

What's the big deal about China?

By [LawVision](#) on April 13, 2016

Well, first of all, China *is* big. With nearly 1.5 billion people and an economy whose growth has outpaced that of the U.S. more than three-fold since 2011 according to the World Bank, China has been a 'hot topic' for years. China has been at the top of the mind for leaders in many industries for well over a decade. Given that the legal industry typically lags a bit behind many other industries in strategic risk and change, now is the time that more firms are thinking about what to do, if anything, in China.

China has also helped to keep itself top of mind in the legal industry. While foreign firms have been on the ground since the early 1990's, they were not allowed to practice local Chinese law – even if they employed locally qualified Chinese lawyers. However, in 2014 China launched a free trade zone (FTZ) in Shanghai that allows a foreign law firm to enter a joint venture with a local Chinese law firm and practice local law through this JV. Then in 2015, China established another FTZ in Guangdong near Hong Kong, allowing Hong Kong and Macau law firms to establish a limited partnership with a Chinese law firm to practice local law. Many firms are eyeing these FTZs as a major open door to start grabbing market share.

Not so fast. While the Chinese legal market is massive, the opening up of the market is not another gold rush. Not every firm should rush to China and put a stake in the ground. Competition is fierce. According to the Wall Street Journal, industry analysts estimate that approximately 170 international law firms have operations in China. Astonishingly, they estimate that there are another 19,000 local Chinese firms. The largest of these has over 4,000 lawyers and 2014 revenues of \$35,000 per lawyer, according to the American Lawyer. Many wonder, "how does one compete against this?" and "Does the market really bear that much fruit?"

Well, you don't compete against *that* (the 4,000 lawyer monster). You compete where it makes sense and where there is a specific client need, if at all. I was recently interviewed for a Law.com article and was asked the question "Is China too big to ignore." The simple answer is, "Yes. China is too big to ignore." Your clients are likely impacted by China whether it's part of the supply chain being moved to China, copyright infringement occurring in China, takeover or purchase by a Chinese entity or a host of other factors. China is big and her reach is far. Any prudent law firm whose clients have international touchpoints should definitely be thinking about China. However, it does not mean you need to enter China. What it means is you should be thinking about how China's reach impacts your clients and how that will impact their need for legal services.

For those that decide entering China does, in fact, make strategic sense, the market *does* bear fruit for those who think about and implement their strategy correctly. As an example, in 2014, King & Wood Mallesons's recorded more than \$500,000 in revenues per lawyer. Keep in mind there are firms whose data is not publicly available that are thought to have done even better – all while maintaining extraordinarily low cost structures and high leverage. Such statistics demonstrate good money can be made by firms who have the right strategy and implement the right structure.

China is big; her reach is far and growing. Every single one of us has been impacted by China whether or not we know it. The legal industry now has new paths in that allow foreign firms to reach back in to China further than ever before. Even with a 'slowed' economic growth, China's growth is outpacing nearly the rest of the world. That is what the big deal is about.

