

Blakes celebrates 10 years in China

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For Law Times

While it's no longer exactly where angels fear to tread, Blake Cassels & Graydon LLP will this week be celebrating the success of their journey to a place where Canadian law firms, through bitter experience, are now decidedly reluctant to tread.

That place is China, and tomorrow (Nov. 18), the firm is celebrating the 10th anniversary of the opening of its office in Beijing.

When Blakes made the move in 1998, the decision to establish a physical presence in China was certainly against the grain: of the nine Canadian firms who have had an office in China or Hong Kong — Blakes; Vancouver's Boughton Law Corporation and Bull Housser & Tupper LLP; Davies Ward Phillips & Vineberg LLP; Fraser Milner Casgrain LLP; Goodmans LLP; Osler Hoskin & Harcourt LLP; Stikeman Elliott LLP; and Torys LLP (through its merger with New York's Haythe & Curley) — only Blakes' seven-lawyer office remains.

International players like Denton Wilde Sapte and Cravath Swaine & Moore have also found China offices unprofitable. Dewey Ballantine closed its Hong Kong office in the aftermath of SARS, and even CMS Cameron McKenna has cut back to focus almost exclusively on insurance work.

"Our strategy as conceived and implemented was all about generating work for our Canadian offices, which is why the Beijing office is not particularly large," says Blakes' managing partner Rob Granatstein.

Blakes also boasts a Shanghai office as part of a joint venture with three Midwestern Ameri-

can firms — Michael Best & Friedrich LLP, with 350-plus lawyers based in Milwaukee; Armstrong Teasdale LLP, with more than 250 lawyers based in St. Louis; and Butzel Long, with more than 200 lawyers based in Detroit. The group calls itself the China Alliance and the firms have just renewed their relationship for another three years.

"The China Alliance grows out of the firms' common membership in Lex Mundi [an international law firm network]," Granatstein says.

Despite the success of the venture, Blakes' China strategy hasn't played out exactly as imagined.

"We thought most of the work would be for Canadian business investing in China, and we did get a meaningful stream of that kind of work, but because of the conservatism of Canadian business and the cooling of government relations between the two countries, it wasn't quite what we expected," Granatstein says. "On the other hand, we had a much stronger stream of incoming work, much of it focused in the resource sector, where China has invested heavily."

Robert Kwauk manages the Beijing office and is Blakes' point man in China. A Chinese-Canadian, Kwauk was born and raised in Vancouver, and speaks Mandarin and Cantonese. He taught economics and finance in 1990 at a university in Xian, located in Shaanxi province. While articling at Bennett Jones in 1993, he spent six months seconded to a Taipei firm.

Kwauk set up Blake's Beijing office from scratch. It took him the better part of a year. "There were so many issues around getting regulatory paperwork in place and registrations for our operation



Blakes' managing partner Rob Granatstein says the firm will continue to grow China operations.

and our personnel," he recalls.

Meanwhile, costs mounted. "Expenses, especially rent, travel, and promotional expenses, are very high in China," Kwauk says.

Because Blakes decided that its office would also boast Chinese-trained lawyers, finding and hiring the right people was also a challenge. From Kwauk's perspective, the "right people" meant individuals whose knowledge of Chinese law, writing, and drafting skills in Chinese, and command of English, were all excellent.

"They also had to be open-minded so they could adapt to the culture of our clients, which to a great degree means taking more initiative than they learned to exercise in the autocratic-minded Chinese firms from which they tended to come," Kwauk says. "A solid foundation of this kind is essential because there isn't that much time for training in a small office."

Even, it seems, when there isn't much work. It took the Beijing office five years to break

even.

"There was no breakthrough, everything came gradually," Kwauk says. "We had to spend a great deal of time advertising, developing seminars, and forming relationships with local firms."

A primary goal has been to get in touch with decision makers.

"That's a serious challenge in China, because you often don't know who the decision maker is," Kwauk says. "A firm has to let itself be known in the industries it is targeting and must ensure that its particular expertise stands out."

Kwauk, who works tirelessly to that end, credits his partners for their contribution to the growth of the China operation.

"The Beijing office is part of what we call our China Initiative, but it doesn't represent all of the resources we have thrown at China," Kwauk says. "Each of our other offices has a senior lawyer co-ordinating our China project. This isn't a mid-level person. It's a person with clout."

The structure means that there are established lines of communication and promotion of the China practice within the firm. When Kwauk has a question he can't answer about doing business in Canada, he has the name of a partner back home (or even in the U.S., at the firm's Chicago office) with the authority to produce a quick answer. The structure also means that referrals from Beijing don't get lost in the shuffle of Canada's sixth-largest firm.

The plan has worked. The Beijing office has been profitable since 2003.

"Commitment from management and from partners who are not part of management is what did it," Kwauk says. "They all sup-

port the Beijing office by referring clients and being responsive to inquiries from China, which really helps with business development."

Andrew Pollock, who spent four years in the Beijing office before returning to Toronto about a year ago, had the same experience.

"Blakes has done well in China because there is a systemic commitment from all its other offices," he says.

The billings to support the operation include fees from some 150 Canadian companies with interests in China. The Beijing office's clients have also included a number of Indian pharmaceuticals and Korean construction firms. The firm represented China MinMetals Corp. in its aborted attempt to purchase Noranda, and also represented China Petroleum and Petrochemical Corp., another major Chinese oil company, when it paid \$120 million for 40 per cent of the Northern Lights oil sands projects.

Success has also brought new problems, such as retaining staff.

"After three or four years with a Western firm, the ability of Chinese lawyers to deal with foreign clients makes them very desirable, so we pay them very well," Kwauk says. "We also try to make our Chinese lawyers feel at home in the firm by bringing them to Canada as frequently as possible to attend retreats, meet clients and staff, and absorb the Blakes culture."

As for the future, Granatstein says the firm will continue to grow its China operations, and the China Alliance is currently looking at the possibility of opening an office in Shenzhen, located the southern province of Guangdong.

Meanwhile, there's a dim sum brunch on for all Blakes' staff this week, as well as a dinner for the China team. 