

LAW FIRMS POSITION THEMSELVES AS CHINESE INVESTMENT POURS INTO IBERIA

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Portugal attracting lion's share of Iberian investment, but Wanda deals show Spain is catching the eye, with law firms finalising their strategies in order to capitalise on trend

Spain and Portugal are firmly in the sights of Chinese investors and, rather than mere bargain hunters, buyers are characterised by their prudence and long-term vision, viewing the peninsula as a strategic location given its links with Africa and the Americas, lawyers say. Chinese investment in the Iberian Peninsula totalled more than \$2bn in 2014, according to Mergermarket.

The importance law firms now give to harnessing the rise in Chinese investment is evidenced by the merger – announced in January this year – between Dentons and Dacheng, creating the world's largest law firm with 6,500 lawyers.

Chinese investment in Portugal is currently bigger than it is in Spain, according to Omar Puertas, the director of Cuatrecasas, Gonçalves Pereira's Shanghai office. The wave of investment began with

Chinese utility company State Grid's acquisition of a €1.4bn, 25 per cent stake in Portugal's Redes Energéticas Nacionais in 2012. That deal followed the 2013 purchase of an €8bn, 21 per cent stake in Energias de Portugal by China's Three Gorges Corporation.

The opening of Portugal's energy sector caught the attention of Chinese investors, Puertas says, and changed the role of the Cuatrecasas' lawyers from one in which they counselled foreign companies eyeing China to one advising Chinese investors on how to expand into Europe, Africa and Latin America. "Portugal has a certain, and well-developed, know-how when it comes to attracting Chinese investment and it has now become a focus for it," he adds.

Portugal has become one of the world's biggest recipients of Chinese investment, of which the real estate and banking and insurance sectors have been beneficiaries – the latter evidenced by the 2014 purchase of Caixa Seguros by Fosun for \$1.5bn, and Haitong Securities' €379m purchase of Novo Banco's Banco Espírito Santo de Investimento in December.

"The investments are long-term, presence-building and strategic," Puertas says, citing Chinese hotel chain JinJiang's partnering with Meliá and HNA group's purchase of NH Hotels. "China has a competitive advantage, and as Mao Ze Dong said, China's power rests on its numbers," Puertas says. "But Chinese investors in Iberia are not bargain-hunting – the Chinese investor is a spectacular negotiator, but this must not be confused with bargain hunters." Puertas adds that Cuatrecasas plans to open an office in Beijing later this year.

Golden visas popular

There is also considerable Chinese investment in real estate in Portugal, due in part to the 'golden visa' regime, whereby foreign citizens are granted an EU visa when purchasing property, providing other requirements are met, according to Tomás Vaz Pinto, a partner at Morais Leitão, Galvão Teles, Soares da Silva in Lisbon.

In Spain, there has also been significant Chinese investment, such as Dalian Wanda's €265m purchase of Edificio España in Madrid from Grupo Santander in 2014, and the Beijing-based property group's purchase in January of a €45m, 20 per cent stake in Atlético de Madrid, the first Chinese investment in a top-tier European football club. "This deal consolidates the group internationally and is a huge marketing boost," Puertas says. According to Baker & McKenzie, the trend for the last three years has been significant Chinese interest in the privatisation of state-related industries, such as utilities or logistics, in Portugal and Spain. Dalian Zhang, partner in the firm's Shanghai office, says: "Chinese investors are clearly taking opportunities when they arise in markets going through difficult times – they are making a long-term bet on the European economy."