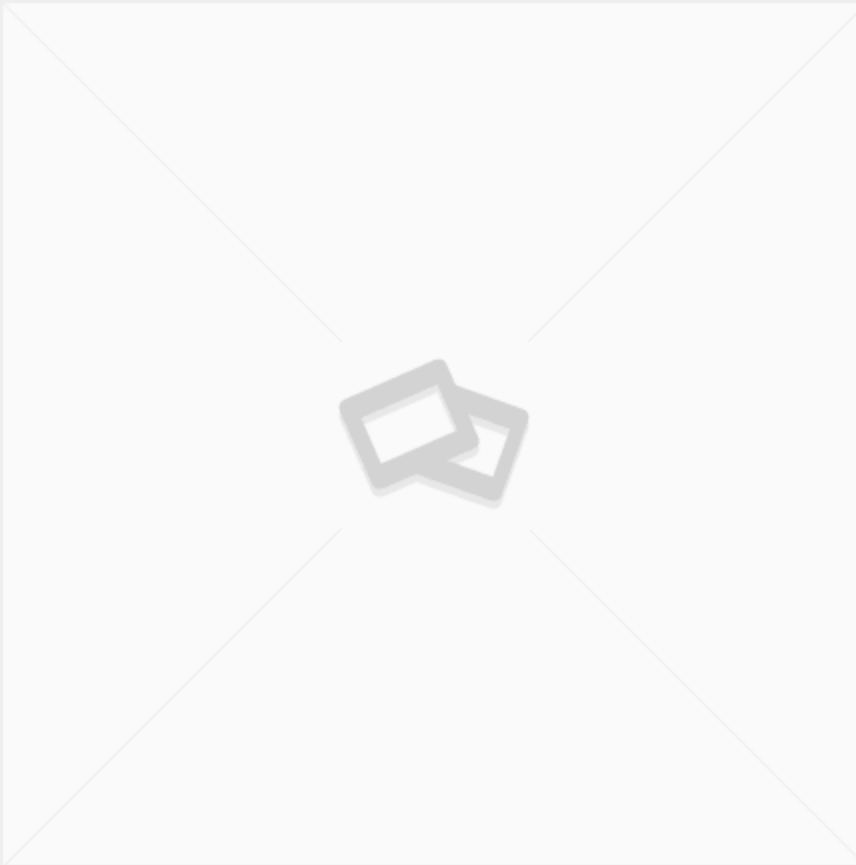


PORTO - A MARKET WITHOUT RESERVE

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Iberian Lawyer's first Portuguese regional survey finds Porto's leading firms developing new opportunities, increasing both their regional and international connections.

En los últimos años se ha visto la expansión de muchos despachos de abogados a otras regiones de Portugal, más allá de la capital. La intención ha sido reforzar los vínculos con algunas de las empresas más grandes de Portugal, así como

aprovechar la riqueza de las empresas fuera de la capital lusa, lo cual, a medida que sucede necesita de una asesoría jurídica más sofisticada. El punto de mira para muchos bufetes se ha establecido sobretudo en Oporto y Madeira. A pesar del gran interés que en Lisboa y Madrid despierta establecer filiales en algunos puntos alternativos del país, unos cuantos despachos se han resistido.

Recent years have seen the expansion of many of Lisbon's law firms beyond the capital to Portugal's regions, as they aim to benefit from the major businesses and wealth of business opportunities outside of the Portuguese capital.

The key focus for many firms has been Porto, the country's second city. Most famous internationally for its Port wine and picture postcard river, Porto district is though one of the most industrialised in Portugal, and Maia, its satellite city, has the largest industrial park in the country.

Among the companies headquartered in the region include Amorim, the world's largest cork producer, Portugal's largest public bank Millennium BCP, and its rival Banco Português de Investimento (BPI), as well as one of the country's major industrial groups, Sonae. Galp, one of Portugal's largest exporters, has one of its main refineries close by, while another exporter Qimonda – a leading computer memory supplier – has its base in nearby Mindelo.

Sonae's proposed €11.9bn takeover of Portugal telecom was the country's largest ever merger attempt. It was followed only weeks later by the second-largest, BCP's €4.3bn bid for BPI. The deals were not only remarkable for their size, but also because much of the strategy was driven from Porto.

Significant therefore was the announcement of the merger between Sonae's lead law firm, Porto-based 30-lawyer Osório de Castro Verde Pinho Vieira Peres Lobo Xavier & Associados, and premier Lisbon firm Morais Leitão Galvão Teles Soares da Silva & Associados (MLGTS) in January 2006.

Any connection between those deals and the merger is coincidence, says Joaquim Vieira Peres now a partner at MLGTS. "The merger had been agreed well before those public offers had been prepared and announced. We knew that a merger could always have some cost in terms of conflict of interests, but strategically it made sense."

Fellow partner Eduardo Verde Pinho agrees. "Over the preceeding years we had seen an increasing flow of decision-making away from Porto, to Lisbon and beyond. Our merger was important for us to continue to advise important clients in major deals, as we had been doing in the past." The merger with a top Lisbon firm, they say, secured the ability to enhance services to clients and to cover more efficiently a wide geographic base.

Osório de Castro was not however short of merger interest, with PLMJ reportedly also interested,

but the merger helped spark a flow of Lisbon-based firms to the city. Of Portugal's other largest firms, Gonçalves Pereira Castelo Branco & Associados already had a small presence since 1989, but subsequently PLMJ, Vieira de Almeida and Abreu Advogados and F Castelo Branco have all opened there, as has Garrigues and Uría Menéndez.

"Our view is that a firm of national dimension is one with a relevant practice in three essential cities: Lisbon, Porto and Funchal," says Miguel Teixeira de Abreu, managing partner of Abreu Advogados.

His firm has recently expanded its presence in Funchal as well as in Porto, with the addition of Paulo Tarso, a corporate law professor with a niche 5 lawyer practice.

Likewise PLMJ has expanded its regional presence, announcing joint ventures with Guimarães-based Gama Lobo Xavier Luís Teixeira e Melo and Associates, and Viseu based Luís Loureiro João Gomes and Associates, to extend its reach further north, as well as across to the Azores, through Borges da Ponte Linhares Dias and Associates. The firm also counts offices in Coimbra and Faro in the Algarve.

Local

Despite the strong interest among Lisbon, and Madrid, based firms to establish local offices in Porto a number of local firms have however held out against the flow and continue to operate successful and high profile independent practices.

Among the largest is Telles de Abreu which, says the firm's founding partner Carlos Lucena, has turned down advances from the largest of the Lisbon law firms.

"A merger may have made financial sense for us individually but as an institution we felt that we wanted to keep our clients and to continue to invest in the relationships we had built. Our aim is to be the reference firm for the north of Portugal," he says.

The firm's managing partner, Miguel Carvalho, questions the reality of some of the major firms' presence in the city and notes also the different structural and cost factors at play. "It is important to be able to present a local face. It's not enough to have a name plate on the door and keep the back office in another place ready to work when a deal occurs."

They also note the economic change that has swept over Porto over the last decade, with a movement towards Lisbon of much of the finance activity that once dominated the work of firms locally. In fact, the Porto firm maintains a small Lisbon presence. Nonetheless, they emphasise that the region's manufacturing sector remains solid and the city is of course still the focus of the world's Port industry.

Pedro Pessanha at ten-lawyer firm Silva Lopes Pessanha Mesquita Costa Leite Queiroz also emphasises the importance of strong local relationships, and his firm notably acts for a number of the major family groups active in the wine sector.

"It is not possible for Porto firms to rely on the national government or the major finance houses for a flow of work as is the case in Lisbon. Many of the major economic players here are instead private business groups and they often require more than a mere legal adviser, they want a trusted consigliere," he says.

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He too admits to having received merger advances from Lisbon firms now established in the city but remaining small and independent, he believes, is more suited to his client base and will better enable his firm to cope with any downturn as the national economy slows.

Expansion

Some firms in Porto are though keen to expand and to grow across and out of the region, among them is JPAB – José Pedro Aguiar-Branco & Associados. The 11-partner 50 lawyer firm now counts offices in nearby Coimbra, Covilha and Viana do Castelo, as well as in Lisbon.

The Portuguese economy is already feeling the impact of the global financial crisis and it is therefore a time for new perspectives, increased optimism and a focus on new values to help overcome any difficulties, believes name partner José Pedro Aguiar-Branco, who is also a Member of Parliament.

“The political and administrative power is concentrated in Lisbon which presents us with an interesting challenge: to strongly develop our practice in all of our offices and by covering the most relevant areas of law and territory possible.”

The firm has established ties with Madrid-based Gutiérrez de la Roza Abogados, Barcelona's Bufete Ignacio Fernández and Paris-based Bernon Daural Gerbeaud, but is also looking to develop its connections, says Aguiar-Branco, in Angola, the Maghreb region of North Africa and Brazil.

“Nowadays, and in order to deal with the global financial crisis we are facing, national and international relationships emerge as a possible solution to achieve our goal of overcoming the difficulties presented in the current period.”

Porto's law firms are looking to face down not only the challenge of an increasingly competitive legal market but also a local and national economy on the brink of a downturn. Their ability to connect locally, to draw on long-standing and deep client relationships, and their relatively small size and agility, suggest many, will continue to ensure their success in both regards.