firm Dacheng Law Offices.

International firms in Spain also continue to capitalise on their networks, to facilitate the inward flow of funds from Asia and elsewhere. Similarly, the award of the international IPO fundraising of Spain's Bankia went to Davis Polk & Wardwell, with the upcoming IPO of the state lottery mandated to Clifford Chance. Firms like Linklaters and Allen & Overy feature prominently in cross-border financing, and Herbert Smith, Jones Day and Hogan Lovells are focusing on the Middle East and the US respectively, albeit more firms are also now looking to North America.

"Our own recent merger with a US firm has presented substantial opportunities to represent European clients there and across Latin America," says Rafael Alonso, Managing Partner of Squire Sanders Hammond in Madrid.

#### Inbound flows

The flow of international business is not however only outbound and nor are firms merely interested in expanding their coverage as a defensive move as clients expand abroad. Legitimate concerns may surround the health of the Spanish and Portuguese economies but the downturn is presenting new inbound investment opportunities.

The privatisation of Spanish airport operator AENA and the state lottery are attracting considerable international interest as is the ongoing recapitalisation of the country's financial sector, say lawyers. In Portugal the ongoing privatisation programme is also generating international investor interest.

"In our opinion, inbound opportunities will continue to come in large part from Europe although also, as always, from the US and perhaps, albeit to a lesser extent, from China. Confidence in Spain has admittedly taken something of a knock in recent times but we trust that attractive prices will help attract investors," says Vives at Garrigues.

Many clients may have been taking a "wait and see"





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approach there is increasing movement. In light of the ongoing economic pressures sellers are lowering prices to match buyers' expectations. Spain is seeing the volume of private equity transactions return close to 2007 levels as investors acquire attractive assets at bargain prices, with an upturn in activity by US and UK private equity and distressed debt funds.

“We are receiving more requests from foreign companies and funds for due diligence, and other prospective research projects as opportunities begin to open up in new sectors,” says Jordi Casas, Head of Corporate at Roca Junyent.

Despite the general drop in construction activity, sectors such as renewable energy and infrastructure are also attracting interest, says Israel Gómez, Partner with Gold Abogados in Madrid. “A reduction in the tariffs paid and Government spending may have reduced the number of viable schemes but those that remain demonstrate either good profitability or strong public administration support.”

Lawyers in Portugal point to growing interest from cash-rich Brazil and Angola, amongst other countries, as the Government begins to implement a programme that will see it sell off stakes in leading companies like Galp, EdP, Portugal Telecom and electricity distributor REN, as well as the privatisation of airports operator ANA and state airline TAP – all within the next 12 months. Albeit perhaps not at the best time to get the highest prices.

“The challenge facing the Government is that under the terms of the bailout it has to complete a large number of sales in a relatively short period of time,” says Nuno Galvão Teles, Head of Corporate at MLGTŚ.

### An unstoppable process

Iberia therefore offers a mixed picture of opportunities and challenges but despite the economic slowdown those investors able to take a long-term view can still make attractive investments, say lawyers.

What this means in terms of the relative attractiveness of Spain and Portugal to the wider international legal community however provokes contrasting views. New arrivals may find limited domestic practice opportunities but Spain and Portugal are growing in importance as conduits to other markets.

The past year has seen the arrival of UK firm Olswang in Madrid, but in the current cost-conscious environment, some suggest that associations and tie-ups may be the preferred route for international firms to ensure Iberian coverage going forward. Notable in this respect has been that recently announced between Eversheds with Nicea – following the withdrawal of Lupicinio from Eversheds International –

Lisbon's ABBC and DLA Piper, and between Rui Pena Arnaut and the CMS Network.

Some may continue to question the ability of any more firms to break into the top of the Spanish and Portuguese markets, but ultimately the attraction of Iberia comes down to profitability and strategy, say some – high profits may be a challenge but as a conduit to Latin American and Africa it is a key player. In any event, for some the market remains far from saturated.

“There remains room for new entrants offering quality service at reasonable prices, which would mean that a good number of further entrants, especially US firms, could be on the cards,” says Hendel at Araoz & Rueda.

Future economic success is though no longer a purely national achievement, say some. “We firmly trust in the recovery of the economy. The problem is that it no longer depends only on the acts of Spaniards, or the Government, but rather on the will of the market, financial players, and the credit rating agencies,” says Enrique Marinel-Lo Jordan, Managing Partner of Monereo Meyer Marinel-Lo Abogados.

But with the situation at home unlikely to get any better any time soon the expansion of many leading Spanish and Portuguese businesses is now unstoppable. “External investment isn't happening just because of the internal crisis, but because the economies of the countries where the investments are being made are in a stage of great development, where companies can plan long-term,” says Raposo Bernardo.

Fundamentally firms are also aware that wherever their clients go what they require is domestic advice. Many Spanish and Portuguese firms continue therefore, at the least, to place emphasis on member networks. A recent selection process by Meritas, a network of 70 countries, attracted eight candidates with Madrid-based Ecija finally being admitted for Spain.

Following clients can therefore prove difficult in developing the requisite local capability, and so strategic emphasis must be on those markets where there is consistent international demand.

“In light of the varying pressures law firms face and the rapid expansion of clients to new parts of the world, it is not possible any longer to have a single international strategy,” says Joan Roca.

Firms need to have international coverage but they also need to identify where they must build their strongest, and arguably, most formal ties, say Managing Partners. To date this may have been through exclusive relationships, in burgeoning markets like Brazil, but many firms like their clients see the need to expand their options – unless the ultimate goal (as it would appear to be for the leading firms in Angola, for example) is to cement bonds between firms and create more formal, shared, structures.

Elsewhere Iberia's law firms will have to continue to react to changing needs, loosening and tightening international ties as client demand dictates.

“We continue to believe that having ‘as many friends as possible’ remains the best policy, provided the friends to whom we refer clients are first rate,” says Vives at Garrigues.