

NEW INVESTORS CHANGING LAW FIRM-CLIENT RELATIONSHIPS - CAIADO GUERREIRO

Posted on 07/01/2015



Category: [Corporate](#)



Chinese investors are buying Portuguese companies with the result that the acquired company may begin using a different legal adviser

Chinese investors have considerable appetite for buying Portuguese companies and this is loosening the ties such companies have with their traditional legal advisers, according to João Caiado Guerreiro, managing partner of Caiado Guerreiro.

Portuguese commercial assets have attracted billions of euros of investment in the last few years. Chief amongst these were the sales of stakes in Energias de Portugal (€2.7 billion), REN (€1.4 billion) and Caixa Seguros (€1 billion), all of which were acquired by Chinese investors, namely Three Gorges Corporation, State Grid and Fosun respectively.

"Chinese companies are targeting Portugal and have bought a lot of Portuguese businesses recently," explains João Caiado Guerreiro from Caiado Guerreiro in Lisbon. "In addition to the big

investments, there has been a variety of other commercial activity, such as Beijing Enterprises Water Group's purchase of Veolia Environment's Portuguese assets or Bank of China establishment of a Lisbon office to target the country."

Caiado Guerreiro says that the wave of Chinese investment is impacting on Portuguese law firms. He observes that once Chinese companies buy-up assets, they then have to deal with plenty of operational matters, such as employment, administration, regulations, tax and disputes. "As such, one of the key goals for law firms is to pick up the role on the initial instruction because, if you advise on the first transaction, you are in a better place to secure follow-on work."

Winning Chinese clients then becomes a possible source of lucrative work. This is easier said than done. Many Chinese companies will come to local practices courtesy of a referral from firms in London or New York. Some firms meanwhile – including Caiado Guerreiro – have managed to secure direct links with Chinese clients after establishing a branch in Beijing.

"Chinese companies, like every foreign company, will come to Portugal with a different perspective," Caiado Guerreiro says. He adds that former Portuguese-owned companies that are now Chinese-owned have different views on external legal advisers. Caiado Guerreiro says: "They tend to have a more open approach to which law firms they will use, which is a different scenario to the old national clients. National clients often had their own, long-standing relationships with Portuguese law firms but, now these businesses are changing hands, it can create opportunities for other law firms to be engaged by the new owners."

The legal market, of course, is still competitive. There are only between 10 to 15 Lisbon law firms that have the depth and spread of practice to service major conglomerates for full-service legal advice. This means that law firms are having to not only focus on their legal know-how but also provide additional incisive services to attract clients.

Cultural translators

"It does not matter whether a client is from China, the US or Germany, they do not just need advice on Portuguese law but also how the Portuguese economy and institutions operate," Caiado Guerreiro comments. "Lawyers have to act as cultural translators for clients. They need to provide the right legal solutions but they also have to explain how everything works locally."

Caiado Guerreiro also highlights the potential openings for additional individual and international legal work. The increase in Chinese corporate investment has been accompanied by a surge of interest from Chinese high-net worth individuals looking to take advantage of Portugal's 'Golden Visa' programme. Indeed, more than half the 'Golden Visas' – which give foreign investors who purchase a property valued at more than €500,000 the legal right to reside in the country – have been given to Chinese investors.

There is also an increase in interest in international assets in jurisdictions such as Brazil, or former colonies Angola and Mozambique. Portuguese law firms that build up strong links with Chinese investors will be in a good position to win related instructions on international matters.

"The Chinese investments in Portugal are changing the shape of the market," Caiado Guerreiro summarises, "Whether they are buying corporate assets or property, there are interesting opportunities for law firms to develop their business."