



RECENT NEWS

UKRAINE BUSINESS NEWS: SEVEN ARTICLES

1. EBRD CHIEF SAYS UKRAINE MUST SHOW IT IS READY TO REFORM, DESCRIBES SITUATION IN UKRAINE AS "PARTICULARLY CRITICAL"

Reuters, Berlin, Germany, Saturday, July 11, 2009

2. EURO 2012: MONEY TROUBLES IN KIEV, NO TIMETABLE IN UKRAINE

UEFA Chairman Platini hints towards a tournament organized by Poland and Germany

Daniël van Hoven, Krakow Post, Krakow, Poland, Monday, 13th July 2009

3. CRISIS IS A TIME FOR MODERNIZATION AND REFORM, WHEN YOU CAN DO EVERYTHING THAT YOU PUT OFF FOR YEARS, ATTORNEY IRINA PALIASHVILI STATES IN INTERVIEW

Interview with Irina Paliashvili, President, Ukrainian Legal Group

Interview by Ksenia Zabrodskya, Yurydychna Hazeta, No. 21

Kyiv, Ukraine, Tuesday, May 26, 2009

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In addition to one's daily routine and problems at work, in life there is always room for a holiday. A holiday that is at the same time work, but extremely interesting work that leaves only the best impressions.

This issue's guest is a person who creates holidays for lawyers, who are often engulfed in daily problems and tied into a daily routine. She also shared her personal views on the crisis, business and PR strategies for a modern law firm. Our guest is Irina Paliashvili , President of the Ukrainian Legal Group.

Ms. Paliashvili, why did you become a lawyer?

I grew up in a family of lawyers. My father was a professor and chairman of the law department at Tbilisi State University. I grew up in this environment and guests at our home included some of the most prominent lawyers of the time from Moscow and other parts of the Soviet Union. That's why I had no other desires or ideas regarding a future profession. I had wanted to be a lawyer since I was 7 years old and have never regretted this.

Tell us about the stages of your career.

I began my career prior to Ukraine's independence – in the Soviet Union. The first interesting stage was my studies. I studied at the international relations and international law department at Kyiv State University. I got a great education. We were taught by the best professors and exceptional specialists. I wanted to specialize in international law and during the Soviet Union there were only two places where you could study this – in Moscow and Kyiv.

Tell us more about your firm: what are your areas of specialization, how did it start and what are your main business priorities?

Our firm was one of the first legal services firms in independent Ukraine. Prior to the firm's first reincarnation in 1992, the concept of a "western-style law firm" didn't exist here. The firm was called Grishchenko, Frishberg and Paliashvili.

Dmytro Grishchenko and I had already completed internships with American firms through the Soros program. Alex Frishberg studied in the US and worked at an American law firm in Washington, and so he had experience in this field. The Soviet Union fell apart when we returned from our internships and we decided to create a western-style law firm.

With time our paths parted and each of the partners established his own law firm. Our firm has existed in its second reincarnation since 1996 – so, almost 13 years. In 1994 I opened an office in Washington and this was the first firm from the CIS to open in the West. By the way, when I say "CIS" I mean the economic region, not political: in other words – the post-Soviet space.

The Washington office is still open. We closed our Moscow office after 1998 because following the crisis in Russia it was nearly impossible to maintain a legal business without being there and none of us wanted to move to Moscow. That's why we concentrated on the Ukrainian market and worked with major clients.

We focus mainly on international corporate clients, and our specializations include oil and gas, intellectual property and a host of others. Relations with our clients began when they opened

their representative offices in Ukraine. Later we reorganized them into subsidiaries and created limited liability companies. Our clients started expanding and investing here, and we grew and expanded along with the market and our clients.

Why did you part ways with your clients?

This happened at the very beginning. Nobody quite understood which direction to move in. At the time we were going with the flow – we saw an opportunity and seized it. We ended up at the right place at the right time, and what’s important is that we had the necessary basic training. But nobody knew how to build a long-term strategy and partner relations.

We got together and created the firm, but then we all came up with different approaches as to how to develop this business. And it so happened that each of us decided to take our own shot with our own teams. It was all very civilized and we were able to maintain good relations.

I am friends with Alex Frishberg and we are in close contact. This is a normal market process – people come together, people break apart. This was our first experiment. I would also say that it was very successful because the team I worked with in 1996 – which included Viktor Kovalenko and Tamara Lukanina – harmoniously transformed into our current firm – Ukrainian Legal Group, and we have been working together successfully for many years.

What are your areas of expertise?

I specialize in contracts. I defended my thesis on international contracts for the sale-purchase of goods – the Vienna Convention. I work with contracts and corporate law. One other very interesting specialization is amicable settlement of disputes. Several years ago I took commercial mediation courses in New York and realized that I could do mediation. As a result, several clients turned to us for help in amicably settling serious disputes. In other words, I settle disputes using mediation techniques.

However, this isn’t full-fledged mediation because that requires a neutral mediator, and I am on the side of the client. Yet another extremely interesting specialization of mine for a long time has been oil and gas, especially production sharing agreements. I was involved in drafting Ukrainian legislation on production sharing agreements and since then we have always had work related to oil and gas.

In late June your firm will be organizing the fourth CIS Local Counsel Forum. Tell us more about this event – its history and significance.

This will be the fourth time that we will be organizing a Local Counsel Forum. Previously we held them in Kyiv, Baku and St. Petersburg. The idea arose around 2004. In the mid 1990s I was constantly attending law conferences in the West. Unfortunately, there were very few representatives of the CIS legal community. Sometimes there was only one representative of a Russian law firm and one from Kazakhstan.

But in general the region wasn’t represented. At the time the region was actively developing, there was economic growth, and not only clients but law firms started gaining interest because they knew that their clients were becoming interested in the CIS.

A region appeared on the world economic map that presented new opportunities, but western law firms had nobody to talk to. Professional ties needed to be built. Our legal community basically isolated itself. I understand that at the time the legal market was only forming and only a handful could imagine that it was totally possible to go to a law conference in Paris or New York. A definite informational abyss developed.

At the time you were working with western law firms?

Yes. From the very first day our law firm worked as local counsel for foreign law firms. This accounts for approximately 30 percent of our business. It’s a very interesting niche and is very important for the development of the firm and our lawyers. This also helps build long-term contacts.

At that time we began to wonder: where is the CIS legal community and that of each individual country? Why have they isolated themselves and are hiding not only from one another but the world? The international legal community is looking for them.

The first idea was to get together within the CIS, introduce ourselves to one another and the global community – introduce international law firms and show them what we can offer, establish contacts that in the future may develop into mutually beneficial cooperation. For example, if a London firm has a project in Kyrgyzstan, make sure that they know the managing partner of a local firm.

This was the main idea. During preparations in 2004-2006 for the first forum in Kyiv, I discussed this idea with my colleagues from Ukraine other CIS countries, as well as western colleagues. Everyone I spoke to said this was a great idea, and therefore we decided to implement it. We worked on the forum concept for almost a year, to make sure that everyone understood its purpose.

How was the first forum?

The first forum exceeded all our expectations! Up until a certain point we didn't even know if people would come. But they did and all the CIS countries were represented on the highest level. And it turns out that the main idea was good and it works, but there are a number of "subsides" that also work very well. For example, it turns out that not only does the international legal community not know us, but we don't know one another.

We are very important to one another because our clients don't work in just one country, but the entire CIS. One of the most interesting vectors of cooperation that emerged during the first forum was the Kazakhstan-Georgia region. Many Kazakh clients invest in Georgia – in resorts and real estate.

But when Kazakh law firms were asked about the Georgian market, they had very little to say because they didn't have anyone to turn to. And so during the forum there was a fraternization of CIS firms based on interest in region. So many channels opened up at once that at one point the largest western law firms at the forum were simply forgotten.

Our western colleagues wanted to get to know the CIS firms, but they were so caught up in one another that they had nearly no time to meet others. Another very interesting element was the extremely friendly atmosphere at the forum. No other conference has been so akin to a holiday. We didn't just organize a professional meeting - we made it into a holiday complete with an evening program and attendance by guests, including husbands and wives.

Contacts are best established in a friendly and relaxed atmosphere, when people trust one another. That's why at the very beginning we announced that the forum is a politics-free territory. We're getting together to create business; politics has nothing to do with it. We try to ensure that nobody is left without attention. If we see a new delegate standing alone during a break, forum veterans will come and introduce themselves.

That's why people run out of business cards by the first night. During the year there is a constant exchange of business. Firms send work to one another and business is generated. We know cases when business developed that otherwise may not have – two partners found a common ground and their business is flourishing.

Is there an exchange of work directly at the forum?

Yes, without a doubt, a lot of client work is exchanged within the framework of the forum. For example, a partner in a large international firm in Vienna told me that one of their project partners in Georgia is a Georgian law firm. When I asked which one, it turns out that during the previous forum in Baku, the Austrian was sitting next to the managing partner of a Georgian law firm.

And when this multi-billion dollar projects came up, the western colleague turned to the lawyer that he knew personally thanks to the forum. Once you've met a person, it's much easier to give them part of your work because there is trust. The human factor is the key element of the forum.

The last forum was in St. Petersburg and few people then expected the global financial crisis. How do you see cooperation under current conditions?

Back then nobody expected the crisis, but it's hit everyone. The extent may differ by country, but everyone is experiencing difficulties. At first everyone was glad because during the boom in the market we were so swamped that we couldn't fully handle the workload. Basically, the legal market couldn't digest the entire flow of work that was being offered.

Many lawyers had to turn down clients and still work 24/7. Moreover, this boom spoiled the young lawyers because they saw that they are in great demand and were constantly being called by headhunters, so they didn't necessarily need to work well. The older generation knew that there are good times and bad, and if things are good, the bad can soon follow. In any case, you need to work and dedicate yourself.

Several generations of young lawyers simply never knew bad times – only demand. And demand spoils. Senior lawyers and managing partners that I spoke with breathed a bit easier saying that they can finally survey the situation and think about their business development strategy, because during times of growth they weren't able to.

It wasn't possible to introduce reforms within the firm – there was a lack of time and will among the team to be involved in this. Why overwork themselves if they're being offered positions in other law firms on a daily basis? Not just individuals but entire teams tried to win over lawyers.

In fact, many lawyers complained that they were overworked.

But this wasn't so with everyone. In any case, after many years of overexertion, everyone saw the crisis as an opportunity to rest and start working fresh. Nobody thought we would be rolling into a black hole. Then they slowly began to understand that this would last for a while and was truly serious, and that clients were cutting their budgets. That's when they began to think about long-term strategic plans.

When did you feel the crisis?

We reacted back in October, but September was one of the more stressful months in our practice. There were due diligence assignments and several M&A's, but we were gradually seeing where this was heading. In October we began implementing measures such as cutting expenses and introducing reforms, and that's why it was much easier for us to reformat our client relations.

There was too much work and at times we had to turn it down and give it to someone else. We weren't meeting the deadlines and this worsens relations between clients and lawyers.

Those who make the best decisions, provide the best services and have good relations with clients survive times of crisis. Crisis is a time for modernization and reform, when you can do everything that you put off for years. For example, we're finishing up our work on a new image for the firm and will present it soon. We're also working on a virtual internal office that will be accessible from anywhere across the globe.

Two major cornerstones during a crisis including lowering rates for clients and letting staff go. What is your position on these problems?

These are normal and necessary processes. How can you survive a crisis if you don't meet your clients half way? But we're not just thinking about how to help our clients in a purely financial way. During the fourth forum an entire block of topics was dedicated to this problem. Of course the easiest way is to lower rates for clients. Now is the time to get together and

think about what we can do for them in practice – see their business as our own and help them from inside.

What do you see as the key strategic directions of development of the legal business overall?

Some ideas about how the legal business will develop during the crisis are myths. During a conference organized by the International Business Association (IBA), one of their leaders tried to clarify these myths. We were always fed stories that a crisis is good for lawyers: there will be an increase in work, companies will start to fall apart, bankruptcy proceedings will begin, and there will be much work.

This hasn't been the case because when clients cut budgets the first thing they cut is the budget for lawyers. They try to solve their problems using a business approach and involve lawyers as little as possible. In reality the market has cracked.

Another myth is that during a crisis everyone will be going to court to claim unpaid debts. But suing takes long and is expensive and companies need results now. That's why companies can't and don't want to invest in court cases. Businesses are reaching settlements on their own, without the involvement of lawyers.

We need to wait out this period, not with folded arms but by working actively and improving our practice in all directions. Then the firm will be ready for the new period of economic growth, which will certainly come. That's what we're doing – we have a wonderful team of lawyers and dedicated clients. That's why the crisis doesn't scare us.

Does your firm have legal malpractice insurance?

Yes. We have insured our professional responsibility since day one. We've been working on the western market for a long time and this is obligatory there. So we don't understand how one can not be insured. We have yet to have a client appeal to an insurance company and hope that this will continue to be the case. It's rather expensive, but that's how it's done in the civilized world. Arguments against it are simply dropped.

What is the role of legal press in your work?

It is becoming increasingly important. It doesn't just provide informational support, it provides an environment where we can obtain new ideas and strategic concepts. Legal press is an important component in the development of the legal market.

What is your opinion of PR?

We're currently sticking to the strategy that our clients recommend us to their personal contacts. We also attend conferences and publish frequently. We're a conservative firm and so when we were starting out, aggressive PR seemed even improper. In certain countries PR isn't allowed. For example, in Belgium lawyers aren't allowed to engage in personal PR.

We also never reveal the names of our clients, even if they've given us the right to, because we believe this is wrong. A law firm is like a doctor – it should maintain confidentiality.

FOOTNOTE: The Ukrainian Legal Group (ULG) is a member of the U.S.-Ukraine Business Council (USUBC), Washington, D.C., <http://www.usubc.org>. Irina Paliashvili, President of the Ukrainian Legal Group, serves on the Executive Committee of USUBC.

LINK: Yurydychna Hazeta, www.yur-gazeta.com

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