

# Opening A Hong Kong Office – Gateway To Asia

The Editor interviews Akiko Mikumo and Peter Feist, Partners, Weil, Gotshal & Manges LLP.

**Editor:** Please provide our readers with some biographical information, including your current practice areas at Weil Gotshal.

**Feist:** I am a partner in the corporate department at Weil Gotshal and practice in the M&A and private equity areas. I am originally from New Zealand, where I studied and worked for a number of years before I moved to New York in the mid 1990s.

**Mikumo:** Both Peter and I have an international background. I was born and raised in Japan, grew up in India and then spent most of my adult life in the U.S. I have been at the firm for 25 years. I sit on the Management Committee and am a senior partner in the M&A group at the firm. I represent corporations and private equity firms in a variety of M&A transactions.

**Editor:** Akiko, you have served Weil abroad in another capacity. Please tell us something of your experience in the London office.

**Mikumo:** I was in London from 1998 to 2002. I went there a year after it had opened – an exciting time for us because London was our first overseas office in a major international financial center. Because London was a mature and competitive legal market, we realized that we had to offer something different than our competitors – so our strategy was to offer both UK and U.S. law capabilities to our clients, a “one-stop shop” for corporate transactions. It was a terrific experience, especially for what we are about to do in Hong Kong because we had to address the various cultural differences and client expectations and learn to work within the UK legal and business environment. Most valuable was learning how to start an office and build a practice while creating institutional loyalty and expanding our firm reach in Europe. When we opened our London office, not many people knew of our firm in Europe but we are now cited as one of the leading U.S. law firms in Europe.

**Editor:** Peter, as a native of New Zealand and a non-practicing barrister and solicitor of the High Court of New Zealand, how do you anticipate your background from the Asia-Pacific region will be a benefit to the new initiative of opening a Hong Kong office?

**Feist:** My background is helpful to the extent that I am going to a region which is much closer to my original home, and Asia is a very prominent market for a place like New Zealand. But given my type of practice, I expect other factors will be more important. For example, we anticipate that most of our clients will initially be U.S. and European businesses and firms. For those clients, using the skills and experience that I have developed in the U.S. over the last ten years, adapted to the local market and conditions, will be where I expect to add value. Also, the fact that Akiko and I have lived and worked in different countries during our careers, and have had to learn and adjust to legal practice and customs in different markets, will be a great asset to the new office.



**Akiko Mikumo**



**Peter Feist**

**Editor:** What prompted the firm to decide to open an office in Hong Kong when it had an existing office in Shanghai? Will the two practices complement each other?

**Mikumo:** When we were originally considering opening an office in Asia, we focused on China and both Hong Kong and Shanghai as possibilities for offices. We were introduced to Steve Xiang, our managing partner in Shanghai, who is a terrific lawyer and leader, in addition to being bi-cultural and bi-lingual. Steve is the reason why we decided to open in Shanghai first as part of our Asia strategy. This is a very people-oriented business so unless you have the right people and team, your success can take a detour. Although we opened in Shanghai first, as a leading international law firm, we always knew that it was just a matter of time before we opened in Hong Kong since it is one of the key financial centers in the world. We are also planning to open a Beijing office later this year.

**Feist:** The overall strategy with Hong Kong and Beijing being added to our Shanghai office is to have three offices that complement each other and are integrated. They are to serve as the platform from which the firm expands its practice throughout the wider Asian region. In the last few years we have focused on Mainland China, which will continue to be driven by Shanghai and will have the added support of Beijing. Hong Kong will support China too, and will also be the base from which we expand to Asian markets beyond China.

**Editor:** How much of the decision to open the Hong Kong office was the result of “client push”, i.e., clients with operations on the Mainland or in the Far East?

**Feist:** That is a factor, but the main driver is our overall view of the region and our strategy as a firm. We want to be one of the leading international firms practicing in the wider Asian region. Our firm has a “One Firm” approach where the resources of the entire firm are available to each client wherever they are. We view that approach as incredibly valuable to clients in Asia, so that we will have offices on the ground and those offices will be supported by the resources of the entire firm. Of course, we have discussed our plans for the region with our clients from the U.S. and Europe who are operating or thinking of operating in Asia, and the response has been great.

**Editor:** How do you plan to staff the office – with Chinese lawyers who have learned the laws of the PRC or others who have non-Chinese credentials?

**Mikumo:** Peter and I will move to Hong Kong from New York, and several U.S. associates will join us. Also, David Mered-

ith who is our capital markets partner in Shanghai, will move to Hong Kong since he deals with banks located in Hong Kong. Having the right group of people is critical when starting a new office in a new country. It makes a major difference that we all come from the same firm where we know the people and the practice. Having that institutional culture is key to facing the challenges of a new environment. We have a substantial office in Shanghai, including many international lawyers who are familiar with how deals are done in China. We are going to count on them to handle the China-based transactions. Hong Kong's office will be made up of U.S.-qualified lawyers and probably some UK-trained lawyers. In due course we will expect to add Hong Kong law capabilities as well.

**Editor:** Hong Kong is becoming one of the three principal capital markets of the world (after London and New York). What types of listings is it attracting to its stock exchange?

**Feist:** Mostly Chinese or other regional companies. Over the last few years there has been tremendous growth in regional capital markets. As a result, a Chinese company does not need to go to New York or London to tap the capital markets. Hong Kong has an established legal and financial system. It has the capabilities to handle large IPOs. As a result, the local companies have used it as their base for raising capital.

**Mikumo:** Last year Hong Kong had more IPO listings than New York or London. On the U.S. side, part of that is driven by the fact that all foreign companies are wary of the Sarbanes-Oxley requirements. There are many European companies that are delisting from the U.S. markets, giving a boost to Hong Kong and London.

**Editor:** Do you see most of the new transactions resulting from activity on the mainland being funneled into Hong Kong? Is this true not only of public listings but also private equity and venture capital as well?

**Feist:** On the IPO side China has been the main driver. On the private equity and venture capital side China is definitely a significant driver. If you look at the M&A and private equity activity over the last few years, China has seen a significant amount of growth and is a major player in the region. Many private equity firms in the region have their main offices in Hong Kong, using it as a base to consider transactions in China and in the wider Asian region, including India, Taiwan, and Southeast Asia. While these markets are not as large as China's, some of them are showing tremendous growth.

**Mikumo:** In that sense Hong Kong is comparable to London. Many of the private equity firms based in London cover the entire European region and we are seeing some parallel development in Hong Kong. In addition to being a global financial center, it is one of the easier places to live in Asia for the international community so they tend to go there notwithstanding the high cost of living.

**Editor:** How much of the judicial system still bears the markings of British rule?

**Feist:** The judicial system is still essentially the British system. That is what continues to provide businesses using the Hong Kong legal system with a degree of certainty and make it very attractive for business. The rule of law is settled and is still based on English common law.

**Editor:** Does ADR still command a primacy in terms of dispute resolution?

**Feist:** The appeal of ADR is one that varies by business. Some businesses view it as a preferred path to dispute resolution. It can provide confidentiality and in some cases speed up resolution. In my experience it depends on a client's own experiences as to whether they go down that path or try to use a judicial forum in a country with which they are familiar.

**Mikumo:** It is a growth area for the legal business in Hong Kong, and one that we will look at and track once we open up an office.

**Editor:** How will M&A practice differ from what you have done in the past?

**Mikumo:** We know from dealing with international clients that we have to be sensitive to language and cultural differences and the way we conduct business because misunderstandings can arise. Nevertheless, all business people are looking for similar things from their lawyers: promptness, judgment, practical advice, keeping them out of trouble, getting the deal done and all those things we practice that make our firm great in this area. Ultimately not much will be different in the basics we practice but we have to keep an open mind and be intuitive about managing expectation.

**Editor:** How much do you anticipate U.S. trade relations with China will influence the level of activity on the M&A front? How much influence will the U.S. Government have in determining the future of the law practice in China?

**Feist:** How much impact those things will have is quite hard to say, especially in terms of governmental influence. One of the big hurdles in countries that are developing so fast are the regulatory obstacles that need to be overcome, such as rules on foreign ownership or local regulatory restrictions which make it difficult to do a transaction quickly or in the time frame that U.S. businesses are used to. Removing or loosening those restrictions, providing for simpler rules with greater certainty, allowing for better speed of implementation, all those reforms will have a greater impact on the M&A environment. Also, increased global trade has led to a greater supply of cross-border acquisitions and investments. You not only have U.S. and European businesses going into Asia and wanting to do transactions there, you have Asian businesses wanting to come to the U.S. and Europe. As a result you have a broader global M&A market developing.

**Mikumo:** It is a challenge for China but I do not believe they can retreat. The only direction is to become more foreigner friendly and continue on their path to becoming one of the great economic powers. The Olympics is another milestone for them.

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