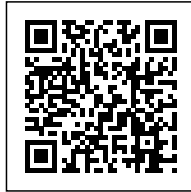


IN AND OUT OF AFRICA

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With traditional markets in recession, law firms are looking to emerging ones for new opportunities. Iberian firms have been leading the way in Lusophone Africa, but their global competitors are paying ever greater attention.

Capitalising on Portugal's colonial-era ties, much of the international focus of the Lisbon legal market has, to date, inevitably been towards the Portuguese-speaking countries with varying degrees of success. But it is towards Angola and Mozambique that firms are now focusing, both as a source of inbound investment into Europe, including, of course, Portugal, as well as increasingly attractive countries in their own right.

"Angola remains a key destination for Portuguese investors," says Pedro Guimarães, Partner with F Castelo Branco & Associados, "but the diversification of the economy and the scale of potential is now attracting greater numbers of multinationals too".

Many suggest that an Africa focus can balance a depressed domestic market. But now that the global Anglo-Saxon firms increasingly see the continent as the 'next legal frontier', they are facing their first competition.

A flexible approach

The Lusophone-speaking world is one in which Portuguese firms are able to offer deep expertise and connections.

The scale of opportunity in markets such as Brazil was already clear but so too was the sophistication of the local law firm players. "What do we have to offer a law firm like TozziniFreire or Pinheiro Neto that they don't already have?" one Lisbon Managing Partner told Iberian Lawyer off the record.

Admitting that it would not be easy to compete for domestic Brazilian work, Lisbon Managing Partners have adopted a more flexible referral strategy, focusing their greenfield investment towards the expanding African economies (and legal markets).

Abreu Advogados initially contemplated mergers in Brazil and Angola to create a global Portuguese-speaking firm, but regulatory constraints alongside the evident significant social, economic and cultural differences forced a rethink, states Miguel Castro Pereira, Managing Partner of Abreu Advogados.

Angola, and now Mozambique, have been the recipients of most Portuguese Africa-bound investment in recent years. Significantly, these are also markets where neither the major Spanish (with the exception of Cuatrecasas, Gonçalves Pereira) nor Anglo Saxon firms have established offices. The Spanish have largely concentrated on North Africa, notably Morocco – where Garrigues and Cuatrecasas operate, as do Allen & Overy, Clifford Chance and Norton Rose. Most UK firms' Africa practices tend to focus on English-speaking, common law, South Africa.

But Angola and Mozambique are now increasingly on UK and US firms' radars. At a recent Iberian Lawyer London seminar, law firm partners from over 40 leading UK, US and French firms attended, all interested in better understanding the local economic as well as legal drivers. However, the significant linguistic, regulatory and inevitably financial barriers mean that the vast majority remain content to work through established local contacts – including the market-leading Portuguese players.

A new African superpower

Angola may not be Africa's largest country, with a population of around 18 million, but it is among the richest, thanks to oil reserves that place it level or just ahead of Nigeria as the continent's largest producer. Angolan investors, led by the daughter of President José Eduardo dos Santos, are also now making significant investments in Portugal – the vehicles of Isabel José dos Santos have stakes in ZON Multimédia, Portugal Telecom, Banco BIC Português, Banco Português de Investimento, Galp Energia, Banco Português de Negócios and Sonae in Angola.

With such capital and transactional flows, almost all Portugal's major law firms are active on-the-ground in Luanda, albeit through varying degrees of association – non-Angolan citizens are unable to qualify to the local Bar although most Portuguese firms include significant numbers of expatriate lawyers.

Already well-established in Angola are F Castelo Branco & Associados, in association with Eduardo Vera Cruz Advogados; Abreu Advogados, through FBL Advogados ; and PLMJ, through local firm GLA - Gabinete Legal Angola.

While the Angolan economy may continue to grow, and diversify, the market is becoming increasingly difficult to break into, as set-up costs also rise. Vieira de Almeida arrived in 2011, through a collaboration with Luanda firm Paulo Antunes Advogados, while SRS Advogados formed an association with LCF-Legal Counsel Firm in 2010. A number of other Lisbon firms are still looking to deepen their ties, including Sérvulo and MLGTS, while others work subtly through established local Angolan firms.

Miranda Correia Amondoeira is the longest-established Portuguese firm in Angola, where it has operated alongside leading firm Fátima Freitas Advogados for two decades.

"We decided very early on that Africa offered a lot of potential and so committed to make the necessary investments – financial, managerial and in terms of developing local talent – the result of which is that it is now a very significant part of our business," says Rui Amondoeira, Managing Partner



Iberian Lawyer's Agenda Africa Forum 2012, London

of Miranda Correia Amondoeira.

Miranda is in some senses an anomaly in the markets, suggest some. It never truly broke into the very top-tier of domestic Portuguese transactions so has not experienced the same revenue-squeeze as many of its Lisbon peers, or indeed the pressure to seek out new sources of revenue. It continues to earn more revenues out of Portugal than within it.

It is no surprise, therefore, that the search for new market opportunities and revenues is driving much of the Portuguese legal market towards Africa.

Renewed energy

Mozambique is also firmly on the agenda; in part because it is an easier place in which to do business than Angola, the legal market is less crowded and it has not had the same fuel-injected economic expansion.

This might however be about to change. The country's coal sector is already seeing significant investment, with Brazil-based Vale last year announcing the doubling of its investment in the country to \$4bn by 2015. But it is the emerging gas sector that holds the most new potential – discoveries off Mozambique's west coast have highlighted reserves already estimated at 100 trillion cubic feet and growing. Such scale offers the potential to turn the country into one of the world's largest gas producers, and companies with local exploration rights, including Anadarko, Cove and ENI have seen their values soar over the past year.

"The scale of opportunities now emerging in Mozambique is attracting very significant investor interest, which may mean significant growth in demand for local projects and infrastructure expertise," says Vanda Cascão, co-Head of Projects & Energy at Vieira de Almeida.

Recent amendments to the Bar rules have limited the ability of Portuguese lawyers to practise in the country (there was previously a mutual recognition procedure), so firms, as in Angola, have had to seek local associations.

But for many firms, an office in Maputo as in Luanda, is merely a statement of intent and commitment to proximity. Much of the actual legal work continues to be done in Lisbon, keeping domestic teams busy, while lowering international overheads.

Local leverage

The ability to leverage local African (usually high fee paying) work back to an increasingly under-utilised home office is clearly attractive, but some question whether such a strategy is sustainable in the long-term, as competition and local firms' capabilities increase and fees potentially reduce. And if firms have not already made the necessary investments to build a credible local practice during the 'good' years, then there is a decreasing chance of being able to commit the necessary resources going forward, suggest some.

Lawyers admit that a major challenge is trying to keep local firms to a formal alliance. Prior to launching operations with GLA - Gabinete Legal Angola, PLMJ had previously operated an association with local firm AVM Advogados, and in Mozambique, last year ended its three-year relationship with MGA Advogados & Consultores to form a new Mozambican operation, GLM-Gabinete Legal Moçambique, integrated into PLMJ's international legal network.

"We are investors in these countries too, and the lessons we have learnt in the way we have developed our own business and promoted the creation of local offices is helping to inform the advice we now give to our clients," says Tiago Mendonça de Castro, Head of the Mozambique

practice at PLMJ. "These international investments and endeavours cannot be made without comprehensive local research, to understand the market, its opportunities and regulations." You have to apply the necessary resources and ensure you have a fully qualified and committed team to develop the project throughout its life, he adds, as well as the right local partner for exactly what it is you want to do. "The right projects with the wrong people are condemned to failure. More than the financial resources, the key to success is often the human capital you apply at a local and international level."

In addition, expanding economies and the arrival of more sophisticated foreign investors is also helping to develop an increasingly sophisticated domestic legal market. Angolan firm AVM Advogados has now expanded successfully into Portugal where it operates in Lisbon and Porto, and is building its own Mozambique practice led by Lisbon Managing Partner Claudia Santos Cruz. Firms will have to continue to invest in order to differentiate themselves, but lawyers acknowledge that it is very tough working in Angola. So in the short-term it's hard to see even the most determined of Anglo-African firms having the stamina to open.

The Portuguese have gone ahead of the game, therefore, and are reaping the fruits of their investments and hard work, namely revenue. And the Angolans, of course, continue to invest heavily in their former colony. But some suggest the situation could change, if Angola and Mozambique continue on their growth trajectory – more competition may be on its way from local lawyers, as well as the Brazilian and Anglo-American firms. At this stage, however, the opportunity to dip a toe in these markets is just too good to miss.

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