

Zen & The Art of Legal Networking

INSIGHTS & COMMENTARY ON RELATIONSHIP BUILDING WITHIN THE INTERNATIONAL LAWYERS NETWORK

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How Has the 2009 World Economic Downturn Affected the Asia Pacific Region? A Re-cap from 2010 Annual Meeting (Part I)



In addition to our regular Annual Meeting, we also had a special session for our [Asia Pacific delegates](#) to discuss the strengths of the firms in the region, recent cases they had been handling, and the interesting and important question of "How has the 2009 world economic downturn affected the Asia Pacific Region?" This question prompted a discussion of the current marketplace that may be of greater value than just to the attendees.

[Scott Guan](#) from [Jade & Fountain](#) in Shanghai kicked off the discussion with an update from China, saying that they hadn't been hit as hard by

the global financial crisis as some of the other markets. The effects that they'd seen were mostly in the areas of cross-border work, as well as foreign-related financing, M&A, and capital markets work. He'd seen a greater impact of the crisis on multinational law firms in China, who have had to lay off a lot of lawyers.

But this has turned out to be an opportunity for a local law firm with international expertise, such as Jade & Fountain. The firm was recently ranked as one of the [top 10 fastest growing Chinese firms](#) by the [Asian Legal Business](#) journal. Scott said that because there are so many qualified

lawyers on the market from these multinational firms, who his firm wouldn't have had access to in a more prosperous economic situation, they have been able to actively recruit these attorneys. Because of the firm's well-designed partner incubation system, the firm has brought in attorneys from Allen & Overy, Freshfields, Allens Arthur Robinson, Baker & McKenzie and Jones Day.

Our Chairman, [Peter Altieri](#) of [Epstein Becker & Green](#), mentioned that he has a client who has been concerned about getting supply out of China and labour issues, touching on one of the hot topics. He referenced a comment that Scott had made earlier in the morning, that the firm is seeing three times as many labour cases, and wondered whether the firm is seeing a major impact in terms of the changes in labour conditions in China and their ability to continue to produce cost-effectively, such that the demand from all over the world will still be there.

Scott said that labour costs are increasing in China, which was inevitable, because of the cost of resources and the cost of living. Today, there are more stringent supervision and regulations on a company's practice in terms of hiring people, signing contracts, minimum wage, and labour protection, fringe benefits, etc. so a lot of industries are gradually moving to lower cost neighboring countries like Vietnam.

Scott added that they see a lot of internal migration within China from Shanghai and more wealthy coastal areas inland. He thinks that China has come to the point where the government will have to do something to maintain its legitimacy, because the disparity between the rich and the poor is so great. He thinks they will see an increase in labour costs and hopes to see things that are "created in China" in the future, so that they can climb higher on the food chain and maintain their competitiveness.

His colleague, [Steven Huang](#), added that although the new labour law has been seen as a drawback, the Chinese government is trying to achieve more of a balance in its practical application. The courts have made revised explanations, so the impact of the law is not as severe as the media makes it out to be. Scott agreed, and said that through jurisprudence, they will gradually impose a more stringent way of interpretation to mitigate the negative impact on employers.

Because the top story in the morning's paper in Singapore had been about recent labour strikes and suicides in China, [David Russell](#) of [Harrison & Moberly](#) in Indiana asked Peter whether his client's concerns were related. Peter agreed that it was one aspect, but that his client was more concerned about his ability to get product and the revised costs and timelines they were now having to offer their clients. Scott mentioned that there had been two major strikes recently, with several workers committing suicide because of the conditions.

[C.K. Kwong](#) offered the Hong Kong perspective from [Sit, Fung, Kwong & Shum](#), adding that these issues have larger ramifications on the smaller factories, because rising wages in larger factories drive up the overall labour costs. He said that his firm is handling a proposed IPO right now for a company whose operating profit is around 10-20%. If the labour costs were to go up by 30 or 60%, this would eat up their entire profit margin. So the concern is that the ramifications are imminent. He added that another aspect of the wage increase in mainland China is that a lot of companies will move back to Taiwan.

On the legal practice side, C.K. said that the situation in Hong Kong is similar to what Scott had described in China. In intellectual property, they are much less affected by the world economy, because companies still have to protect their patents. However, they see that the finer strategy is different, and clients are more focused on what they want to protect. They may appeal fewer adverse decisions or accept the second best at a more reasonable budget.

As far as litigation and the commercial side, he said that the commercial side is still quite busy and they too have the opportunity to bring in lawyers who have been laid off from larger firms. He added that it's also easier to retain attorneys that they have trained, who previously may have been enticed away by larger salaries at the larger firms.

In terms of how they are helping their clients through the economic crisis, C.K. said that they are giving them more options. He said, for example, they may give them three ways to do something - one will give them the perfect result, another will be the second best, and another will be the third best. Then their client can decide what is the best option for them given their restrictions.

Part II, including the perspective from Vietnam, will follow in a separate post.

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