



“ Domestic companies in general are looking for fast growing markets, with increasing economic activity and consumer pressure, to which they can export goods and products. ”

Nuno Castelão,
Head of International Relations,
Vieira de Almeida

hampered investment and growth, which has impacted on business, says Pedro Guimarães, a Partner at F. Castelo Branco & Associados. Recent political events have also dramatically affected the chances of recovery in the short-term. “This creates a very frustrating environment for all members of society, with lawyers suffering too,” he adds.

After five years in crisis, the outlook is still very negative and will remain so for the foreseeable future. The austerity program imposed as part of the country’s bailout agreement is clearly not achieving its objectives, explains Rui Amendoeira, Managing Partner of Miranda, Correia, Amendoeira & Associados. “The Eurozone economy will not grow unless the austerity policies are replaced by a Europe-wide strategy to stimulate the economy and promote employment.”

Portugal’s internal market activity has been dramatically decreasing year-on-year and 2013 has been one of the worst years since 2008, say lawyers.

The deficit has been reduced and the country now runs a small trade surplus, but at the cost of a massive contraction in investment and consumption.

Meanwhile, very little has been achieved in terms of a structural reform of the State and expectations are running low as the 2015 general election approaches,

says Ricardo Oliveira, an EU Competition Partner at PLMJ. “Ideally the increasing consensus around the failure of the policies implemented



of creating jobs and revitalising the economy. “We have seen new legislation providing for extraordinary tax credits and exemptions applicable to qualifying investments aimed at creating a more attractive environment for investors in Portugal,” explains Rogério M. Fernandes Ferreira, Founding Partner of tax boutique RFF & Associados. While not a standalone solution, if applied and managed correctly, it could prove to be a great help to the economy.

And while Portugal’s aggressive adjustment programme has had a tremendous impact on the legal market, it has in fact created important opportunities for legal firms, with a significant surge in volume of counter-cyclical work, says António Payan Martins, a Partner at CMS Rui Pena & Arnaut. “Privatisations, restructurings, either out of court or by way of insolvency proceedings, are just some examples of this.”

And the hope among lawyers is that this is only the beginning.

International attractions

With the crisis at home, ‘internationalisation’ is the only way to go, with the ‘hot’ regions for company investments and opportunities continuing to be “everywhere but Europe”, according to Clifford Hendel, a Partner at Araoz y Rueda.

The current preferred destinations for Spanish investors are Asia-Pacific, Africa, Latin America and the Middle East. All these include countries that expect high to moderate growth, an abundance of natural resources, and national and public projects to be developed, says Ignacio Paz, a Partner at Herbert Smith Freehills Spain. “Accordingly, the most active sectors are infrastructure, energy and mining. ”

A LatAm segment

Five years of crisis have created a new generation of exporters, agree lawyers.

And a recent study by the IE Business School shows that by 2015, Spanish companies with operations in Latin America will generate most of their revenues in the region, instead of the Spanish market. Therefore, it’s unsurprising that most companies are rushing to capitalise on the opportunities and infrastructure projects that the region has to offer

(see our *Latin America Special Focus* on page 39).

Latin America has proven to be an expanding market eager to welcome new actors in order to vitalise their economies, says Jesús Vélez Martínez, Managing Partner of Kennedys in Spain. And, apart from Mexico and Brazil – the big players – there is increasing interest and activity in countries such as Peru, Colombia, Chile and Ecuador, adds Ivo Portabales, a Partner at Dutilh Abogados.

The growth rates and potential in these countries makes them particularly

attractive to Iberian investors.

However, the perception of political and expropriation risk continues to hold up investors, say lawyers.

For Spanish law firms (both domestic and international), Latin American is a clear target for expansion, says Írigo Gómez-Jordana, Managing Partner of Allen & Overy in Spain.

For the Portuguese, Brazil is the most promising market of all, says António de Macedo Vitorino, a Founding Partner of Macedo Vitorino & Associados, but regulatory issues still block foreign players from competing with local.



“ So for the coming year, Asia-Pacific still offers the best investment opportunities. ”

Jaime Velázquez,
Managing Partner,
Clifford Chance

that there isn't a single sector that is not looking for opportunities abroad," says Manuel Esteves de Albuquerque, Senior Associate at Raposo Bernardo. From IT to agriculture and from larger companies to SMEs – everyone wanting to survive is actively looking abroad.

Methods and tactics

Exactly how Iberian companies are making these global moves largely depends on the countries involved and their relative experience, say lawyers. The mechanisms used by our clients to expand abroad depend on the size of the investment to be made, as well as the sector of investment or undertaking and also of the tax frame applicable, explains Vítor Marques da Cruz, Founding Partner of Marques da Cruz e Associados (MC&A). And these involve the entire range of investment instruments, from foreign direct investment, joint venture, concession or licensing agreement to M&A, adds Alberto Echarri, Managing Partner at EY Abogados.



Companies are increasingly seeking strategic alliances with local clients, helping them to understand the peculiarities of the target country and facilitating their start-up, with a view to achieving greater assurances in the process, says Luis Fernando Guerra, Managing Partner at Deloitte Abogados. "In addition to enhancing efficiency, agreements with local partners seek to leverage their knowledge and experience in the target market. At other times, in certain sectors, investments are considered by local companies as a means of gaining the experience required to subsequently operate directly in the target country."

But one cannot easily define a pattern as there is no fundamental model that is carved in stone. The choice of the appropriate format will depend on a series of factors – for example, the strength of the client's balance sheet, the maturity of the target market, the features of the products and/or services to be marketed, explains to Tomás Pessanha, a Partner at PLMJ. "The perfect solution in one case may simply be totally inadequate in another."

For telecommunications, for example, it depends on the strategic development of the target country. In more developed countries, the trend is for joint ventures or other forms of joint development of common projects, says Teresa Anselmo Vaz, Managing Partner of Anselmo Vaz, Afra & Associados. In other cases, more typical in African countries, states may impose a partnership including the local national telecommunication companies.

But it really depends on each individual market and most of all on the legal barriers to enter such markets, says Bernardo Reynolds de Carvalho, a Partner at CCA Advogados Ontier. "In China it is always advisable to reach some kind of an arrangement with a local partner." And most African countries have adopted

Asia-Pacific portion

The Asia-Pacific region is becoming much more of a focus for the Iberian market, say lawyers.

Many clients are setting their sights on Asia because of its spectacular growth rates and the enormous size of its markets, says Manuel Martín, Managing Partner at Gómez-Acebo & Pombo. "Spanish corporates are looking at the region particularly for infrastructure and energy deals," adds Eduardo Gracia, Managing Partner of Ashurst in Spain.

The international law firms are demonstrating a very clear Asia Pacific strategy. Herbert Smith completed its merger with Freehills at the end of last year, SJ Berwin recently announced its merger later this year with King & Wood Mallesons (the global firm headquartered in Asia), Bird & Bird

have recently signed a Cooperation Agreement with Australian firm Truman Hoyle, and Linklaters have set up an integrated alliance with Allens, the Asia-Pacific firm. And in 2014, Ashurst's merger with Ashurst Australia (formerly Blake Dawson) will be complete.

Macao is on law firm radars as a strategic position to bridge the gap between Asia and Portuguese-speaking countries, say lawyers, and it is seen as a gateway to China and vice versa. The Chinese market is a huge draw for investors, both for the opportunities it represents in the region and also to attract investment from there. Portuguese companies are exporting high quality products to China, says Adelaide Moura, Senior Managing Partner at A. M. Moura Advogados, and also allowing the Chinese to invest in

key industries in Portugal in order to facilitate the growth of the economy.

China Three Gorges's 2011 acquisition of a stake in EDP and State Grid Corporation's 2012 stake in Portugal's national power grid were only the start – just recently, Veolia Water sold its Portuguese subsidiary to China's Beijing Enterprises Water. "Chinese investments made sense as many European assets are undervalued," says Josep Herrero, Co-Managing Partner of the Asian Desk at Roca Junyent, "and we will see more Chinese investment to come and Spain should be no exception."

So for the coming year, while the crisis rages on, Asia-Pacific still offers the best investment opportunities, says Jaime Velázquez, Managing Partner of Clifford Chance, Spain.