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THE LEARNING PROCESS OF GLOBALIZATION: HOW CHINESE LAW FIRMS SURVIVED THE FINANCIAL CRISIS

Xueyao Li* & Sida Liu**

INTRODUCTION

Since its entry into the World Trade Organization (WTO) in 2001, China has become a prime location for the global expansion of legal services. More than a hundred international law firms have established offices in major Chinese cities such as Beijing and Shanghai,¹ and a number of Chinese corporate law firms have become important players in foreign investments, public listings, and other cross-border transactions.² Until the financial crisis hit in 2008, most practitioners and observers of the Chinese legal service market expected this rapid growth to continue for at least another five to ten years, with law firms getting bigger, becoming more specialized, and playing an increasingly significant role in the global market.

As it did elsewhere,³ the global financial crisis changed the Chinese corporate legal market in many ways. Given the Chinese economy's resilience, one may wonder to what extent Chinese law firms suffered. Using data from empirical research conducted in Shanghai during the summer of 2009, this Essay examines the crisis's impact on law firms in China. It argues that, theoretically, the globalization of the legal profession is not a process of institutional diffusion, but a creative learning process where law firms in emergent economies are both receivers of global

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1. See Sida Liu, *Globalization as Boundary-Blurring: International and Local Law Firms in China's Corporate Law Market*, 42 *LAW & SOC'Y REV.* 771, 778 (2008); Carole Silver, *Local Matters: Internationalizing Strategies for U.S. Law Firms*, 14 *IND. J. GLOBAL LEGAL STUD.* 67, 79–80 (2007).

2. Sida Liu, *Client Influence and the Contingency of Professionalism: The Work of Elite Corporate Lawyers in China*, 40 *LAW & SOC'Y REV.* 751, 764 (2006).

3. See John P. Heinz, *When Law Firms Fail*, 43 *SUFFOLK U. L. REV.* 67, 74–75 (2009).

structural forms and expertise, and innovators in creating new models of law firm management for the twenty-first century.

Theorizing globalization as a creative learning process implies moving away from the Anglo-American-centric perspective of institutional diffusion and isomorphism⁴ to a global perspective of institutional learning through mutual interaction between global and local actors at the boundary of nation-states.⁵ For theories of law and globalization,⁶ the case of China is both unique and instructive. The managerial strategies used by Chinese law firms to deal with the 2008 financial crisis were driven by local market and political demands, making them distinct from those used by many Anglo-American law firms. It is likely that, in the post-crisis global legal services market, law firms in China and other emergent economies, such as India, Brazil, Russia, and South Africa, will play a large role in market development and institutional innovation. Together with an earlier article that focused on the production of localized expertise at the global-local boundary,⁷ this Essay investigates this mutual and creative learning process in the globalization of the legal profession.

This Essay begins with an organizational history of Chinese law firms since their privatization in the 1990s. Next, drawing on interviews with lawyers in a variety of Chinese law firms,⁸ it analyzes the changes in business composition, client relations, and career trajectory in the Shanghai bar during the global financial crisis. The analysis demonstrates the various ways that Chinese law firms changed from receivers of global structure and producers of localized expertise during rapid market growth to creative innovators in a global economic downturn.

I. LAW FIRM EVOLUTION IN CHINA: FROM PRIVATIZATION TO GLOBALIZATION

Until the late 1980s, all Chinese law firms were state-owned; all lawyers were state employees on the government payroll.⁹ When the legal

4. See generally JOHN BRAITHWAITE & PETER DRAHOS, *GLOBAL BUSINESS REGULATION* (2000); YVES DEZALAY & BRYANT G. GARTH, *DEALING IN VIRTUE: INTERNATIONAL COMMERCIAL ARBITRATION AND THE CONSTRUCTION OF A TRANSNATIONAL LEGAL ORDER* (1996); *THE NEW INSTITUTIONALISM IN ORGANIZATIONAL ANALYSIS* (Walter W. Powell & Paul J. Dimaggio eds., 1991); Elizabeth H. Boyle & John W. Meyer, *Modern Law as a Secularized and Global Model: Implications for the Sociology of Law*, 49 *SOZIALE WELT* 213, 220 (1998) (Ger.); Terence C. Halliday, *Recursivity of Global Normmaking: A Sociolegal Agenda*, 5 *ANN. REV. L. & SOC. SCI.* 263 (2009).

5. See generally *GLOBAL PRESCRIPTIONS: THE PRODUCTION, EXPORTATION, AND IMPORTATION OF A NEW LEGAL ORTHODOX* (Yves Dezalay & Bryant G. Garth eds., 2002); Liu, *supra* note 1; Silver, *supra* note 1.

6. See generally Terence C. Halliday & Pavel Osinsky, *Globalization of Law*, 32 *ANN. REV. SOC.* 447 (2006).

7. Liu, *supra* note 1, at 781–82.

8. Due to administrative limitations on the scope of our fieldwork, we could not conduct interviews with lawyers in foreign law offices.

9. See Sida Liu, *Lawyers, State Officials and Significant Others: Symbiotic Exchange in the Chinese Legal Services Market*, 206 *CHINA Q.* 276, 281–82 (2011) (U.K.); Ethan Michelson, *Lawyers, Political Embeddedness, and Institutional Continuity in China's Transition from Socialism*, 113 *AM. J. SOC.* 352, 353 (2007).

profession was revived after the Cultural Revolution (1966–76), legal service agencies were called “legal advisory divisions” (*falü guwen chu*) instead of law firms. In July 1983, Shekou District Law Firm was founded in Shenzhen,¹⁰ a city adjacent to Hong Kong and one of the five special economic zones on the southeast coast. It became the first legal service agency with the title “law firm” (*lüshi shiwusuo*) since China’s economic reform. In August 1984, the Ministry of Justice (MOJ) decided in its national work conference to change the official title of “legal advisory division” to “law firm” across the country. By 1988, there were 3,473 law firms in China, with 31,410 lawyers in total and 21,051 full-time lawyers.¹¹

Because few foreign investors were willing to retain state-owned local law firms for business negotiations with Chinese enterprises, foreign investment remained undeveloped. Additionally, although a limited number of foreign lawyers played an active role in international business transactions in the first decade of China’s market reform,¹² foreign law firms were not permitted to establish offices in mainland China.

The watershed moment in the evolution of Chinese law firms occurred around 1988–89, when the MOJ began experimenting with a new organizational form, the “cooperative law firm” (*hezuo lüshi shiwusuo*), in a few major cities such as Beijing and Shenzhen.¹³ Cooperative law firms had different ownership and management models than state-owned firms. They were collectively owned and managed by all the lawyers in the firm, and the state neither owned nor funded them.¹⁴ Instead, the firm’s lawyers followed the “Two Nos and Four Selves” (*liang bu si zi*) principle, i.e., *no* administrative personnel, *no* state funding, *self*-finance, *self*-debt, *self*-development, and *self*-regulation. While they were not partnerships because China did not, at the time, recognize private ownership, they were, in a sense, a transitional form used during the privatization of the Chinese legal profession.

The primary objective behind privatization was to gain global legitimacy and signal to foreign governments and investors that China had a modern legal profession that was relatively autonomous from the party-state.¹⁵ But shortly after the cooperative law firm experiment began, the 1989 Tiananmen student movement broke out, causing large-scale withdrawal of foreign capital from mainland China.¹⁶ In 1992, as part of the government’s effort to convince foreign investors to return, the MOJ officially permitted twelve firms—two from the United Kingdom, one from

10. *Firm Profile*, SHEKOU L. FIRM, <http://www.justelites.com/en/about.asp> (last visited Apr. 21, 2012).

11. CHINA LAW YEARBOOK (1989).

12. Liu, *supra* note 1, at 777.

13. *Id.*

14. *See* Measure for Cooperative Law Firms (promulgated by the Ministry of Justice, Nov. 25, 1996, effective Jan. 1, 1997) ST. COUNCIL GAZ., Jan. 15, 1997, at 1576 (China); Pilot Program for Cooperative Law Firms (promulgated by the Ministry of Justice, June 3, 1988, effective June 3, 1988) (China) (on file with the Fordham Law Review).

15. *See* Liu, *supra* note 1, at 777.

16. *See id.*

France, one from the United States, and eight from Hong Kong (at the time not returned to China)—to open “representative offices.”¹⁷ Following this, the number of international law offices in China grew steadily throughout the 1990s.¹⁸

Due to Chinese government regulations, the Chinese offices of international law firms operated differently than their offices in other countries. They could neither “interpret Chinese law,” nor “employ licensed Chinese lawyers,”¹⁹ and thus needed to collaborate with domestic law firms to provide legal opinions to their clients or to appear in court. While this barrier on transnational law practice created a heavy burden for foreign law firms seeking to enter the Chinese market, it was a blessing for domestic corporate law firms. A few cooperative law firms in Beijing and Shanghai started specializing in foreign-related corporate work, and obtained work from foreign law firms as a result.²⁰ Although they performed relatively simple tasks, such as signing legal documents that their foreign colleagues drafted, it was a major step for these new Chinese corporate law firms.

In the mid-1990s, the privatization of Chinese law firms entered its second stage. After the promulgation of the 1997 Lawyers Law²¹ and increased guidance from relevant MOJ policies, the majority of state-owned and cooperative law firms in urban China reorganized into partnership law firms in less than five years.²² The Lawyers Law created a partnership structure similar to partnerships in other countries, with all partners assuming unlimited and joint liability for the firm’s debts and obligations.²³ However, the MOJ did not approve solo practitioners. Thus, the “partnership” among Chinese lawyers was compulsory, rather than a voluntary organizational entity. Most partners “ate what they killed,”²⁴ rarely working together or referring business to each other.²⁵

During the 1990s, many Chinese nationals with extensive legal training and experience in foreign countries, such as the United Kingdom, the United States, Germany, France, and Japan, returned to China and became partners in domestic law firms. In the process, they brought extensive knowledge in handling complex corporate projects, such as foreign direct

17. Announcement, China Ministry of Justice, Notice on Granting Twelve Foreign (Outside) Law Firms Including Coudert Brothers to Establish Representative Offices in the Mainland (1992) (on file with the Fordham Law Review).

18. Liu, *supra* note 1, at 777–79.

19. Interim Provisions on the Establishment of Offices Within the Territory of China by Foreign Law Firms (promulgated by the Ministry of Justice, State Indus. & Commerce Admin., May 26, 1992, effective May 26, 1992) (China).

20. Liu, *supra* note 2, at 758–59.

21. Law of the People’s Republic of China on Lawyers (promulgated by the Standing Comm. Nat’l People’s Cong., May 15, 1996, effective Jan. 1, 1997), art. 18 (Lawinfochina) [hereinafter Law on Lawyers].

22. Liu, *supra* note 9, at 283; Michelson, *supra* note 9, at 371–74.

23. Law on Lawyers, art. 18.

24. Ethan Michelson, *The Practice of Law as an Obstacle to Justice: Chinese Lawyers at Work*, 40 LAW & SOC’Y REV. 1, 11 (2006).

25. Liu, *supra* note 1, at 787.

investment (FDI) and mergers and acquisitions (M&A). Accordingly, a few leading Chinese corporate law firms began performing substantive work when collaborating with foreign law firms. By the turn of the century, when privatization culminated in a nationwide “unhooking and privatizing” (*tuogou gaizhi*) campaign,²⁶ the largest Chinese law firms already employed over 100 lawyers, and had established multiple offices in China,²⁷ along with satellite offices in New York and Silicon Valley.

In 2001, after more than a decade of persistent effort, China joined the WTO.²⁸ As part of the agreement enabling China’s WTO entry, China agreed to further open up its market for legal services. That same year, the State Council promulgated new regulations on foreign law offices. While still forbidding them from handling Chinese legal affairs, the new regulations allowed them to “provide [advice to their clients] on the influences to [the] Chinese legal environment.”²⁹ These ambiguous regulations created a gray area for the practice of foreign law firms in China. Rather than collaborate with major domestic firms, many firms began using filing companies or so-called “puppet firms” (i.e., domestic law firms doing rubber-stamp work for foreign firms) when providing written legal opinions to their clients.³⁰

The years after China’s WTO entry marked the golden age for the development of the Chinese corporate legal market. The number of foreign and Hong Kong law offices increased from 133 in 2002 to 203 in 2006, and many existing offices also doubled or tripled in size.³¹ Several leading international firms established offices in both Beijing and Shanghai, and began planning to expand to other major Chinese cities such as Guangzhou or Chengdu. If not for a MOJ restriction that only permitted foreign law firms to establish one new office in China every three years,³² the number of branch offices would have been even greater.

The massive growth of international law firms created many job opportunities for both Chinese and foreign lawyers working in the corporate sector. With this came a shift in the direction of personnel movement between foreign and domestic law firms. During the 1990s, foreign law offices rarely hired lawyers from domestic firms, instead hiring lawyers with overseas training and experience, or hiring graduates from elite Chinese law schools that they could train. Meanwhile, because the foreign law offices that hired Chinese associates rarely placed them on a

26. Michelson, *supra* note 9, at 371–74; *see also* Liu, *supra* note 9, at 283.

27. *See* Liu, *supra* note 1, at 778.

28. World Trade Organization, Ministerial Decision of 10 November 2001, Accession of the People’s Republic of China, WT/L/432 (2001).

29. Regulations on the Administration of Foreign Law Firms’ Representative Offices in China (promulgated by the St. Council of the People’s Republic of China, Dec. 22, 2001, effective Jan. 1, 2002), art. 15 (Lawinfochina).

30. Liu, *supra* note 1, at 782–83.

31. *Id.* at 778.

32. Provisions of the Ministry of Justice on the Execution of the Regulations on the Administration of Foreign Law Firms’ Representative Offices in China (promulgated by the Ministry of Justice, July 4, 2002, effective Sept. 1, 2002), art. 10 (Lawinfochina).

partnership track, many senior associates returned to domestic firms to become partners.³³

This changed in the early 2000s when foreign law offices, especially newly established ones, began hiring a large number of lawyers from domestic firms. This was partly due to their urgent, expansion-related needs. Moreover, as Chinese law became increasingly complex, and government control on foreign capital remained strong, experience in top Chinese firms became an increasingly valuable commodity. This was not simply the “local know-who” that Yves Dezalay and Bryant Garth discuss in the case of Latin America,³⁴ but a hybrid expertise produced in the workplaces of domestic law firms.³⁵ Consequently, several elite domestic firms in Beijing and Shanghai lost a significant number of lawyers, particularly mid-level and senior associates, to foreign law offices.³⁶ In April 2006, the Shanghai Lawyers Association issued a news brief that publicly condemned the illegal behavior of foreign law firms in employing Chinese lawyers.³⁷

Despite the aggressive behavior of some foreign law firms, the justice bureaus did not attempt to enforce the MOJ regulation, rendering it meaningless.³⁸ In most situations, Chinese lawyers working at foreign law offices simply stopped registering their lawyer licenses to avoid government sanction, while at the same time keeping their professional certification so that they could get a new license if they decided to return to a domestic firm. The MOJ did not actively enforce its rules because any substantive sanctions on foreign law firms would have hampered efforts to attract foreign investment into China.³⁹ Given the rapid changes in the legal services market, the MOJ’s approach was likely a more flexible and realistic strategy for professional regulation.

While the number of foreign law offices in China grew exponentially in the mid-2000s, most of them remained relatively small offices. Meanwhile, Chinese corporate law firms, particularly those in Beijing, grew substantially. In 2002, only a handful of Chinese law firms had more than 100 lawyers,⁴⁰ but in 2011, at least a dozen of them had more than 200 lawyers, with the largest, Dacheng Law Offices, employing more than 2,000 lawyers in thirty-five offices in China and seven offices abroad.⁴¹ King & Wood, the second largest Chinese law firm, has established fifteen

33. See Liu, *supra* note 1, at 789–93.

34. YVES DEZALAY & BRYANT G. GARTH, *THE INTERNATIONALIZATION OF PALACE WARS: LAWYERS, ECONOMISTS, AND THE CONTEST TO TRANSFORM LATIN AMERICAN STATES* 49 (2002).

35. Liu, *supra* note 1, at 774–75.

36. *Id.* at 792.

37. News Brief, Shanghai Lawyers Ass’n, *The Situation of Illegal Business Activities Practiced by Foreign Law Firms in Shanghai Is Severe* (Apr. 17, 2006) (on file with the Fordham Law Review).

38. Liu, *supra* note 1, at 795–801.

39. *Id.* at 798–99.

40. Liu, *supra* note 2, at 757.

41. See *About Dacheng*, DACHENG L. OFFICES, <http://www.dachengnet.com/en/about/index.aspx> (last visited Apr. 21, 2012).

offices in different parts of China, and also maintains offices in New York, Tokyo, and Silicon Valley.⁴²

Elite Chinese law firms shifted their management style as they increased in size. The traditional “eat what you kill” model was gradually replaced with the bureaucratic model, in which the firm is formally divided into several specialized departments, two or three tiers of partners, and a management committee that has ultimate decision-making authority.⁴³ The power structure is not uniform among the firms: some are more democratic and all equity partners share power; others, despite their large size, are controlled by a small number of founding or influential partners.⁴⁴ Nevertheless, elite Chinese law firms are beginning to adopt management styles similar to that of their Western counterparts.

In 2007, China revised its Lawyers Law to permit “sole proprietorship law firms.” A “sole proprietorship law firm” is similar to the solo practice seen in Western countries, but the law firm director must have at least five years of practice experience, and the director may employ other lawyers.⁴⁵ Most sole proprietorship law firms established in recent years have more than one licensed lawyer; the main difference between them and partnership law firms is the firm’s ownership structure, not the number of lawyers. Meanwhile, the transitional form of the cooperative law firm was abolished. As a result, since 2008, state-owned law firms, partnership law firms, and sole proprietorship law firms have become the three legal forms for law firm organization in China.

The revised Lawyers Law also added a “specialized general partnership” (*teshu putong hehuo*) form, which is similar to the limited liability partnership (LLP) model widely used in transnational law practice.⁴⁶ In such a partnership, partners with fault or negligence assume unlimited liability for the firm’s debts, while other partners only assume limited liability according to their investment in the partnership. In November 2009, Dacheng Law Offices officially adopted the new model.⁴⁷ The introduction of the LLP model to China symbolizes the final step in Chinese law firms’ structural convergence to the global norms in law firm management.

42. See *The Firm*, KING & WOOD, <http://www.kingandwood.com/thefirm.aspx?language=en> (last visited Apr. 21, 2012).

43. EMMANUEL LAZEGA, *THE COLLEGIAL PHENOMENON: THE SOCIAL MECHANISMS OF COOPERATION AMONG PEERS IN A CORPORATE LAW PARTNERSHIP* (2001); ROBERT L. NELSON, *PARTNERS WITH POWER: THE SOCIAL TRANSFORMATION OF THE LARGE LAW FIRM* (1988); ERWIN O. SMIGEL, *THE WALL STREET LAWYER: PROFESSIONAL ORGANIZATION MAN?* (1964).

44. Liu, *supra* note 2, at 759–60.

45. Law of the People’s Republic of China on Lawyers (promulgated by the Standing Comm. Nat’l People’s Cong., Oct. 28, 2007, effective June 1, 2008), art. 16 (Lawinfochina).

46. *Id.* at art. 15.

47. Zhang Qingshui, *Beijing Dacheng Law Firm Was Granted the Privilege to Become the First Special General Partnership Law Firm in Beijing*, CHINA LEGAL DAILY (Nov. 20, 2009), http://www.legaldaily.com.cn/index_article/content/2009-11/20/content_1184867.htm.

By rapidly expanding, large Chinese corporate law firms diversified their practice areas and became more resistant to collaboration and potential mergers with foreign firms maintaining an active presence in China. Many international law offices, especially the lower-tier firms, now view the largest Chinese firms as formidable competitors in FDI, M&A, and other corporate transactions.⁴⁸ However, not all Chinese firms are attempting rapid expansion and becoming generalists; a number of boutique firms, particularly firms in Shanghai, have remained relatively small and specialize in only one or two areas of practice, such as initial public offerings (IPOs) or venture capital projects. While these boutique firms usually maintain a good working relationship with foreign firms, they face increasing pressure from large generalist domestic firms. In recent years, several boutique firms have either merged with, or lost a large number of partners to, their larger competitors.

In January 2007, Chicago-headquartered McDermott Will & Emery (McDermott) opened an office in Shanghai.⁴⁹ This office was, however, fundamentally different from other foreign law offices in China. It was established as an independent Chinese law firm (Yuan Da Law Offices) that maintained an exclusive strategic alliance with McDermott. All of McDermott's China projects will be conducted through this office, but McDermott cannot officially share the profits of the office. The two founding partners of the McDermott China office were senior partners in Allbright, the largest Chinese law firm in Shanghai. The McDermott China office is still operating today, and as of yet there have been no attempted government sanctions. This "hybrid" law office model presents a strong challenge to the MOJ's restrictions on foreign law offices, and it will be intriguing to observe if other international law firms adopt this hybrid model in the near future.

Large Chinese law firms are also becoming increasingly ambitious in their global reach. In July 2011, King & Wood began discussing a strategic alliance with Malleons Stephen Jaques, one Australia's largest and most prominent law firms.⁵⁰ Partners in both firms approved the tie-up in December 2011,⁵¹ and the new law firm, King & Wood Malleons, was established on March 1, 2012.⁵² In contrast to its cautious restrictions on the expansion of foreign law offices in China, the MOJ was apparently supportive of King & Wood's effort to go global, and it remains to be seen

48. Liu, *supra* note 1, at 780–84.

49. Nathan Koppel & Andrew Batson, *A U.S. Law Firm Takes a New Route into China*, WALL ST. J., Jan. 30, 2007, at B1.

50. Anthony Lin, *King & Wood, Malleons Discussing Chinese-Aussie Alliance*, AM. LAW. (July 21, 2011), <http://www.law.com/jsp/tal/PubArticleTAL.jsp?id=1202504242639>.

51. Suzhi Ring, *King & Wood Partners Seal Malleons Tie-Up; New Firm to Go Live Next Year*, LAW.COM (Dec. 6, 2011), <http://www.law.com/jsp/law/international/LawArticleIntl.jsp?id=1202534561136&slreturn=1>.

52. Gillian Tan, *King & Wood Malleons Now in Business*, WALL ST. J. DEAL J. AUSTL. (Mar. 2, 2012, 2:05 PM), <http://blogs.wsj.com/dealjournalaustralia/2012/03/02/march-merger-madness/>.

whether other major Chinese law firms will follow King & Wood's example.

Overall, evolution of law firms in China from the 1980s to the 2000s was a process of global convergence and structural diversification, in which the privatization of Chinese law firms and the expansion of foreign law offices were the two main themes of transformation. Foreign law firms faced significant barriers in collaborating with Chinese law firms and employing Chinese lawyers, but their entrance and expansion into the corporate legal market also accelerated the transformation of domestic law firms from small, state-owned firms to large and sophisticated partnerships. Before the financial crisis hit the Chinese legal services market in 2008, competition between foreign and domestic law firms was fierce and extensive, and the MOJ faced increasing pressure to balance China's demands for foreign capital with its protection of the nascent domestic legal profession.

II. AFTER THE FINANCIAL CRISIS: THE CASE OF SHANGHAI

How did the 2008 global financial crisis impact law firms in China? How did the crisis change the business model of Chinese law firms and their relationship with foreign law offices? We approached these questions by conducting in-depth interviews with forty-two lawyers and law firm managerial staff at thirteen law firms in Shanghai, China's primary commercial center. We jointly designed the interviews in June 2009, and Xueyao Li and his research assistant conducted the interviews between July 15 and September 10, 2009. Because the Shanghai Lawyers Association, which has regulatory authority only over domestic law firms, funded this research, foreign law offices were not included in our fieldwork. Nevertheless, we were able to collect information about their practices from Chinese law firms collaborating with them.

We classified law firms in Shanghai into five categories according to the numbers of licensed lawyers at the firms: 1–3 lawyers; 4–15 lawyers; 16–30 lawyers; 31–50 lawyers; and 50 or more lawyers. The thirteen law firms selected included firms in each of the five categories. We included a few more firms from the last category because they perform a large amount of corporate work, and thus the financial crisis probably affected them the most. The interviews were primarily conducted in the lawyers' offices on an individual basis, but we also conducted a few group interviews with multiple participants. A small proportion of the interviews were conducted in coffee shops or teahouses per request of the interviewees. For each law firm, we conducted at least two interviews: one with the firm's managing partner or a senior partner, and the other with an associate at the firm.

All the interview questions were designed to be semi-structured and open-ended. With the administrative support of the Shanghai Lawyers Association, most interviews went smoothly, and the interviewees were cooperative and provided candid answers to our questions. The diversity of our interview pool enabled us to perform detailed analyses, and to provide a general assessment of the current status of the Shanghai bar and the impact of the 2008 financial crisis. In the following three sections, we discuss in

detail how different types of Chinese law firms adapted their client relations, management models, and individual careers in 2008 and 2009.

A. Business Decline and Fluctuation

Overall, the impact of the financial crisis on the Shanghai bar was substantial in degree, but limited in scale. The economic downturn hit corporate firms serving foreign clients the hardest, while only slightly affecting mid-size and small law firms specializing in litigation and those that served local and individual clients. Some large generalist corporate law firms did not see any significant reduction in their total revenue. The managing partner of a large generalist law firm, discussing the firm's performance in the first half of 2009, explained:

The financial crisis did not have any big impact on the total revenue of our firm. By July of [2009], the Shanghai office had a total billing of 136 million [yuan], 19 million more than the same period [in 2008]. The total billings of all our offices were around 180–200 million [yuan]. So in terms of the total revenue, no impact from the financial crisis was seen. Of course, without the impact of the financial crisis, the increase in the amount of billings would have been greater, and the growth would have been more significant.⁵³

Arguably, beneath the steady increase in total revenue are fluctuations in the amount of work across different legal fields before and after the financial crisis. In many corporate law firms, work in fields such as FDI, M&A, IPOs, and outbound investments dropped significantly, while bankruptcy and litigation work increased slightly. Firms also took on more work from domestic clients than before, as projects from foreign clients decreased and collaborations with foreign law offices became less frequent.

Law firm partners were particularly concerned with the sharp decline in FDI and IPO work because those areas were their most profitable. The managing partner quoted above acknowledged:

The biggest impact on us was in non-litigation work. First, after September 16[, 2008], IPOs in the United States, the United Kingdom, Singapore, and Hong Kong mostly stopped, and we also had no projects to handle. Second, M&As were greatly affected too. Since [2008] FDI has stopped—the financial crisis had the greatest impact in this area. Many corporations withdrew their projects and did not invest anymore, just watching the economic trend. Third, the venture capital markets in China and abroad have not been good. The first half of [2009] was tough because of the financial crisis. All these have had major impacts on our business.⁵⁴

Another lawyer, specializing in foreign-related work at a large firm, confirmed the changes:

The [greatest] impact of the financial crisis on the legal profession was from the second half of [2008] to [2009]. The bigger the law firm, the

53. Interview of AA by Xueyao Li, Ming Li, & Guangyu Liu (Aug. 11, 2009).

54. *Id.*

greater the impact. The more high-end the business (finance, M&A, etc.), the greater the impact. It was similar to the situation in other countries. Project-based businesses were highly affected, almost gone, such as overseas IPOs, FDI, M&A, et cetera.⁵⁵

Billings were also significantly affected. As foreign companies and local enterprises began to rigorously control costs, clients increased demands on law firms. A lawyer specializing in corporate work described this phenomenon:

Because of the reduction in the clients' budgets, they let their in-house counsel do the work that they previously outsourced. For the work that needs to be outsourced, they strictly control the cost. Now they really care about the hourly rates of law firms. Foreign companies, especially American companies, would aggressively ask us to reduce their hourly rate or to give a 10–20 percent discount. It was not like this previously. This is to say, compared to the situation before the financial crisis, now we do the work for one million [yuan], but only get about 800,000 [yuan] in billings.⁵⁶

Smaller boutique firms specializing in foreign-related work had similar experiences. The financial crisis affected these boutique firms more because their areas of practice were less diverse than large generalist firms. For instance, one boutique firm had a longstanding collaboration with a major American bank. The bank had been in a “vegetative state” since the crisis, as a lawyer in the firm put it⁵⁷—a big blow for the firm’s business. In addition to the shortage of new projects, the more frequent use of in-house counsel, as mentioned in the quote above, contributed to the decline of corporate work in law firms.⁵⁸

Real estate also experienced a sharp drop, mainly because foreign investors withdrew significant amounts of capital from the Shanghai real estate market during the financial crisis. However, the impact of the financial crisis on the Chinese real estate market was only temporary, as a managing partner of a law firm providing financial services to real estate companies described:

The lowest point of our business was October and November [2008], but it began to recover in December [2008]. Since . . . March [2009] it has basically returned to normal, even reaching a new peak. . . . When the crisis hit, our business shrank to only one-third of the highest point. In general, we were profitable in the first half of [2008] and ran a deficit in the second half [of 2008]. The deficit was nearly 10 percent of our profit [in 2007].⁵⁹

55. Interview of CA by Xueyao Li, Ming Li, & Guangyu Liu (Aug. 11, 2009).

56. *Id.*

57. Interview of CF by Xueyao Li & Guangyu Liu (Aug. 16, 2009).

58. Robert L. Nelson & Laura Beth Nielson, *Cops, Counsel, and Entrepreneurs: Constructing the Role of Inside Counsel in Large Corporations*, 34 *LAW & SOC'Y REV.* 457, 470–86 (2000).

59. Interview of CF, *supra* note 57.

Even the lower-end corporate work for smaller, local business clients saw signs of substantial decline. Many small private enterprises stopped retaining law firms and began to hire, or rely more heavily on, in-house counsel. Some clients stopped retaining large firms and instead used smaller firms as outside counsel. The managing partner of a firm with fourteen lawyers reported:

This financial crisis had a major impact on our clients. Some [clients] stopped retaining lawyers, but the percentage was relatively small. Some asked for lower billing rates. For some clients, we even voluntarily reduced their rates [to keep the business]. . . . Of course, there were also clients who had previously retained prominent lawyers as outside counsel, but switched to us, because we were more affordable and had high-quality service too.⁶⁰

In sum, for most areas of corporate work, the negative impact of the financial crisis was clearly visible. Nevertheless, there were also some exceptions. For instance, the Chinese government's four trillion yuan stimulus plan generated a surge in banking and finance work for a few large corporate law firms that primarily served domestic clients.⁶¹ Additionally, bankruptcy and labor contract work increased for both large and small firms. As a managing partner in a small law firm commented:

For smaller firms like ours, the financial crisis had little impact. In litigation work, while the clients' payments were not as smooth as before and they sometimes asked for discounts, there was almost no impact. . . . Our corporate work actually increased. Of course, it is hard to distinguish whether it was corporate work or litigation work. [The work] was generated by litigation, mainly including bankruptcy, labor contract, etc.⁶²

Despite this, the majority of lawyers considered the increase in these areas merely temporary. Because the majority of large corporations in China are state-owned enterprises,⁶³ the government will not let them fail, even in a serious financial crisis. As for major private enterprises, the resilience of the Chinese economy, which maintained an annual GDP growth rate of more than 8 percent, protected them from failure. Thus, bankruptcies mostly occurred in small, private enterprises, and did not create a large amount of business for corporate law firms. As the Shanghai economy recovered steadily in 2009, bankruptcy work declined.⁶⁴

Although the global financial crisis still continues, its impact on the Shanghai bar has already diminished. Many lawyers in large corporate firms indicated that corporate work in their firms began to recover in the

60. Interview of AA by Xueyao Li, Ming Li, & Guangyu Liu (Aug. 6, 2009).

61. Interview of CF, *supra* note 57; Interview of AA, *supra* note 53.

62. Interview of AA, *supra* note 60.

63. Liu, *supra* note 2, at 761.

64. Interview of CA by Xueyao Li, Ming Li, & Guangyu Liu (Aug. 13, 2009).

second quarter of 2009.⁶⁵ As the stock market increased, domestic and overseas IPOs began increasing. However, most lawyers working in these areas indicated that business had not recovered to the level of the pre-crisis golden era, with FDI and other foreign-related business not experiencing any substantial recovery. Apparently, this is closely related to the larger business environments in the global economy and not limited to China. Until the global legal services market fully recovers, it will be difficult for Chinese corporate law firms to repeat their rapid growth of the mid-2000s.⁶⁶ As a partner in a corporate law firm commented:

If we look at the amount of business in June and July [of 2009], it was actually higher than [2008]. This is not to say that the financial crisis has passed. Some increase was simply [because of] a resurgence of the market. The economic conditions were bad last year, and many IPO projects were on hold. Now that the economy has gotten better, those projects were restarted. So part of the increase in these two months was because of that. . . . Foreign-related business has not reached a high point. Now it is harder for foreign investors to enter the China market, both because of the financial crisis and because of the tight financial policies of the Chinese government. Because of the general difficulty in foreign investment, foreign law offices are also experiencing a general difficulty. . . . When foreign law firms begin to hire lawyers from Chinese firms again, it will demonstrate that they have recovered.⁶⁷

In contrast to the dramatic decline and potentially long stagnation of corporate work, the financial crisis only modestly affected litigation work. The crisis generated more work for domestic law firms, especially smaller ones specializing in litigation; labor, debt, and bankruptcy cases increased significantly. But the financial crisis also led to a reduction of clients' properties and investments, which caused a decrease in some law firms' billings, particularly firms specializing in property and real estate disputes. As a partner in a small litigation firm noted:

After the financial crisis, our business declined substantially. The number of high-end business [cases] dropped at least 30 percent. Of course, the number of low-end divorce cases did not change. There were even more low-end cases that we did not want to take. We had to consider the issue of cost. The second half of [2008] was even worse. Now we can only break even between billings and costs.⁶⁸

Not surprisingly, in criminal cases and ordinary civil cases, clients continued to retain lawyers and pay their bills on time. Two associates in two small firms talked about their experiences:

I mainly specialize in criminal matters. . . . The financial crisis seems to have had no affect on our cases. In litigation, when [the client] wants to

65. Interview of CF, *supra* note 57; Interview of CB by Xueyao Li, Ming Li, & Guangyu Liu (Aug. 13 2009); Interview of CA, *supra* note 55; Interview of AA, *supra* note 53; Interview of DD by Xueyao Li, Ming Li, & Guangyu Liu (Aug. 11, 2009).

66. Liu, *supra* note 1, at 784-89.

67. Interview of CB, *supra* note 65.

68. Interview of AA by Xueyao Li, Ming Li, & Guangyu Liu (Aug. 15, 2009).

hire a lawyer, they still hire a lawyer. . . . [There was] also no impact on the clients' payments of our fees. Most clients continued paying their fees on time.⁶⁹

Our firm was not affected at all, and there seems to be no increase in caseload due to the financial crisis either. In terms of billing, we have kept the billing system and did not increase or decrease our rates.⁷⁰

We only found one exception in ordinary litigation work during our interviews—divorce work. The firm director at a sole proprietorship law firm specializing in divorce work told us that because the majority of his clients were rich, private entrepreneurs, the amount of such work decreased substantially.⁷¹ Clients whose property values plummeted often preferred to take the less expensive route and get a divorce through the Civil Affairs Bureau, rather than the courts, and other couples attempted to remain married and work out their differences rather than getting divorced.

Similarly, in corporate litigation, no substantive impact from the financial crisis was seen. Although fewer clients retained outside counsel, some partners specializing in corporate litigation saw their total billings increase more than 20 percent from 2008 to 2009.⁷² Labor disputes increased, usually because of companies' large-scale layoffs. Though they complained that these cases were often not profitable, some large corporate law firms remained involved in these cases.⁷³ Overall, because non-litigation work declined substantially, the proportion of litigation work increased in most corporate law firms, but this was a temporary fluctuation rather than a long-term trend.⁷⁴

B. *Changing Client Relations and Management Models*

The financial crisis not only caused business decline and fluctuations, but also altered the relationship between law firms and clients in important ways. Clients placed new and greater demands on both the quality and the price of law firms' legal services. Accordingly, firms and lawyers now pay more attention to client needs and satisfaction. Many lawyers expressed concerns with maintaining clients and, at the same time, dealing with increasing competition among law firms.⁷⁵ Two lawyers from the same corporate firm elaborated on this issue:

Now corporations need specialized, individualized service. All large corporations would choose services that are not only usable, but also good. Since the financial crisis, clients' choices become wider, and they are also pickier than before. This causes difficulties for some of our

69. Interview of AB by Xueyao Li, Ming Li, & Guangyu Liu (Aug. 7, 2009).

70. Interview of AB by Xueyao Li, Ming Li, & Guangyu Liu (Aug. 6, 2009).

71. Interview of AA by Xueyao Li, Ming Li, & Guangyu Liu (Aug. 12, 2009).

72. Interview of AA, *supra* note 60.

73. Interview of CF by Xueyao Li & Guangyu Liu (Aug. 12, 2009).

74. Interview of CC by Xueyao Li, Ming Li, & Guangyu Liu (Aug. 13, 2009).

75. Interview of CB, *supra* note 65; Interview of CD by Xueyao Li, Ming Li, & Guangyu Liu (Aug. 13, 2009); Interview of DC by Xueyao Li, Ming Li, & Guangyu Liu (Aug. 11, 2009).

projects. We experienced a situation where a client switched to a less expensive law firm. The client did not say they wanted a discount. Our price was relatively fair. Now clients not only care about the price, but also seek good experience and satisfaction.⁷⁶

The same project, a larger amount of work. Not only the legal work, but also emotional care. Now we make phone calls to greet our clients from time to time, keeping an emotional tie with them. Now the entire firm is like this, from the top to the bottom.⁷⁷

Smaller firms also took a more proactive attitude toward clients. Clients put greater demands on their lawyers' ability to solve disputes and provide high-quality advice, and lawyers sometimes needed to change their litigation strategies and legal opinions to accommodate client demands. As a managing partner explained:

In the context of the financial crisis, lawyers must change their strategies in litigation. I will give a few examples. For instance, a company is a creditor in the financial crisis, but the debtor's funding chain is easily broken, so in this condition, the lawyer should try his best to persuade the client to mediate. [The lawyer] must understand what the client wants, and tell the client that 500,000 [yuan] now is more important than 2 million [yuan] in the future. Tell the client he needs to give up. Also, if the debtor goes bankrupt, the creditor should give the debtor a chance. The lawyer must provide better strategies for the clients. The financial crisis is a chain reaction. The bankruptcy of some companies would break a series of funding chains. Therefore, when collecting debts, the lawyer must move quickly. This is reflected in many cases we recently handled.⁷⁸

Similarly, corporate lawyers now take on more tasks from the client on a given project, even if some tasks are not necessarily legal issues and lack "professional purity."⁷⁹ Before the crisis, they would simply tell the client that other professionals should handle those tasks.⁸⁰ For the same project, the amount of legal research and miscellaneous tasks increased to please the client and raise the total billings. Yet many clients, particularly more familiar ones, threatened that if the law firm did not reduce service fees, they would switch law firms.⁸¹ Lawyers were under more pressure to retain clients than ever before. As a partner described:

The clients' budgets were reduced, so they started bargaining with law firms over fees. No substantive influence in other aspects. For example, they asked for discounts, and would sometimes have a few rounds of negotiation. Sometimes they would not even waste the time. If they felt we were too expensive they would simply go to another firm.⁸²

76. Interview of CC by Xueyao Li, Ming Li, & Guangyu Liu (Aug. 13, 2009).

77. Interview of CD, *supra* note 75.

78. Interview of AA, *supra* note 60.

79. Andrew Abbot, *Status and Status Strain in the Professions*, 86 AM. J. SOC. 819, 823 (1981).

80. Interview of DA by Xueyao Li, Ming Li, & Guangyu Liu (Aug. 11, 2009).

81. Interview of CB, *supra* note 65.

82. Interview of DA, *supra* note 80.

Despite increased pressure from clients and other law firms, the majority of lawyers we interviewed remained optimistic. Businesses constantly need legal services, and the relatively young Chinese corporate law firms used the financial crisis to develop more sophisticated mechanisms for client management and to diversify their practice areas. As the managing partner of a large corporate firm commented:

I don't think this is a predicament. It depends on whether or not we can learn to transform ourselves. For example, when affected by the financial crisis, our team switched from capital markets to banking. Now that capital markets are getting better, we are switching back. We will not fail, because as long as our clients are there, and large companies and large enterprises . . . do not fail, we will survive.⁸³

The financial crisis changed law firm management in ways other than client relations. Many firms began employing new strategies for cost control, personnel management, and teamwork to adapt to the challenges of a stagnant market—namely, reducing administrative costs and the number of legal assistants. A partner in a large corporate firm explained the changes in the firm's management:

The financial crisis inevitably led to the death of [firms] that could not control their costs. Since the financial crisis, we have made progress in controlling costs. We have become stronger, with better quality of management, and removed much "redundant meat." Now, everyone has their own responsibilities. Of course, the redundant [staff] were mostly [legal] assistants. We changed from loose management to frugal management. For example, we used to give every lawyer a desktop [computer], and the repair cost was very high. Now we use a server to centralize the control and repair of computers.⁸⁴

Given that the Chinese legal services market grew at a remarkable rate for over a decade, few senior partners in Chinese law firms fully grasped the importance of retaining clients and improving firm management. The financial crisis was their first major experience with a stagnant market. For many of them, it was a learning experience that may be beneficial to them in the long run. As the managing partner in a large firm explained:

We have always emphasized controlling costs. After the financial crisis, we considered some suggestions, but did not take any major action. The financial crisis had a big impact on us, but because our firm is large, our cash flow was sufficient. Even in the worst months of March and April [2009], we did not cut expenses. The operating costs of law firms mainly include rent, employee salaries, and taxes. Our firm did not reduce rent or fire people. . . . At the end of [2008] we considered laying off people and reducing office space, but as a corporate law firm, we needed some reserves in personnel. [We] would not do anything shortsighted. We would cut costs only if it really had an impact on the firm's daily operation.⁸⁵

83. Interview of AA, *supra* note 53.

84. Interview of CF, *supra* note 57.

85. Interview of CB, *supra* note 65.

C. Work and Life of Lawyers

The most significant impact of the financial crisis was the unprecedented number of lawyer layoffs in both foreign and domestic corporate law firms. Most foreign law offices and top domestic corporate firms had grown continuously since the Chinese corporate legal market's formation in the early 1990s, sometime doubling or tripling in size in merely three to four years. The financial crisis marked the first time in the history of the Chinese legal profession that large-scale lawyer layoffs occurred.

Domestic and foreign firms used different methods for downsizing their offices. Massive layoffs mainly occurred in foreign law offices; many of them significantly reduced their headcount, and most of them stopped hiring new lawyers. Additionally, the massive flow of lawyers from domestic to foreign firms came to a sudden halt. In contrast, in most domestic law firms, the scales of layoffs were far more modest. Many firms significantly reduced their annual bonuses and asked their lawyers to work in shifts or use flexible work hours, but the lawyers kept their jobs. Only a relatively small number of lawyers permanently lost their jobs.⁸⁶

One reason that partners resisted the pressure to downsize is they believed it would damage the firm's collegiality and morale. Senior partners mainly belong to their firm's founding generation and thus they often have a more collegial and personal relationship with associates than those seen in large Anglo-American law firms, most of which have grown into global corporate entities that follow institutionalized rules. As one lawyer commented, "China is building a harmonious society, so we are also trying to build a harmonious law firm."⁸⁷ Under the influence of both the traditional Confucian harmonious culture and the government policy of maintaining social stability, the domestic law firms' approach when facing the market pressure was evidently softer than that of many international law firms.

More important, domestic law firms chose to retain their lawyers despite the sharp drop in business because most partners expected the Chinese market to recover quickly—and they were correct. Unlike the seemingly long process of economic stagnation in many Western countries, the Chinese economy continued growing despite the financial crisis. Accordingly, most lawyers working in domestic firms retained their positions. However, other than one large generalist firm, all law firms where we conducted interviews stopped hiring new lawyers and staff. Only the top law school graduates could find jobs or even internship opportunities in the year after the financial crisis.⁸⁸ Many lawyers who were laid off by foreign law firms found it difficult to obtain jobs with domestic firms unless they accepted a significant salary reduction.⁸⁹ With

86. Interview of CF, *supra* note 57; Interview of AC by Xueyao Li, Ming Li, & Guangyu Liu (Aug. 16, 2009); Interview of BA by Xueyao Li, Ming Li, & Guangyu Liu (Aug. 13, 2009); Interview of CA, *supra* note 55.

87. Interview of DA, *supra* note 80.

88. Interview of CC by Xueyao Li, Ming Li, & Guangyu Liu (Aug. 11, 2009).

89. Interview of AA, *supra* note 53.

the beginning of the new recruitment season in October 2009, most domestic law firms began hiring once again, and found themselves in an excellent position to attract top talent. It remains unclear, however, to what extent foreign law firms have resumed hiring.

Even though most domestic firms worked hard to retain their lawyers, the lawyers, especially junior associates, still felt increased pressure in the months after the global financial crisis hit. An associate in the Shanghai office of a large corporate firm headquartered in Beijing described his feelings at the time:

We still feel much pressure. On TV we saw that many people working for foreign companies were laid off. [I] often heard that my classmates working in foreign [law] firms were fired. At that time our office had [no work] for two to three months. Every day, when I came to the office, if the boss asked me to his office, I always felt scared—[I worried] “am I being fired?”⁹⁰

An associate in a different firm echoed this feeling:

The psychological pressure was real. The general environment was like that. Seeing or hearing other law firms laying off people, of course [I] would have psychological pressure. . . . I heard that there was a female lawyer at a law firm who was laid off and could not find a job for several months.⁹¹

Needless to say, the pressure also made associates appreciate their jobs more than ever.⁹²

Meanwhile, given their lack of work, law firms created professional development programs for associates, as an associate reported:

Our firm created many training programs, for example, trainings on legal English and legal documents for junior and mid-level associates. Such trainings were usually on Friday. When we had free time, our team would do some group discussions, summarizing previous projects, et cetera. This is perhaps a positive effect of the financial crisis.⁹³

Our research did not show any significant gender difference in terms of losing jobs or salary reductions. The Chinese legal profession is more gendered as legal professions elsewhere, with less than 20 percent female lawyers,⁹⁴ but our interviews suggest that, even in the face of the economic downturn, female lawyers were as competitive as their male colleagues in corporate law firms. As a female associate explained her experience:

In our firm there is no difference between men and women. There are more female lawyers, about two-thirds. On my team there are more women than men, and more men lost their jobs [during the financial

90. Interview of DC by Xueyao Li, Ming Li, & Guangyu Liu (Aug. 12, 2009).

91. Interview of CB by Xueyao Li, Ming Li, & Guangyu Liu (Aug. 11, 2009).

92. Interview of CF, *supra* note 57; Interview of CF, *supra* note 73.

93. Interview of AA, *supra* note 53.

94. Ethan Michelson, *Gender Inequality in the Chinese Legal Profession*, in 19 RESEARCH IN THE SOCIOLOGY OF WORK: WORK AND ORGANIZATIONS IN CHINA AFTER THIRTY YEARS OF TRANSITION 337, 350–55 (Lisa A. Keister ed., 2009).

crisis] than women. The partners considered the gender balance issue and leaned toward males in recruitment, but the most important thing is still the professional expertise.⁹⁵

The impact of the crisis on lawyers extended further than simply keeping or losing their jobs. While many lawyers, particularly junior associates in large corporate law firms, reported that they were more cautious in their daily spending and financial planning,⁹⁶ those specializing in litigation did not significantly alter their behavior, and several lawyers even indicated that they were planning to purchase new cars or apartments in the near future.⁹⁷

CONCLUSION

The data and analysis presented in this Essay leads to four general conclusions. First, the legal profession's social structure⁹⁸ mediated the impact of the financial crisis, i.e., the personal hemisphere experienced far less business decline and fluctuation than the corporate hemisphere. Second, law firms' strategies in dealing with the economic downturn depended upon their practice focus as well as their internal partner-associate relations. Firms with more generalist practice, stronger collegiality, and more teamwork were less likely to adopt drastic measures to reduce costs and downsize offices. Third, the financial crisis strengthened client influence on legal practice, particularly in corporate law firms, with more clients preferring to use in-house counsel and tightly controlling their budgets for legal services. Finally, the financial crisis caused a shift in the direction of law firms' learning processes—local firms tend to become more innovative and less mimetic in an economic downturn than in an economic boom.

Has the Chinese legal services market fully recovered from the financial crisis? Given that few Chinese law firms performed large-scale layoffs, and most firms have resumed their regular practices, the general answer is probably “yes.” But it is also clear that the market is still far from recovering to its peak levels of the mid-2000s. As one of our interviewees indicated, only when foreign law offices recover their business and begin hiring again will the Chinese corporate legal market continue its progress in the process of globalization. We do not yet have empirical data to explore this aspect of the market change, but the fact that no international law office in China closed, even during the worst days of the financial crisis, gives hope to lawyers practicing in this new and fast developing market for legal services.

With an increasing number of Chinese lawyers returning from receiving their education abroad, mostly in the United States and the United

95. Interview of CC, *supra* note 74.

96. Interview of CF, *supra* note 57; Interview of DD, *supra* note 65.

97. Interview of CF, *supra* note 57; Interview of CA, *supra* note 64; Interview of CB, *supra* note 65.

98. JOHN P. HEINZ & EDWARD O. LAUMANN, CHICAGO LAWYERS: THE SOCIAL STRUCTURE OF THE BAR (rev. ed. 1994).

Kingdom,⁹⁹ the supply of lawyers with expertise in international business transactions is likely to exceed law firms' demands in the near future. This might have an unintended "spill over" effect on the overall work quality and business orientation of the Chinese legal profession, as lawyers move from international law offices and top-tier Chinese firms to lower-tier firms. Yet this learning process of global legal expertise also has a limit—to what extent the global training and experience would affect the personal hemisphere as it did in the corporate hemisphere¹⁰⁰ remains an unexplored question.

Finally, for international law firms seeking to pierce the national barrier of legal practice in China, now the process will probably take a longer period of time than the common expectation before the financial crisis. As Chinese law firms grow bigger, they have also become more specialized, profitable, and even international. Accordingly, it is increasingly difficult for the much smaller foreign law offices in mainland China to merge with them, even if the Chinese government would permit such mergers. In a sense, the financial crisis has added another layer of unpredictability to the mysterious future of the Chinese legal services market, and we can only wait to see how foreign and domestic law firms learn from each other and produce the new shapes of the legal profession in the age of globalization.

99. CAROLE SILVER, LAW SCH. ADMISSIONS COUNCIL, AGENTS OF GLOBALIZATION IN LAW: PHASE 1, at 5 (2009); Carole Silver, *Educating Lawyers for the Global Economy: National Challenges*, KYUNG HEE L.J., Dec. 2009, at 419, 430–31 (S. Kor.).

100. HEINZ & LAUMANN, *supra* note 98.