

SEEKING NEW FRONTIERS

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Law firms like their clients are looking to new markets to balance declining or at best flat revenues at home. For some this means a greater focus on established markets, forging new alliances or even rethinking the way they approach their international operations. In certain parts of the world there may still be a “land grab”, but firms seeking to build their international profile also wish to do it in a more collaborative way.

Indicative of the trend to revisit strategies was Garrigues' Central and East European (CEE) rethink announced at the end of 2010. The firm is now placing a greater focus on Warsaw as a hub from which to manage its CEE needs having closed its Bucharest office. The firm will maintain ties with Romania through a “best friends” relationship with its former team, now operating under the lead of local partner Mihai Mares as Mares & Asociatii. Garrigues last year saw the departure of CEE Head Jaime Fúster, who subsequently launched his own Madrid-based office in association with Bucharest's Țuca Zbârcea & Asociații.

Despite the relative importance of Europe to Iberian law firms, and their clients, it is not to the old world that many are looking for new growth, it is to Asia, Africa and new markets in Latin America.

Legal circles

The past year has seen Uriá Menéndez formally establish a China presence through a joint Beijing office with its best friend firms UK-based Slaughter and May and Dutch firm De Brauw Blackstone Westbroek. Roca Junyent, Garrigues and Cuatrecasas are already established in China, and have local lawyers, but to date their focus has been Shanghai.

Some query the benefit Iberian firms can offer Chinese investors (or investors in China), or the application of Spanish and Portuguese law in international transactions – neither has managed to impose their laws consistently on international transactions. But for the Portuguese too China is taking on increased significance. To date firms have predominantly steered towards the former Portuguese Colony Macau, which they say is an emerging channel for Chinese investors into Portuguese-speaking countries, including into Brazil and Africa.

PLMJ, Portugal's largest law firm, has secured an exclusive alliance with 30-office China firm Dacheng Law Offices encompassing Portugal, Angola, Mozambique and Cape Verde, as well as reciprocally for China, Singapore and Taiwan. The announcement was followed with the news that Morais Leitão Galvão Teles Soares da Silva & Associados (MLGTS) had likewise established a formal alliance, with Macau-based MdME.

MLGTS already has a similar alliance arrangement with Brazil's Mattos Filho Veiga Filho Marrey Jr e Quiroga, with which it works increasingly closely, and has now announced an intention to expand operations in Mozambique and Angola – China's leading supplier of oil and the second largest oil producer in sub-Saharan Africa. Smaller Lisbon firm CCA also last summer announced that it was to open in Shanghai – making it the first Portuguese firm with a formal presence on the Chinese mainland.

Latin America

It is towards Latin America that many Spanish and Portuguese firms have traditionally focused; where the legal systems are the closest, and where Spain is the second-largest regional investor after the US. But the last two years have seen a change in the nature of the relationships maintained by Iberian firms in the region.

This is evidently the case with Garrigues. In 2004 it created the Affinitas Alliance to provide coverage across Latin America. An exclusive referral network, Affinitas counts local members in Argentina, Chile, Colombia, Mexico and Peru, but in 2009 it suffered the departure of Brazilian firm Barbosa Müssnich & Aragão, reportedly over divergent opinions as to the degree of integration the Alliance should have.

Garrigues is now however focusing less on integration and more on co-operation. Last summer it announced an association with 26-partner Brazilian firm Schmidt Valois Miranda Ferreira & Agel Advogados – separately from Affinitas – and an intention to open its own office in Rio de Janeiro and São Paulo. There is however no rush to expand further, insists co-Managing Partner Fernando Vives. "We are in no way planning a takeover of Latin America. We are not reducing our desire to be global. For us it is not a matter of how many flags we have across the world, but a matter of strength and consistency in each the market."

Uriá Menéndez is similarly well-placed across the region where it maintains a series of best friend relationships, but is perhaps best established in Brazil through its long association with Dias Carneiro. But changes are evident within the Brazilian strategies of Spain's two other largest law firms. Cuatrecasas last year abandoned its alliance with Machado Meyer Sendacz e Opice and has yet to announce a permanent local replacement. Gómez-Acebo & Pombo and Brazilian firm Pinheiro Neto likewise began 2011 by ending their long-standing formal relationship. Gomez Acebo's Brazilian strategy will now reflect its global goals, to forge alliances along practice and industry sector lines to get the best fit for each assignment, says Managing Partner Manuel Martin.

"Big firms like ours will only prosper through specialisation and add real value to their clients' business through deep sector knowledge. It makes no sense to assume that one firm can cover all needs in each market, and there is also inevitably the issue of conflicts."

Clearly language should give Portuguese lawyers an advantage when it comes to operating in Brazil

but few have sought to extend beyond established referral arrangements. Among the leading firms, PLMJ works alongside TozziniFreire, Vieira de Almeida with Pinheiro Neto, SRS Advogados with Veirano Advogados, and MLGTS with Mattos Filho Veiga Filho Marrey Jr e Quiroga. Nonetheless, Brazil continues to take on increasing importance to Lisbon firms. The two largest Portuguese M&A deals of the past year, indeed of recent years, both had a Brazilian focus. Portugal's largest cement producer was the subject of three rival Brazilian bids, while more recently Telefónica acquired the 50 percent share of Brazilian mobile operator Brasilcel it did not already own from Portugal Telecom (PT), in a hostile takeover that cost it €7.5bn. But the Iberian offices of international firms are also taking on increased importance as a conduit for Latin American and specifically Brazilian operations. DLA Piper, through its Madrid office, has now sealed a collaboration agreement with 85-lawyer Campos Mello. Davies Arnold Cooper has likewise announced a Brazilian collaboration, with niche insurance and litigation firm JBO Advocacia, and Jones Day opened in São Paulo in January, with Madrid Managing Partner Luis Riego relocating to lead the firm's Brazilian expansion

Conduits

It is however to Africa that many of Portugal's leading firms are looking. Specifically to the former colonies of Angola and Mozambique, but also to smaller jurisdictions such as Cape Verde, São Tomé e Príncipe and Guinea-Bissau. Such markets inevitably attract significant Portuguese investment, but Lisbon's law firms are also now looking to position themselves as conduits for other investors, notably from China and India.

Angola is an obvious focus, as the country looks to rebuild itself after almost 30 years of civil war, and where firms already with a formal presence include Miranda through Fátima Freitas Advogados; FCB&A Advogados, which operates in association with Eduardo Vera Cruz Advogados, Abreu Advogados through FBL Advogados; PLMJ alongside GLA - Gabinete Legal Angola, and Franco Caiado Guerreiro & Associados.

A number of others are also developing local connections, including Sérvulo and MLGTS, while SRS Advogados this year announced an association with Luanda-based LCF-Legal Counsel Firm, as well as ties with Cape Verde's Amado & Medina and 22-lawyer Mozambique firm Sal & Caldeira.

Miranda is widely recognised as the most high profile Lisbon firm in the market and has leveraged its expertise locally to establish a seven country pan-African network that now extends to Gabon, where it last year added SCP Ntoutoume & Mezher Mouloungui to the Miranda Alliance and has announced an intention to open in the Republic of Congo.

Some firms however continue to question the wisdom of establishing formal ties in the region, preferring instead to work informally with specific lawyers. "As a profession we have to operate within the rule of law, and in some of these countries this doesn't exist. You have to balance the risk-reward ratio and I still see a lot of risk," says one Iberian Managing Partner.

Vieira de Almeida may have just announced its entry into Angola, through a tie-up with Francisco Amaral, but it already has one of the strongest alliances in Mozambique, where it operates in Maputo alongside Furtado Bihka Loforte Popat & Associados (FBLP). PLMJ last year signed an accord with MGA in the city, and Raposo Bernardo also operates locally.

Some though continue to caution that Africa is no panacea to firms' domestic troubles and that a long-term strategy has to be adopted taking into account both inbound and outbound opportunities. Miranda notably has over 30 years' experience on the Continent, while Angola-based AVM Advogados is a firm that is bucking the general trend.

The Luanda-based firm has expanded from Angola to Portugal, where it now operates in both Lisbon and Porto. The start of this year also saw it open in Maputo. The firm's sell is relatively simple, with local lawyers and local knowledge it can better manage the risks and rewards presented to international clients and law firms alike. There is no need for a foreign law firm to plant its own flags, it can simply operate through AVM.

We have yet to see any Latin American or Asian firms open in Lisbon or Madrid but clearly

international expansion works both ways. The challenge for Iberia's law firms is not only to follow their increasingly international clients to new markets but to demonstrate that they can add value wherever their operations take place. In these economically challenging times firms may have less appetite for investing their own money in new offices but are very welcome of new alliances. "We come in peace," say many.

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