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With a cloud hanging over the economies of Europe, Spanish law firms are capitalising on their Latin American links as the region's fortunes continue to rise

The expansion of Iberian -businesses around the world is now more than a business trend, it is a reality – and one that continues to present new and unique opportunities for international law firms.

The consolidation and expansion of the leading Spanish and Portuguese businesses – primarily within banking, telecoms, -infrastructure and utilities – is presenting significant opportunities for law firms both on and off the Peninsula, suggests research conducted by Iberian Lawyer on the international requirements of clients in the region.

The prospect of recession in Spain and Portugal is pushing Iberia's businesses to expand their global interests, according to the survey. Companies are looking to target new markets and balance their exposure to any domestic economic downturns. But at the same time Iberia remains an attractive destination for international investors, many of which now see the prevailing -situation as offering low prices and lucrative opportunities.

Expansion

The relative strength of the euro combined with falling asset values internationally is opening up new markets, lawyers say. -“Credit restrictions and interest-rate increases have made foreign investments more selective, but cross-border M&A legal work remains at a reasonable pace, in -particular in countries where equity prices have lowered,” says Jaime Folguera, a partner at Uría

Menéndez in Madrid.

The past year has been notable -particularly for the expansion of Iberia's banks. Spanish cajas (savings banks) have expanded into the US, through Florida, Texas and California, while Santander is now the world's sixth largest bank by capitalisation. July saw it acquire its second UK bank, Alliance & Leicester, and last year it was involved in the world's largest banking takeover, the e71bn (£56.29bn) acquisition of Amsterdam-based ABN Amro – alongside Royal Bank of Scotland and -Fortis – through which it gained operations in Italy (which it then sold) and Brazil.

Also notable has been the continuing expansion of Portuguese and Spanish infrastructure and construction companies. Barcelona-based Abertis recently signed the largest-ever road privatisation in the US, e8.2bn (£6.52bn) for a 75-year -concession for the Pennsylvania Turnpike.

“The US has been a more recent market that Spanish companies find increasingly attractive, using their expertise in infrastructure financing to secure concessions,” notes Luis Riesgo, -managing partner of Jones Day in Madrid.

In addition, Spanish and Portuguese energy companies are increasingly active across Europe and North America, and EDP's recent announcement of acquisitions in Brazil marks a selective upturn of -interest in Latin America. Spanish oil giant Repsol also looks set to benefit from recent oil -discoveries off the coast of Brazil.

The Latin-American axis

Iberia's lawyers report an upturn in work both to and from Latin America and of an emerging role for Iberian law firms to -facilitate in particular the international expansion of Latin American multinationals into Europe, among them Petrobras, Cemex, Vale, Modelo, América Móvil and Aracruz.

“We have a strong record of advising Latin American companies investing in Europe and can envisage this role increasing as more expand overseas,” says Folguera.

In contrast with Europe and North America, Latin America has hardly been affected by the global credit crisis. Many of its economies are even experiencing significant growth, capitalising on the continuing international demand for the region's mineral and agricultural commodities.

As a result, many parts of the region are seeing an upturn in transactional activity and increasing levels of both inbound and outbound investment.

Brazil's new optimism is also attracting the attention of a number of major international law firms, which are aspiring to operate alongside the established Brazilian and other regional law firms. Clifford Chance, Linklaters, White & Case and Shearman & Sterling are already established in São Paulo. Simpson Thacher & Bartlett and Chadbourne & Parke are also believed to be reviewing their options in the city.

Alexandre Bertoldi, partner at Pinheiro Neto is among the local lawyers who welcome this renewed interest. "It can only bring benefits because it allows the local lawyers and firms to achieve great synergy. It also goes to show the appeal of the jurisdiction," he says.

Portuguese law firms also have extensive market knowledge in the area and in most cases have been operating for decades in the region. In Brazil a number have established very close referral links. Among them are Moraes Leitão Galvão Teles Soares da Silva with Mattos Filho Veiga Filho Marrey Jr e Quiroga, Vieira de Almeida with **Pinheiro Neto**, and PLMJ with Tozzini Freire.

Likewise, the leading Spanish firms are also well-represented in Brazil. Uría Menéndez has ties with Dias Carneiro, Cuatrecasas with Machado Meyer Sendacz e Opice, and Gómez-Acebo & Pombo is aligned with **Pinheiro Neto**.

The major development, says head of Maniega & Soler's Madrid office Diego Vargas, is that although previously it was Brazilian firms approaching Iberian firms, the reverse is now true. "The romance between Iberian and Brazilian firms is real and fashionable. Now the firms that used to be seduced have themselves to seduce – Brazil is the girl that everyone wants to dance with," says Vargas.

Garrigues is among those Iberian firms looking to build closer ties across the region as a whole, and the firm's Affinitas alliance now includes partners in eight countries. "Latin America continues to be the natural field where Spanish companies are in continuous expansion," says Albert Collado, who leads the firm's international committee. "Countries such as Brazil, Colombia, Chile and Mexico are in growing economic cycles, where Spanish multinationals are playing a very active role."

The changing nature of Latin American investments and of the parties involved in them is also having a significant effect on the types of disputes arising and the wider use of arbitrations, according to George von Mehren, who leads the dispute resolution practice at US firm Squire Sanders & Dempsey.

"The increase in regional international investments and the growing sophistication of companies across Latin America means that disputes are becoming more frequent and complex," says von Mehren.

As a result of regime changes in some countries, rising oil and gas prices, and governments' increased emphasis on energy issues, a rise in International Centre for Settlement of Investment Disputes arbitrations between companies and states is also evident, notably involving Venezuela, Bolivia and Ecuador.

This is an opportunity that Iberia's lawyers are very alive to. Last year Cuatrecasas hired Chilean lawyer Cristian Conejero, then secretary of the Latin American Arbitration Group at the ICC International Court of Arbitration, to develop the firm's profile for Latin America disputes, while Garrigues managing partner José María Alonso enjoys a high profile in the region through his role as president of the Club Español de Arbitraje.

Lisbon's senior arbitrators are also increasingly being called on to assist in Brazil-related disputes, where their familiarity with the language, legal system, plus perceived neutrality, is often viewed as advantageous.

US for sale

Iberian businesses are also taking advantage of falling US company values to make -strategic acquisitions in key sectors across both North and Latin America.

“With the current value of the dollar, the perception may be that the US is for sale, but what we’re increasingly seeing are very strategic acquisitions by foreign investors,” says Kendal Tyre, transactional partner at Nixon Peabody in Washington DC.

The relative strength of the euro, he notes, is helping to drive an upturn in foreign acquisitions, which now account for around 20 per cent of all US M&A deal activity.

“The continuing attraction of US assets means that foreign investors are clearly now getting more value for their money and this is evident in the rise in deal numbers,” Tyre adds.

Latin America is often a key element to these deals. “A noticeable trend among some of the most high-profile Spanish acquisitions over the past year has been the -attraction for US businesses that also have operations across Central or Latin America,” says Talbert Navia, New York based co-head of the Latin America practice at -Chadbourne.

EDP’s \$2bn (£1.07bn) acquisition last year of Houston-based Horizon Wind Energy, he notes, was undertaken under New York law and made it not only -Portugal’s third-largest wind farm operator in the US, but also a significant player in Mexico.

Like others, he believes it is logical for Iberian businesses to be interested in -opportunities throughout the region, to capitalise on their sector strengths in -infrastructure and energy and to take advantage of the prevailing economic conditions.

“What we’re seeing is the emergence of significant consortia, comprising both

Latin American and Iberian companies, and which again are looking to the US and Canada in what we call ‘The American Play’,” says Allen Miller, who co-heads -Chadbourne’s Latin American practice.

Preferred strategies

It is no surprise, then, that law firms -continue to predict increasing international demand from Iberian clients and are -reacting accordingly. Nonetheless, many retain a strong independent streak.

“We will follow our own route map, which basically consists of remaining independent but being involved in the best cases and transactions, and strengthening -cooperation with law firms which share our -principles worldwide,” says David Arias, who leads dispute resolution at Pérez-Llorca.

Firms are, however, aware of the issues that surround the need to manage client expectations and to be able to add value as they expand internationally. For some, this means opening their own offices – Cuatrecasas has, for example, opened in Morocco and will soon open in Shanghai, while Garrigues has opened in Warsaw and Bucharest and is looking to new markets such as Bulgaria.

How to approach the London market continues to be a key issue. Recent years have seen openings by Cuatrecasas and -Garrigues, and Uría Menéndez has been established for almost two decades. Gómez-Acebo is the most recent Spanish arrival.

“I wish we had opened in London before last year,” says Gómez-Acebo managing partner Manuel Martín. “We’ve been -pleasantly surprised with the impact that our presence has had, not only in terms of networking but also in producing -interesting work.”

For others, nurturing closer best friend and referral alliances is the preferred option. Rodés & Sala, for example, has now aligned itself to Nabarro, while many continue to prefer ad hoc arrangements dependent on the deal type, client and jurisdiction involved.

There is, however, no single approach to managing clients' international needs and some firms are evidently keen to take more of a mixed approach.

Most notable is Uría Menéndez, which through its best friends network continues to play a prominent role in the expansion plans of many of Iberia's largest companies, currently working alongside Slaughter and May in Santander's UK Alliance & Leicester acquisition, and British Airways' bid for Iberia.

For Iberian law firms increasingly used to operating on an international stage it -matters little where clients go; what is important is that they have the correct arrangements in place to help them do so.

Some may be following their clients, but some are also following their clients' -strategies – expanding their relationships to increase their revenue base and to hedge against the potential economic downturn.

Moray McLaren is the editor of Iberian Lawyer