

# GLOBAL REPORT 2012: GOING GLOBAL: WHAT THE DOCTOR ORDERED

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**Faced with uncertainty in Europe, the trend of companies seeking new opportunities and investment in more buoyant markets shows no signs of stopping. Those without international operations are suffering hardest, and law firms are no exception. But to successfully expand their global reach, lawyers need to follow, or anticipate, where their clients are heading.**

Every day the Eurozone crisis tightens its grip a little more, sending politicians into a panic and forcing the markets to retreat even further. The effects are even being felt across the Atlantic in Latin America and, more worryingly, now in China, India and the US.

In the media, Euro sceptics are back out in force, criticising it as defective from the outset, with nothing short of a return to currency sovereignty as the fix-all to the Eurozone's troubles. "It seems that the common purpose behind the creation of the Eurozone has been lost," says Jose M Balaña, Partner at Hogan Lovells in Madrid, and all the advantages the Euro has brought to the Member States have now been forgotten.

Every day also sheds more light on what is fast becoming the most acute crisis since the Eurozone's creation. And while last year Portugal was in the spotlight, followed closely by Greece, we have a new kid on the block, and it's losing friends fast. The playground has moved from talk of a 'Grexit' to what is fast becoming known as a 'Spanic' – the panic caused by Spain's dire economic environment.

**In intensive care**

Spain's economic skeletons are continuing to pour from its closet, and while the Government attempted to stop the flow with a banking bailout, it seems nothing short of an IMF rescue package will seal those doors.

Low productivity, credit restrictions, high public and private debt, the list goes on. The country is paralysed by its economic situation, market perception is bad and investors are nervous.

But while some lawyers see foreign companies wanting to invest in Spain, they are still waiting for the prices to settle down, adds Manuel Martín, Managing Partner at Gómez-Acebo & Pombo in Spain. And although much has been made of a wave of Chinese investment coming to Iberia, which lawyers have been expecting, "they are, so far, yet to arrive", says Jaime Espejo Valdelomar, a Partner at Roca Junyent in Madrid.

A prolonged instability has shaken trust in the long-term future of the country, and clearly Spain is not on the international investor's immediate agenda. "If we don't take this seriously and make the necessary reforms to provide security to potential investors," says Javier Fernández-Samaniego, Managing Partner at Bird & Bird in Madrid, "then they will go elsewhere".

Falling prices are clearly one draw for those who don't mind taking short-term investment risks, however, when it comes to the long-term, they don't want to commit, says Alfonso Benavides, Global Head of Real Estate at Clifford Chance in Madrid, as they have no idea what is going to happen and aren't willing to take that kind of risk.

While the Government is putting through reform after reform as a basis for growth, there is hope among lawyers that the country will find its way back to being an important economy in the global market. "Spain has both the human and tangible capital infrastructure to attract and make profitable foreign investments," says Jaime Folguera, a Partner at Uría Menéndez. However, do not expect to see this happening anytime soon. Spain does have the capacity to thrive, adds Alfonso Iglesia, Partner at Cuatrecasas in Madrid, but at the moment it is stuck, and so businesses are having to go and look elsewhere for opportunities.

### **Responding to medication**

In Portugal, the story is a little different. Having suffered similar woes to Spain last year, the country appears close to turning a corner. While there is no expectation yet for growth, given the austerity measures in place, once public expenditure is finally more controlled, says Pedro Guimarães, a Partner at F Castelo & Associados, Portugal will be able to start on the road to economic growth. Lawyers, however, believe that they are heading along the right path, especially when it comes to international market perception. "The general feeling is that the way Portugal is honouring its commitments contributes decisively to its international credibility," says Pedro Pinto, Partner at pbb in Lisbon, "which will be essential for attracting international investment".

Aside from deficit and budgetary measures, the financial package agreed with the Troika also provides for the implementation of structural measures that are seen as crucial for Portugal's sustainable growth. In particular, it may need to adopt a more prudential and active economic policy, says Joana Andrade Correia, Partner at Raposo Bernardo in Lisbon, that will reduce government expenditure, adjust its economic structure and boost economic growth.

While the country's very publicised privatisations have stimulated the market and given hope where it was lacking, they are more of a band aid than a cure-all. To make a living, says João Vieira de Almeida, Managing Partner at Vieira de Almeida, you really have to be everywhere and doing what you can.

### **Seeking remedies**

The most active sectors that are internationalising, both in Portugal and Spain, are energy, finance and infrastructure, say lawyers. Even in North America, Spanish companies and financial institutions are starting to have a say in the infrastructure market, says Fernando C. Alonso, the Miami-based Chairman of US law firm Hunton & Williams' Latin America group, most notably by Santander and BBVA.

Spanish companies are also very active in energy, using their experience at home to grow in other countries less affected by the economic crisis. Spain's Gas Natural and Abengoa and Portugal's EdP and Galp Energia are already established internationally. And law firms are noticing their proactivity. "Our renewable energy clients are aggressively and successfully pursuing opportunities worldwide," says Clifford J. Hendel, Partner at Araoz & Rueda in Madrid.

While agriculture, new technologies, retail and the tourism sector are also seeing the Portuguese actively searching for potential, the predominant investments have been targeted at extractive industries, says Rui Amendoeira, Managing Partner at Miranda in Portugal. Namely infrastructures, banking, and telecommunications, where Portugal Telecom and Spain's Abertis are showing much success.

Iberian engineering and construction companies, in particular, are looking for opportunities in countries where significant investment into infrastructures is needed, and where they have proven expertise that they can export abroad. With giants such as Portugal's Cimpor Group, Teixeira Duarte and Martifer, and Spain's Ferrovial and Acciona leading the way.



“ We are focusing our efforts on offering highly specialised services and I believe an international strategy relies on finding alliances based on the same basis. Usually, there's more than one option. ”  
Manuel Martín, Managing Partner, Gómez-Acebo & Pombo

### Treatment centres

Portugal and the Eurozone are, in general, in a position of survival, says José Luís Esquivel, a Partner at Esquivel Advogados in Lisbon. And with the region showing no signs of escaping the crisis anytime soon, 'internationalisation' has become the word du jour.

According to aicep Portugal Global, the Portuguese Trade & Investment Agency, gross foreign direct investment abroad in 2011 came to 15.6bn Euros, the highest since 1996, and up 59.3 percent compared with 2010. While in Spain, Ministry of Economy and Competitiveness statistics show investment abroad at 34bn Euros in 2011, down from 38.431bn in 2010.

Clearly the market is moving further away from Iberian borders. Ultimately, says Nancy A. Mitchell, Chair of the Business Reorganisation & Financial Restructuring Practice, Greenberg Traurig, New York, the reality is that Iberian corporates with businesses elsewhere in the world are not exposed to the same level of risk as those based solely in Iberia.

However, Europe is still seen as a viable location for Spanish companies, says Alejandro Alonso, Partner at Salans in Madrid. "IBEX companies have achieved diversity in their activities outside of Spain, mainly in France, Germany and Eastern Europe."

The Portuguese are also still looking at Europe, both for exports and investment, with the Netherlands, Spain and Poland topping the recipients' list, according to statistics. However the bulk of interest is in the PALOPs (Portuguese-speaking African countries), with which Portugal has unique ties, particularly those with positive economic growth indicators.

"A significant number of our clients are internationalising, primarily focused on Angola, Mozambique and Brazil," says António Vincente Marques, Founding Partner at AVM Advogados, "driven not only by economic reasons but also encouraged by political efforts to favour bilateral business relationships among Portuguese speaking countries."

However, while the current situation has been a strong incentive for the Portuguese to intensify activities in the PALOPs, clients are also increasingly investing in other geographical points, such as the Middle East, India and China, says Diogo Perestrelo, co-Managing Partner at Cuatrecasas in Lisbon.

In Spain, lawyers are also seeing their clients moving to these new markets, while at the same time stepping up their investments in the more traditional locations. Latin America has always been a natural region for expansion, with Brazil, Mexico, Chile and Colombia as the most popular destinations. Africa, usually the Portuguese place of choice, has more recently become a focus of attention for the Spanish market as well, given the growth of the economy there, in particular in Angola, Cape Verde and Mozambique.

For the Portuguese, while Brazil has traditionally been the most natural destination, Mexico and Colombia are beginning to raise investor interest to capitalise on the growing Latin American economies.

### **Bedside manner**

Inevitably we are following our clients on their new ventures, says Paulo Câmara, Partner at Sérvulo in Lisbon, "after all a law firm is nothing without its clients".

The need to assist in any expansion plans from the start and be involved in strategic decisions has become paramount. And more and more, clients are looking to their law firms to accompany them abroad. It is very important for them to be able to count on a reliable source of legal advice, says Luis Marimón, Partner at Marimón Abogados in Barcelona, regardless of where they are going. "Our clients greatly appreciate the experiences we have gained in other countries that allow us to anticipate and respond quickly to the challenges of working in various legal and regulatory environments," says Luis Fernando Guerra, Managing Partner at Deloitte in Madrid, "and help them avoid common mistakes when approaching a jurisdiction for the first time".

But there is no one-size-fits-all approach; there are preferred methods for law firms to ensure they are by their clients' side at all times.

### **Network of doctors**

Many law firms are therefore resorting to networks, associations, alliances and 'best friends' relationship to ensure they are present in all the key jurisdictions worldwide that are, or could, be attractive to their clients. Some use the 'best friends' route, working with those with whom they have had successful experiences throughout the years, says Jose María de Lorenzo, Managing Partner at Irwin Mitchell abogados in Spain. While others use less formal personal networks built on associations with local firms in key jurisdictions.

The majority, however, belong to established international networks, such as the State Capital group, the Interlex Group, Terralex or Affinitas. Or even a combination of all approaches. "For us, having an international network is not an option but a necessity," says Angel Calleja, Partner at Garrigues in Madrid. "And we are continuing to invest in it and are finding that the network is working more within itself."

And it's not just the larger firms that are taking action. "Being a small boutique, we have reinforced our contact network," says Israel Gómez- Caro, Partner at GOLD Abogados in Madrid, including lawyers and law firms in countries where important projects are increasingly happening.

### **Independent offices**

For those firms with the sufficient capital to do so, opening an office may be an option. While many found that alliances and associations have worked well in the past, some say that the increasing number and more sophisticated nature of cross-border advice call for a more integrated solution, where clients are serviced by a single law firm, irrespective of jurisdiction.

"Our clients appreciate having lawyers that understand their business and operate internationally," says Esteban Raventós, Managing Partner at Baker & McKenzie in Barcelona, "because that represents a key support in expanding their businesses globally covering all the required legal areas".

Global firms, such as Baker & McKenzie, have been doing this for years, of course. But Iberian law firms are catching on, and catching up. And while there is nothing new about opening an office, there is now a trend of law firms anticipating regions that their clients are targeting and strategically positioning themselves there early. "Our firm is constantly following trends in the global marketplace to identify countries that are/will be strategic to our clients and where opening an office can be beneficial to them," says Jose M Balaña, Partner at Hogan Lovells in Madrid, who opened in

“ Our strategy has not changed an inch. Our principal commitment is to Africa and will remain so for the foreseeable future. ”

Rui Amendoeira, Managing Partner,  
Miranda Correia Amendoeira



Mongolia last year.

You only need to look at some of the recent jurisdictions where Iberian firms have opened offices to see that there is more to the story than just pure growth/expansion. Gómez-Acebo & Pombo are launching in New York in October, while Miranda has just opened in London. And even the more intrepid smaller firms are taking the risk in the face of the crisis, with Spain's Balms Abogados, for example, a public and private law boutique, opening in Beijing.

What is currently driving law firm international strategies, therefore, is where the opportunities for investment exist. And if you look at where in the world a law firm is increasing its Partner numbers, says Iñaki Gabilondo, Managing Partner of Freshfields in Spain, you will see where they are focusing their strategy. Interestingly, his own firm is currently reopening their Singapore office with the intention of reaching China and beyond, in particular towards India.



“ 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. ”  
Joan Roca, Managing Partner, Roca Junyent

### The medical plan

While investment is clearly key to a successful global strategy, the main driver in the current climate is the clients. As Rafael Alonso, Managing Partner of Squire Sanders in Spain, points out, this means being in those countries and regions that your clients are eyeing up. And,

most importantly, adapting to market trends and always aiming to be one step ahead to provide better business opportunities to their clients, says Miguel Castro Pereira, Managing Partner of Abreu Advogados.

One way law firms have been doing this is to help their clients on the financial side of their expansion plans, working with private equity firms, for example, to secure much needed credit. Otherwise, says Tiago Caiado Guerreiro, Partner at Caiado Guerreiro & Associados in Lisbon, it would be impossible for clients to internationalise.

But for many law firms, their international strategy has not changed, although they have noticed an increase in their international work, says Alejandro Angulo, a Partner at Grau & Angulo in Barcelona – showing that you do not have to have an office in a country to support your client there. Others are now benefiting from past investment and hard work, with no need to adapt in the last year, as the structure was already there, says João Paulo Teixeira Matos, a Partner at Garrigues in Lisbon

While the fundamentals of some law firm strategies have not changed, many have had to make adjustments in line with the times, redoubling their efforts to anticipate new markets and areas of profitability. “I would say that in our case we should not talk about adapting our international strategy,” says Julio Veloso, Partner at Broseta Abogados, “but about trying to further develop our international strategy”.

A more integrated approach to strategy is also highlighted, with law firms realising the importance of working on strategy in conjunction with their clients. “In preparing our strategy and expansion, we worked closely with our clients,” says Benjamim Mendes, Partner at ABBC in Lisbon, “who helped us in becoming aware of what the future would bring in terms of diversification of investments and risk through several different jurisdictions”.

While internationalising is essential in these current times, it is not a move that should not be taken lightly. “For things to work well,” says Benavides at Clifford Chance, “you have to have very clear objectives of what you want to achieve in each country before you plan your international strategy”. Not forgetting the market perception of your firm is also very important, ensuring to strike the right balance of being recognised both internationally and locally, says Orson Alcocer, a Partner at DLA Piper in Madrid.

### Pills, tablets or soluble?

The mechanisms clients use to take their operations abroad depend on strategy and target market. While open ones to direct acquisitions of local companies, says David Miranda, Partner at Osborne



Clarke in Barcelona, more regulated markets may favour agreements with local partners, with a better knowledge of the specific business environment.

For Portuguese clients, the situation is very similar. "The choice of the appropriate format varies depending on a very wide range of factors," says Tomás Pessanha, Partner at PLMJ in Portugal, "from the depth of the client's 'pocket' to the degree of maturity of the target market".

To enter Latin America, investors lean towards buy outs, acquisitions of control and M&A, which continues to be the preferred choice for Spanish companies in developed economies. However, as more clients invest in emerging markets, lawyers are seeing an increase in joint venture activity. These lesser known markets encourage clients to seek local partners for greater security when investing, and support and experience in an unknown market. "A local partner allows investors to have a better understanding of the culture," says Javier Amantegui, a Partner at Clifford Chance in Madrid, "and the most efficient manner to handle local authorities and bureaucracy".

But while the ways they choose to invest may vary, given the current economic climate, a preference is given to those methods that could result in a substantial cost savings, adds Francisco Prol, a Partner at Prol y Asociados in Madrid.

## The prescription

The current situation is making it difficult for lawyers to predict or even contemplate Europe's return as a pillar of the world economy. However, it is not all doom and gloom. In the long-term, the current crisis could be seen as an opportunity to re-emerge

as a more robust economy, according to Paulo Câmara, Partner at Sérvulo in Lisbon.

The short to medium term challenges do, however, need to be addressed. It is not surprising that these exceptional times call for exceptional strategies, strength and vision, says Manuel Santos Vitor, Co-Managing Partner at PLMJ in Lisbon, to see past challenges and find new opportunities.

Law firms are quickly realising that an active presence or ability to service clients worldwide is now a business necessity rather than just a nice address to add to your headed paper. Some say that the only way to do this and to survive is to open your own offices and reap 100% of the benefits, both financially and, more importantly, from your clients. Others see this firmly outside of their reach. Iberian law firms are more than just domestic firms, says Javier Villasante, Partner and Head of International at Cuatrecasas in Madrid. "There is a grade of sophistication in our practice that takes us far beyond just Spain." But while for the larger global firms, opening an office is not so much of an issue, for Iberian firms, a lack of capital and resources mean the option is more of a dream than a reality.

One Managing Partner, wishing to remain off the record, said: "We are a domestic firm with domestic lawyers. What are we going to do abroad?" But as clients internationalise, if you don't follow your clients, the only result is that you lose them to foreign firms. And the implications for the solely domestic law firms are huge.

Others, however, believe that the physical presence is not the real issue, and it is more to do with the ability to service your clients, regardless of where you are based. "It's not about where you have an office," says Fernández-Samaniego at Bird & Bird, "but about where you can demonstrate you credibly work".

While some markets are easy to enter, however, others are not so. But to call themselves truly global, firms have to be seen in Brazil, India, Dubai and China, says Pedro Pérez-Llorca, Managing Partner at Pérez-Llorca in Spain. "Entering these markets, however, is a huge challenge."

What is clear is that law firms need to be 'global' in their approach and vision. What is up for debate, however, is how far firms have to follow their clients in this climate. To open an office or not to open

“ It's not about where you have an office, but about where you can demonstrate you credibly work ”

Javier Fernández-Samaniego,  
Managing Partner, Bird & Bird, Spain



an office – that is the crisis-surviving question.