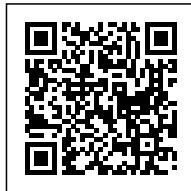


# GLOBAL ANNUAL REPORT 2016: SHAKEN UP

*Posted on 13/09/2016*



Category: [Uncategorized](#)



**Brexit has rocked Europe to its foundations, but it will present opportunities for law firms if they can spot them – meanwhile, though clients from China are potentially a rich source of work, they can be tough negotiators when it comes to fees**

Exactly how the international business of Spanish and Portuguese law firms will be impacted by Brexit is, as yet, unclear. As clients muddle through amid the uncertainty, law firms are expected to receive a wave of advisory work as businesses explore their options and consider whether their UK headquarters would be better located elsewhere in Europe. However, any surge in advisory work will likely be overshadowed by a significant drop in transactional matters – some estimates say that, in the event of the UK undergoing a slow, protracted separation from the EU, the deficit in global M&A activity could be as much as \$1.6 trillion.

Beyond the tumult of Europe, lawyers talk of the “staggering” potential of the Chinese market. With foreign direct investment from the country reaching new heights, law firms are refining their strategies for cashing in on the potential for major instructions from the Far East. Singapore is also highlighted as a major centre for dispute resolution and arbitration work, but the US market remains one that many European firms still struggle to penetrate. From a Portuguese perspective, Lusophone Africa remains the bedrock of many law firm's international business, though they also

identify Latin America, Francophone Africa, and, perhaps a little surprisingly, Iran as potential hotspots.

Companies to leave UK?

### How are the international demands of clients impacting on the way law firms do business?

"As our clients demand high-quality service irrespective of jurisdiction, law firms have increasingly been expanding internationally, whether by seeking local partnerships or by setting up local offices. Additionally, we are more open to hiring foreign lawyers and receiving lawyers on secondment from international firms."

**Antonio Villacampa, partner, Uría Menéndez - Proença de Carvalho**

"At an international level, we see that in-house legal departments are becoming more sophisticated and demanding. It is no longer a seller's market. Many large international companies use different law firms depending on the matter and they often go to panels. Surveys tell us that clients expect lawyers not just to be technically great, but also savvy in terms of understanding their business and ensuring we anticipate upcoming legal challenges they may face all over the world."

**Mercedes Fernández, partner-in-charge, Jones Day Madrid**

"International demand, and the full scale internationalisation of SMEs, has allowed small and medium-sized law firms to come into contact with international standards. This had a curious effect on the legal market in that it granted these law firms access to experiences that otherwise would be closed, such as a greater awareness of business development, alternative budget methods and lawyers' careers. It also shaped, and is still shaping, how legal services are rendered - that is, using a deeper integration of methods, documents and legal solutions." **Rita Trabulo, associate, CCA Ontier**

"Three factors drive change: non-traditional legal competitors (that is, accounting firms, consultants, data-based suppliers and boutique law firms); the influence of technology (technology makes it increasingly possible to displace lawyers who handle routine legal matters); and globalisation (growing numbers of businesses are no longer local and thus require legal advice from wider geographic areas)." **Inês Albuquerque e Castro, associate, FCB Sociedade de Advogados**

"International demands are making our firms better, no doubt about it. They are forcing us to be more professional, efficient and easy-going. International clients now need quick responses to their inquiries and do not want barriers to communication or understanding. Multilingual teams are required to provide proper service." **Jordi López Batet, managing partner, Pintó Ruiz & Del Valle**

"Clients demand very modern firms, with a modern and efficient internal administration, business-orientated lawyers and lawyers that are capable of understanding how to add value to their work for the client. Quality of service is presumed." **Luis Marimón Prats, partner, Marimón Abogados**

"It forces lawyers and firms to train in legal project management (LPM) - international demands make LPM compulsory if you want to successfully conduct a multijurisdictional case." **Juan José García, managing partner, Yingke Adarve Law Firm**

"Brexit could be a big opportunity," according to Hogan Lovells partner José Luis Huerta. "Many thought Brexit was not possible and overlooked reports, but now some Asian and Latin American companies, for example, are seriously considering relocating [from the UK]." However, Baker & McKenzie partner Enrique Valera, says it is "too early to describe the result of the UK referendum as a big international opportunity". He adds: "There is a question about whether it [the result of the referendum] will be followed through - the application [to leave the EU] may have to be ratified by parliament." Valera says it is too soon to tell whether Brexit will be a "huge fee driver".

Some senior partners at law firms in the UK said that Brexit wouldn't happen, according to Allen & Overy partner Antonio Vázquez-Guillén. He adds that it remains to be seen whether the UK government will act on the result of the referendum. "We've had many client enquiries and our regulatory finance people are very busy," says Vázquez-Guillén. He continues: "It is unclear whether material adverse change [MAC] clauses in contracts have been triggered, it depends on the context of

the transaction." Vázquez-Guillén believes that, if companies in the UK decide to move their headquarters into Europe, among the cities that could benefit are Frankfurt, Paris, Amsterdam and Madrid. "UK has got instability, but Spain has got stability," he says. One partner remarks that his firm recently conducted studies for a number of US companies to help them make a decision on where to base their European headquarters. "They [the companies] decided to go to the UK, but that decision may now be revised [due to Brexit]," the partner adds.



“Many thought Brexit was not possible, but now some Asian and Latin American companies are seriously considering relocating [from the UK].”

**José Luis Huerta**  
Hogan Lovells

### Deal slowdown

The result of the referendum in the UK will result in a "slowing down" in the making of decisions on UK-related deals, says Ashurst partner Eduardo Gracia. "In some cases, bidders have decided they are not going to file their bid by the deadline [because of Brexit] - some companies are now wondering 'should we keep bidding for UK assets?'" One partner argues that

investment funds that were about to submit a bid for a UK company before the referendum may

now be reconsidering, and this may present an opportunity for Spain. The partner adds: "Investment funds have money to spend and Spain will see probable political stability. The Brexit issue triggers the Northern Ireland and Scotland issue – [investors will think] 'what business investment can I make there with certainty?'" There is a view that, with funds looking for returns on investment, the result of the Spanish election (in which the ruling PP increased its number of seats, though it failed to win a majority) was good for the country in terms of increasing its chances of attracting investment. "This is a great opportunity for Spain," says one partner. "We [Spain] can sell stability and predictability – Spain is a cheap jurisdiction, while Madrid is a great hub," he adds.

Spain would have a better opportunity to benefit from uncertainty in the UK if it had a stronger government, argues Gracia. "It would be better if Spain was less bureaucratic, Anglo-Saxon investors would fear this [bureaucracy in Spain]," he says. Gracia also says that while income tax has recently been reduced in Spain, regional government in the country can set inheritance tax as high as 80 per cent. "We [Spain] could replace the UK, but bureaucracy could push us out of the game," Gracia says.

The big banks are all in Spain, but the country's public sector lacks the international standards needed to "really understand what investors need", says Vázquez-Guillén. "It's also difficult when the government changes the rules – we are playing within a global market, we have fantastic law firms – all the big players are in Madrid, what is needed is an agreement to provide a stable regime for all investors."

## **'Joke' ministries**

One partner argues that Spain should be asking international businesses what the country could do to make it attractive to investors. As another partner at an international firm in Madrid puts it: "We have government ministries that are a joke, we don't have a serious financial court, we should be moving quickly, we should create an arbitration hub."

There is also a view that major Spanish law firms should "work harder to convince government" of the need to bring more "legal business" to Spain, as one partner puts it. He continues: "The UK government has a plan to increase legal business, but do we [Spain] have a plan?" It is in this context, that Frankfurt and Luxembourg are identified by some market observers as the places that have the most to gain as a result of Brexit.

It is understood that some major global firms with operations in London are now asking themselves whether they have "over-capacity" in the UK. One partner at the Madrid office of a 'Magic Circle' firm says: "Given the value of the pound following Brexit, it may be more profitable for a global firm to move 500 London lawyers to Frankfurt or Luxembourg – you also have to ask whether it makes sense for US firms to open offices in the UK." Another partner remarks that banks and hedge funds could "trickle from London".

## **Chinese potential**

Away from the Brexit-related turmoil and uncertainty, the Chinese market has "staggering potential", according to Valera. He adds: "We [Baker & McKenzie] have established a Chinese practice in all major centres – the Chinese are looking at anything and everything and there are a lot of opportunities for cross-border work." Valera highlights data showing that China's outward foreign direct investment (FDI) in Europe and North America amounted to a record \$40 billion in 2015. However, despite the opportunities offered by Chinese outbound investment, there are doubts about how profitable such work will be for law firms. "It will take time to make money [from Chinese investors]," says one Madrid-based partner at a global firm. "The Chinese are really tight on the way they negotiate fees." Meanwhile, Singapore also offers considerable potential, according to Vázquez-Guillén. "Singapore is a dispute resolution/arbitration hub – we see a great market there," he adds.

## **What are currently the biggest international opportunities for law firms?**

"The outcome of the United Kingdom referendum on the EU is already creating a large number of doubts about the way in which international agreements (such as those related to M&A, joint ventures, distribution and technology) have been structured over the last few decades. There are a number of issues emerging related to applicable law, competent courts and the role of international arbitration. Therefore, leading Iberian firms are receiving more and more requests for advice on the new strategies companies are implementing following the referendum. Moreover, we are seeing a large flow of investment coming from both Latin America and China, where large companies (such as multinationals and Chinese privately-owned enterprises) have strong incentives, and the financial resources, to continue their outbound expansion." **Jaime Folguera, partner, Uría Menéndez**

"Lusophone Africa has been, for the past few years, the scene of a high level of investment, not only by Portuguese companies investing abroad, but also by native investors and foreign ones. China is also a highly desired market. However, clients also need legal advice in: South America for energy; Europe (Spain, France, UK, Germany, Italy and Luxemburg) for technology; Africa and Maghreb for infrastructure, corporate and trading." **Pedro Raposo, partner, PRA – Raposo, Sá Miranda & Associados, Sociedade de Advogados**

"We will continue to build on our position in those major financial and regulatory centres that are crucial to clients, notably the US, London, Greater China (including Hong Kong), Singapore, Germany and Brussels. We will also promote our existing positions in Continental Europe, the Middle East and Japan and we will also pursue focused investment in Africa, Latin America and Asia-Pacific. We continue to develop our capabilities in those areas most critical to our clients – highly regulated sectors, and complex and transformational work, or where the client's reputation is on the line." **Eduardo García, partner, Clifford Chance**

"Latin America offers the biggest international opportunities. In recent years, the most important Spanish law firms have strengthened their presence in Latin America. Firms from the US and the UK are also increasing their presence in the region. Fortunately, the economic slowdown of important economies, such as Brazil, does not show signs of affecting the potential growth of other regional economies, such as Mexico, Colombia, Chile and Peru, which are still very attractive for foreign investors. Argentina may also see new growth as a result of Macri being sworn in as the country's new President." **Iván Delgado, New York resident partner, Pérez-Llorca**

"Currently, we have a joint venture with two European and American law firms and the idea is to strengthen this relationship." **Javier Casals Matute, managing partner, Casals Advocats**



There seems to be a broad consensus among law firm partners in Spain that the US market is a difficult one to crack. One partner remarks that the US market is dominated by Manhattan-based firms and that US firms from outside New York are often left trailing behind them. Another partner comments: "Collaboration and interaction is required and you need a strategic view [when running a law firm], but US firms generally seem to be more focused on getting revenues in quickly, they have a much more short-term view." Meanwhile, there is a view that Anglo-Saxon firms could potentially make more inroads into the Latin American market. "Anglo-Saxon firms are missing business in Latin America," one partner says.

Indeed, Javier Villasante, partner at Cuatrecasas, Gonçalves Pereira, highlights Latin America as one of the most active markets due to its "openness to development". He adds that China, Africa, and the Middle East are also in the spotlight due to expected developments in a range of sectors including infrastructure, TMT, real estate, retail, energy (including oil and gas) and tourism.

### **Add value or die**

There will still be a considerable number of opportunities for law firms to advise on cross-border M&A despite current global uncertainties, such as the slowdown in the Chinese economy, depressed commodity prices, falling stock markets and Eurozone instability, according to Álvaro Sainz, senior partner at Herbert Smith Freehills. He adds: "The short to medium-term outlook for M&A as a priority focus for capital allocation by corporates remains extremely robust and optimistic."

Meanwhile, the key challenges law firms face at a global level include the increasing commoditisation of the work they do and significant pressure on fees. "Clients are becoming more knowledgeable and they know how to ask for more," remarks one partner. Another partner in the Madrid-office of a 'Magic Circle' firm says bluntly: "You need to add value or you're dead. You need to re-evaluate your equity system and you need to cut costs." In addition, lawyers also note that, in general, there is a significant increase in the number of in-house lawyers. "There are more in-house lawyers, they come from our profession and they know exactly what to ask for – clients don't want junior lawyers learning on the job," says one partner.

“Some companies are now wondering ‘should we keep bidding for UK assets?’”  
Eduardo Gracia  
Ashurst



"The biggest international opportunities for law firms are, without question, the Asia Pacific region. At the moment, China and the southeast of Asia especially are some of the most dynamic regions worldwide. This trend has been reinforced during the last few years and recently we have seen several international law firms opening new offices there." **Roberto Pomares, partner, King & Wood Mallesons**

"A big opportunity exists advising Spanish companies on their international expansion plans. It is a challenge to support clients and offer them a consistent, high-quality service when they are making investments in other jurisdictions, but it is also a fantastic opportunity." **Luis Fernando Guerra, managing partner, Deloitte Abogados**

"Brexit could generate opportunities for law firms due to the impact it could have not only on companies, but also individuals. Meanwhile, the European Commission initiative to create a single digital market will give law firms plenty of opportunities to provide advice on transnational e-commerce." **Ignasi Costas, founding partner, RCD – Rousaud Costas Duran**

"The biggest opportunities for law firms can be found in the economic and trade development of Latin America. The recent trade liberalisation in Cuba is an excellent opportunity for business and investment." **Bernardo Cremades Roman, partner, B. Cremades y Asociados**

"Being able to take advantage of Brexit and its impact on UK International law firms. A lot of work done by UK law firms will return to Portugal and Spain (such as M&A, foreign investment, tax, intellectual property and banking). This will also create opportunities for multinational continental law firms." **Tiago Caiado Guerreiro, partner, Caiado Guerreiro**

"As regards dispute resolution, which is our only area of practice, law firms may find opportunities in connection with the fact that arbitration continues to rise as a dispute resolution mechanism. On the one hand, the number of arbitral proceedings is increasing in certain sectors and jurisdictions that were traditionally less prone to accepting this practice – for instance, the financial sector. On the other hand, sectors and jurisdictions where arbitration is already common are witnessing further development and specialisation." **Dámaso Riaño, partner, Arias SLP**

"The growing harmonisation of international law in some areas could stimulate direct foreign investment. For example, the European Commission's project to harmonise European contract law is going to be an incentive for international commercial exchanges, foreign direct investment and the establishment of foreign investment funds." **David Avilés, founding partner, DS Ovslaw**

## Cheap debt driving activity

From the perspective of law firms in Portugal, Linklaters partner Pedro Siza Vieira says, in a reversal of the situation in previous years, there are currently greater opportunities in more mature markets, rather than in emerging markets. "Cheap debt is the driver of activity – the Asian economy is struggling, but there are opportunities in Latin America and Central America, especially Mexico and Peru," he adds. "We're very busy in Africa, there is a lot of activity, though the pipeline is not as strong [as in previous years]." In addition, Siza Vieira says Chinese outbound investment has reduced significantly.

Nuno Pena, founding partner at CMS Rui Pena & Arnaut, says that the levels of interaction within the CMS network have increased. "The interaction is reaching a new level," he adds. "We have developed joint teams – we're very active in the aviation sector in Western Europe on a Portuguese-oriented project." Pena says that the collapse of Banco Espírito Santo means that a lot of Portuguese lawyers are experienced in bank resolution matters and that this expertise is "sought by colleagues in other jurisdictions". Though Africa is still a significant source of work for Portuguese firms, Pena says it can be sometimes difficult to "take money out due to the current transfer restrictions in some countries". In addition, there is also a lot of outward investment from Brazil and this represents an opportunity to win business on the "private client side", according to Pena.

## Excess of liquidity

There are significant opportunities for Portuguese law firms to advise international investors on inbound investment, particularly in the real estate and finance sectors, says ABBC partner Nuno Azevedo Neves. "There is an excess of liquidity in the international market, investors are looking for good opportunities and there will be transactions – there are also a lot of opportunities in other Portuguese-speaking countries," he adds.

Miranda managing partner Diogo Xavier da Cunha says that, aside from consolidating growth in Lusophone Africa, the firm has been developing business in Francophone Africa, specifically in countries such as Cameroon, the Democratic Republic of the Congo, Congo Brazzaville and Gabon.

However, he says that it is not easy to win business in such markets where there is "competition from French firms". Xavier da Cunha adds that, despite the fact that the natural resources sector is "suffering" and some international investors have decided to stop investing in Africa, he believes it is a continent with a lot of potential in the future.

High-net-worth individuals, particularly based in France and Brazil, are making a significant number of small investments in Spain and Portugal, says SRS Advogados partner Gonçalo Anastácio. He adds that, due to recent EU regulation, there are also significant opportunities to advise foreign investors on issues relating to data protection and private enforcement of competition law.

### **Iranian demand**

PLMJ partner Hugo Rosa Ferreira says that his firm has adopted a strategy of expanding its reach to other jurisdictions in order to raise awareness of its network. "We have opened a UK representative office, we also have a Swiss desk and a Nordic desk – we want to be more visible in a global sense," he says. "We have also expanded our reach to Brazil, we have a partner there twice a month, there is a lot of inbound work from there." Meanwhile, Pena highlights the opening of CMS's office in the Iranian capital of Tehran earlier this year: "There is a lot of demand from Portuguese clients [for advice in Iran], which was unexpected."

Portuguese-speaking countries in Africa provide the most feasible international opportunities for Portuguese law firms, according to Vieira de Almeida partner Manuel Protásio. "There is a real need to move liquidity into those countries and capital markets are starting to be developed there."

The Portuguese economy is still under pressure so clients are looking for new markets, says Inês Albuquerque e Castro, associate at FCB Sociedade de Advogados. "Law firms must accommodate the new needs of clients and be able to provide a multijurisdictional service," she adds. To this end, the firm set up offices in Angola and Mozambique in association with local firms, though Albuquerque e Castro says that such partnerships are "not always easy and it's important to choose the right partner".

## Huge Brexit risk

With regard to the issue of Brexit, Siza Vieira says that once the “template for the UK cutting off relations with the EU” is finalised, there will be opportunities for law firms to advise clients on relocating. However, he adds that the immediate impact will be adverse for business. “There will be a freeze on investment decisions,” he adds. Another partner at a Lisbon firm comments: “There is huge risk here [associated with Brexit] and uncertainty creates a market for lawyers.” However, there is a view that any gain made by law firms by winning Brexit-related advisory work will be overshadowed by the loss of transactional work.

Another hypothesis put forward by one partner is that Brexit could mean that UK firms would not have access to the European market and vice versa. He adds: “Would a UK court decision be enforceable in a European jurisdiction? Maybe not anymore.” In addition, one partner remarks that, depending on the final terms of Brexit, Chinese and US banks with their European headquarters in London may not be able to provide services in Europe. The partner continues: “London as a financial centre is dependent on the single market; banks in the UK not given access to the single market will refocus their operations on Paris and Frankfurt.” He adds that Europe should take the opportunity to “push for greater integration, for example by implementing a single employment insurance, for example”. The uncertainty surrounding Brexit is the most damaging aspect, according to MLGTS partner Tiago Félix da Costa. “The biggest problem is not knowing what the future holds,” he says. However, Félix da Costa adds that, despite the uncertainty, firms need to continue with their international expansion.

“Stopping growth abroad is not an option,” he says.

A number of leading Portuguese firms say that 2015 was their “best year ever”, but Rosa Ferreira says that law firms need to prepare for the future. He adds that his law firm took the decision to expand internationally when the Portuguese economy began struggling due to the crisis. He adds: “Large law firms in Portugal are close to their peak in terms of how they can grow.” As one partner puts it: “I don’t believe in indefinite growth, law firms now need to be prepared for doing business in mature markets.”

The biggest challenge facing Portuguese law firms in the coming years will be profitability, claims one partner at a Lisbon law firm. He adds: “Clifford Chance, for example, used to be the largest law firm in the world, but it’s changed its focus from scale to profitability – that change will come to Portugal. The mid-market will be in a difficult situation: specialisation will be key and clients will want solutions to specific problems and specific issues.”

### What is your firm’s business model for meeting the international requirements of clients?

“We are an independent firm with offices in Spain and Portugal. In other jurisdictions we work with local firms that we know and trust. We are able to, and do, manage multijurisdictional projects for clients. We are a member of Club de Abogados and Interlaw, among others.” **Fernando de las Cuevas, partner, Gómez-Acebo & Pombo Abogados**

“Our alliances with European law firms are combined with our ‘best friend’ collaboration relationships with law firms that are highly specialised in narrow areas, such as shipping, mining or healthcare (mainly local boutiques).” **Antonio García, partner, Lener**

“Our law firm has established a long term partnership with McDermott, Will & Emery, an important law firm with a strong trade practice and a presence in many different countries. Together we have created a Cuban desk in order to provide American, Spanish and European clients with legal advice on Cuba-related matters.” **Ignacio Aparicio Ramos, partner, Olleros Abogados**

“We are a boutique firm with a single office in Madrid. As such, opening offices in foreign jurisdictions is not on our radar. Instead, we have always valued strong relationships with international firms. Working on a formalised ‘best friends’ basis – which smacks of exclusivity – is something we have always tended to avoid, preferring to maintain full freedom to find the best fit for our clients’ particular needs, just as we expect our ‘good friends’ to do with theirs. For this reason we have always avoided joining international networks.” **Clifford Hendel, partner, Araoz & Rueda**

“Our strategy does not currently include plans to open offices in foreign jurisdictions. We try to identify, in each major jurisdiction our clients are interested in, two or three firms that fit our profile and requirements. We try to develop a strong relationship with those firms that allows us to offer our clients a level of service and commitment equal to that which we offer in Spain.” **Diego Lozano, partner, Ramón y Cajal Abogados**

“AVM not only has presence in different jurisdictions, with local offices in Angola and Mozambique, but it is also a member of some keys networks such as World Services Group and GGI. With respect to partnerships, AVM has strong relationships with several international law firms, based in either London, South Africa or Spain.” **José Alves do Carmo, partner, AVM Advogados**

“Opening offices in foreign jurisdictions in not a realistic approach for us, considering our dimension. We invest a lot in the strengthening of solid networks and ‘best friends’ relations with reputed local firms that provide the excellent service levels our clients are used to, as well as having the ability to work on international projects in accordance with the best practices. This means, for example, having an active role in the management of the networks and participating in several practice groups at an international level.” **Pedro Pinto, partner, Pbbr**

“We maintain a network of international and institutional relationships with local lawyers in other jurisdictions, namely in Brazil (São Paulo and Belo Horizonte), Angola (Luanda), Mozambique (Maputo), the Cape Verde Islands (Praia), Macao, East Timor (Dili), S. Tomé and Príncipe (São Tomé) and in China (Pequim, Xangai, Shengdu and Shenzhen).” **Rogério M. Fernandes Ferreira, founding partner, RFF & Associados**

“We have opened offices in foreign jurisdictions including Algeria and Dubai, while also operating a ‘best friends’ network in other countries and dedicated ‘desks’ within the firm with a focus on the Caspian region, Middle East, China and Latin America. As we have been present in Cuba for 20 years, the Cuban government granted us an official collaboration with a Cuban law firm that allows us to provide expert advice to clients on matters of Cuban law.” **José María Viñals Camallonga, partner, Lupicinio International Law Firm**

“We are co-founder of Marcalliance, an international network for global law and tax practices. We have also been creating over the years a chain of ‘best friends’ relationships, which allow us to provide clients with legal assistance on a worldwide basis. Furthermore, we have created foreign desks (Chinese, Latin-American, French and German) specifically prepared to provide services in relation to those jurisdictions.” **Carlos Lucena, managing partner, Telles de Abreu Advogados**

“We believe that it is vitally important to offer customers authenticity. In this regard, our corporate social responsibility initiatives are designed to make a real impact on society. Moreover, as it has been stated, our employees, consumers and other stakeholders expect our firm to be fully and authentically committed to making a better society – for example, transparency in our mission and commitment towards social issues are key. As is the idea that our people – consumers, employees and the community where we operate must always be at the centre of our business.” **Miguel Linares Polaino, founding partner, Linares Abogados**