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By Lawrence Dushenski

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Dr Steven Vaughan, CEPLER Director of Education: [s.vaughan@bham.ac.uk](mailto:s.vaughan@bham.ac.uk)  
or Lesley Griffiths, CEPLER Senior Administrator - [l.griffiths.1@bham.ac.uk](mailto:l.griffiths.1@bham.ac.uk)

The logo for CEPLER, featuring the word "cepler" in a lowercase, sans-serif font. Above the letter "i" is a stylized white icon of a quill pen tip.

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# "A 'brexit' would be a serious threat to London as the centre of globalized legal services. Discuss"

By Lawrence Dushenski, Queens University, Belfast

London is home to the headquarters for five of the top ten law firms by revenue in the world<sup>1</sup>. These firms collectively have hundreds of offices around the world across the Americas, Asia Pacific, Australasia, Europe, Africa and the Middle East. They bring in billions of dollars in revenue each year and are, in every sense of the word, global.

After David Cameron's recent re-election, the prospect of a withdrawal from the European Union is once again at the forefront of discussion throughout the United Kingdom. There are endless questions about what this would mean for the British economy, job market and international trade. The prospect of a national referendum on this matter in coming years is a distinct possibility at this point.

This discussion will focus on the impact that a potential '*brexit*' would mean for the future of London as the global hub of legal services. There is a possibility that the Magic Circle and the other major corporate commercial firms would move their head offices elsewhere, wishing to avoid the potential fallout from such a move rather than stick around to see how the dust settles. Currently, London is without question the hub of the globalized legal market. As of September of this year, there are eighteen firms based in London that have in excess of a thousand lawyers. Each of these firms boasted double-digit profit margin for 2014/2015 and similarly they all boast six figure profits per lawyer<sup>2</sup>. While Chicago and New York City are comparable in some senses, they are a distant second and third when it comes to competing with London as the global powerhouse for legal services.

There are several factors which are paramount towards making London the power that it is – and none of them would be affected by a potential exit of the United Kingdom from the European Union. Geography, local politics and the common law legal system are vital factors that have led to the growth and development of London as the preeminent global power relating to legal services. The city is geographically positioned perfectly relating to other international super powers as well as emerging markets. The local political climate is amenable to large scale firms being allowed to operate within London while having the freedom to pursue opportunities on a global scale. And finally, the common

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1 The 2015 Am Law 100: Revenues Rising, Profits Popping and And A New #1 Firm (April 27, 2015): <http://abovethelaw.com/2015/04/the-2015-am-law-100-revenues-rising-profits-popping-and-a-new-1-firm/2/>  
2 The Lawyer UK 200 <http://www.thelawyer.com/analysis/intelligence/uk-200-2014-premium>

law system of governance and the use of historical precedence has emerged as the preferred method of conflict resolution the world over.

The globalization of world economies of scale, law services amongst them, has blurred the way in which we view political borders. Companies buy and sell products from other corporations around the world. Businesses merge with other firms from other countries and continents. It is possible to truly operate on a global scale in a way that the world has never seen before, and as a result – the geographical context in which each individual company or firm operates within has less relevance than ever before. The ease of communications and travel has made it such that operating internationally is not the daunting task that it once was. When a global company, such as a telecommunication firm, wishes to acquire another telecom giant on another continent, they seek out the services of a law firm that is able to operate on the global scale; one with offices and solicitors in both of the countries in which the deal is taking place; with intimate knowledge of both the local and global landscape in which the deal is operating. It is typically not of relevance to either party where the firms that they are retaining have their head offices, but rather that they are able to complete the deal at hand efficiently and effectively. If a holding company in China wishes to buy a telecommunications firm from Spain, it is generally irrelevant to the interested parties if the law firm conducting the deal has their head office in London or in Chicago.

In so many ways London is the ideal hub of global law: geographically, politically and legally. It is situated in a perfect location that can be accessed via direct air travel to the majority of the global financial and legal hubs around the world. The local political climate is relatively relaxed in terms of regulations that the law firms have to deal with in order to operate globally. Money flows through London from the Middle East, Russia, Africa and America with absolute ease. Deals are made between Russian oil companies and Chinese conglomerates daily – but rather than seal the deal domestically, these contracts are signed in London. The major corporate firms are able to operate on a global scale, broker deals from their worldwide offices, and collect handsome fees for their work on multibillion-dollar arrangements. None of these factors are going to be affected by a potential exit of the UK from the European Union, and those fear-mongering on the other side of the aisle are doing just that.

While countries around the world operate within their own legal jurisdictions, corporations the world over have continuously come back to London based firms when conducting large-scale mergers, acquisitions and sales. Differing civil codified systems exist around the globe, but the reliance on the common law system and the basis on legal historical precedent make London an appealing home for major deals. The protection that the British legal system offers individuals from around the world who

conduct business within the confines of its borders eliminates any concerns of a major contract being arbitrarily overturned by a judge on a whim. This level of security that the common law legal system offers here that will not be changed in the slightest whether the UK is in the European Union or not. There is nary a concern about corruption within the legal system as well, which is often difficult to escape in certain parts of the world.

Simply put, whether the United Kingdom decides to stay in the European Union or not is in many ways immaterial to the success of the global London law firms. In many ways the European Union is too small for global law firms to worry too much about. For the firms that make London the true centre of globalized legal services, an intimate knowledge of just the European Union – and the benefits afforded to the member states, would be necessary but grossly insufficient to long term international success. Offices and expertise on each continent are required to be able to boast anything close to a billion in revenue per annum. In no way would the likes of DLA Piper and Clifford Chance be burdened by the necessity of standing in the customs line. They concern themselves with the local statutes in Nigeria that could affect the sale of a coffee company to a conglomerate with their head offices in Taiwan, and how the local Taiwanese regulations surrounding importing unprocessed goods deal with coffee beans in particular. There is a difference between firms that work on a European scale, and those that work on a global scale. Those that operate globally are the ones that have made London into what it is today on the legal market.

Is there any threat posed to London as the global hub of legal services by a proposed '*brexit*'? Any major shift in the political landscape offers some threat. But to suggest that it is a serious threat such that it will risk toppling London as the kingpin of the legal profession is short-sighted and intellectually dishonest. New York and Chicago are giants in their own right, but the proximity of London to the likes of Moscow, Dubai, Mumbai and Shanghai make the capital too appealing of a destination for major global firms to simply turn their back on. While there is some concern that a '*brexit*' could lead to an exodus of legal talent from London, the factors that make it a desirable home for so many of the major law firms around the world tip the scales towards suggesting that it will in fact remain firmly entrenched as the central home for global legal services going forward, regardless of its membership in the EU.

On a more local scale, the boutique law firms around the United Kingdom will be affected, as absolute parliamentary supremacy will once again be in effect if they were to break from the EU – but when dealing on the global scale in largely corporate commercial setting, rest assured that a proposed '*brexit*' will do little to affect the continued dominance of London on the global legal playing field.