

PUTTING PORTUGAL'S CHALLENGES INTO PERSPECTIVE - CUATRECASAS GONÇALVES PEREIRA

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There is no doubt that the Portuguese economy requires deep reform but the country continues to offer attractive long-term investment opportunities

Portugal no solo ofrece oportunidades de inversión a nivel nacional sino también vínculos internacionales y experiencia práctica. El país sigue atrayendo el interés de los inversores extranjeros y puede actuar como plataforma para aquellos con proyección internacional, opinan Maria João Ricou y Diogo Perestrelo, Socios Codirectores de Cuatrecasas Gonçalves Pereira en Lisboa.

International interest in Portugal continues albeit there is growing analysis not only of the domestic

opportunities being presented but also how Portugal may act as a platform for investors' wider global ambitions, says Maria João Ricou, co-Managing Partner of Cuatrecasas Gonçalves Pereira in Lisbon.



Diogo Perestrelo

"The Portuguese Government does not have an easy task but they are going further than has been specified under the terms of the financial assistance package agreed by the European Union (EU), European Central Bank (ECB) and International Monetary Fund (IMF). Ultimately, this also means potentially more investment opportunities than had initially been anticipated."

There remains however much for the Government to do in a very short time, in terms of both its proposed privatisation plans and the legislative reform programme now underway, with a new labour law currently before the

Portuguese Parliament, as well as changes to the tax regime, court and judicial systems.

"In light of what we are now experiencing it is inevitable that we see a lot of foreign companies with Portuguese subsidiaries taking a 'wait and see' attitude. There is a reluctance to make major new investment commitments until there is more certainty about the economy," says fellow co-Managing Partner Diogo Perestrelo.

The Governor of the Bank of Portugal has stated that the major domestic institutions must restructure and this means disposing of non-core assets, he explains. "The question is who will be the buyers and what price are they willing to pay?"

Portugal's banks are already themselves being very selective about what transactions they will finance. They are facing their own internal issues and their only current source of liquidity is the ECB. There is no inter-bank market, but even with such uncertainty, international and institutional investors continue to ask questions about Portugal, Ricou adds.

"With the privatisation process and the demand for liquidity driving further divestments there is no doubt that considerable acquisition opportunities do exist but again there is selectivity about what investments will be made. We are already receiving requests from private equity funds, doing background and due diligence checks."

The prices being suggested for companies and assets inevitably takes all of this into consideration, but the situation in Portugal has to be placed in a wider context, they insist. The firm's network, across Latin America, the US, Europe and China, is seeing interest from businesses keen to explore potential synergies.

"The Portuguese companies that do survive will emerge out of the crisis in a very much stronger competitive position, many will have new management and connect more directly and with greater efficiency with businesses elsewhere in Europe and across the globe," believes Perestrelo.

Such interest is also therefore being driven by potential investors' desire to capitalise on Portuguese business and management know-how, they add. "There is no doubt that many see Portugal as a gateway both into and out of Europe and a clear attraction is the direct connection to many of the globe's most exciting, and still expanding, economies:"

Significant they say is the interest being generated about and from Brazil, where the firm is expanding its São Paulo office, Angola and Mozambique – markets that have historically been recipients of Portuguese investment. Cuatrecasas was among the first foreign law firms to open in Brazil, and has longstanding ties to both Angola and Maputo, explains Perestrelo.

"For those investors wherever they may come from who are serious, and willing to look beyond the headlines, what is clear is that while Portugal is of course vulnerable to issues beyond our control – notably developments in the eurozone – there is nonetheless an awareness that we are taking the necessary steps to overcome our undoubted challenges."

What is important for their law firm therefore is to be able to offer an overview of the issues facing Portugal and to place those in the wider international context, concludes Ricou. "We have to try and find what certainty we can in both the economic and legislative situation as we find, to help better inform our clients and to help ensure that they have the correct information to make decisions."