

**KEYNOTE ADDRESS BY MR K SHANMUGAM S.C.,
MINISTER FOR HOME AFFAIRS AND MINISTER FOR LAW,
AT THE LITIGATION CONFERENCE 2017
ON 20 APRIL 2017 AT SANDS EXPO AND CONVENTION CENTRE**

Justice of Appeal Mrs Judith Prakash,

Mr Gregory Vijayendran, President of the Law Society,

Judges,

Colleagues or ex-colleagues,

1. While the focus is on litigation, I want to take a slightly broader look and set things in context because ultimately, the lawyer's business is tied to the economy – growth, stability, investments.

Setting the Context: Then and Now

2. Today, we're seeing about 2 per cent growth in Gross Domestic Product (GDP).
3. This context has to be seen against how our profession is structured today, to see what advantage we can take; how can we go forward.
4. Let's look at some statistics.
 - (a) If you look at the total number of lawyers with practising certificates, there are 5,220.
 - (b) As at December 2016, there were 874 Singapore law firms. Of these:
 - (i) 22 firms had more than 31 lawyers. These 22 firms comprised 45 per cent of all lawyers with practising certificates.
 - (ii) 717 firms had between one to five lawyers. Of these, more than half were sole practitioners.
5. That is how our profession is structured today.
6. That immediately tells you what the challenges are for the profession, given the way it is structured.

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7. If you look back to the 70s, about 40 years ago – some of you were around – we were having 7 to 10 per cent growth.
8. Essentially, many law firms were structured around:
 - (a) The conveyancing department. Singapore was booming – property developments everywhere, purchases, scale fees linked to the value of the property. What did the lawyers have to do? They had to check manually through the title deeds; ensure clean chain of ownership; confirm that there were no encumbrances. The fees were tied to the value of the property, on the basis that the lawyer was taking a risk, effectively insuring the title was clean.
 - (b) Some basic corporate work.
 - (c) And of course, litigation work.
9. Conveyancing – as long as you made sure that you had enough clients – had a very generous income in the 70s and 80s.
10. Today, that is no longer so. If you look at how it has changed – again, take conveyancing as an example.
 - (a) Scale fees were completely abolished in 2003.
 - (b) And, if you look at the way in which it now proceeds – ownership details, encumbrance of the property – all are contained in a single document. You click a button online, it is available.
11. The same thing has happened with corporate work. If you do not add value; if it is basic, the machines do it, others can do it, and they are not going to pay you for it. It has changed very substantially.
12. If you look at the kind of work that is now giving you the fees, it is really the high-value corporate banking, developing areas like intellectual property (IP), litigation of course, and probably in the digital area there would be new opportunities.
13. So that has been a change that I think certainly those above 40 would understand.
14. At the same time, what has happened to the legal sector?
 - (a) The actual value of services provided has gone up significantly – increased by one-and-a-half times in the last eight, nine years. It was at about S\$1.5

billion in 2008, and was S\$2.2 billion last year, so increased quite substantially.

- (b) Value of legal services exported from Singapore was at about S\$360 million in 2008, and was over S\$700 million last year. We hope it will grow.

Challenges and Opportunities

- 15. Looking at that perspective – the structure of the profession, the value generated from legal services both domestically as well as exported, and the way the work has changed – What are the challenges? What are the opportunities?

Domestic Trends

- 16. Our GDP per capita today puts us as the third-highest in the world. Once you reach those sorts of numbers, it is difficult for you to continue to grow at 7 to 10 per cent.
- 17. If you look at what are the factors that drive economic growth –
 - (a) Land. Are we going to have more land? No.
 - (b) Second and most crucially, labour and population. Look at our population. We had 13.5 persons under 65 for every one above 65 in 1970. In 2015, that came down to five persons under 65 for every one above 65. Within 13 years, that will come to two persons under 65 for every one above 65. So you are not seeing a population increase, you are seeing an aging population.
- 18. Economy is a function of size – size of the land and size of population, neither of which is growing. In fact, one is declining.

- 19. Within that framework, we have to try and make the economy work, get growth through productivity which means becoming better, getting more with a smaller population base. It is not easy. It is going to be tough.

- 20. But as long as we understand that and we work together, I think we can try and achieve something.

Globalisation

- 21. If you look at it within Singapore, the second major challenge is of course globalisation.

22. Globalisation is a threat to everyone, including lawyers.
23. You now have law firms in low-cost jurisdictions, with many lawyers. Today if a client comes into a law firm in Singapore, the lawyer can take down the facts and e-mail it across to them – our cases, High Court jurisprudence, everything.
24. These lawyers, in low-cost jurisdictions, will understand our jurisprudence, they are common law-trained. There is no reason why they cannot do it. They can analyse, send back by e-mail an opinion with reference to the case laws – not just from Singapore but across the world, because everything is available online.
25. You do not need, therefore, two partners and five lawyers working on it for a week, or two weeks, or five days. You just need a partner and perhaps an associate, just checking whether the vendors have gotten it right.

Technology

26. That is a second major challenge. The third is of course technology, which is really changing the landscape. Clients want value, they want speed.
27. I give you some examples.
 - (a) If you look at JPMorgan, they have come up with a software programme that helps interpret commercial loan documents, and completes it in seconds. What previously took lots and lots of man-hours, now this programme does in a matter of seconds. So why would someone pay a lawyer to do that work?
 - (b) If you look at e-commerce giants Amazon and Alibaba, they have put out an integrated online dispute resolution platform which uses algorithms. It will settle claims, it will settle compensation, without lawyers.
 - (c) eBay's platform today resolves more than 60 million disputes per annum, and 90 per cent of it is resolved through the software alone, without any human intervention.
28. So, we really have to look at, in terms of lawyers, moving out of routine work, low-value work, work that can be done by others, into high-value work. You have got to become highly-skilled professionals – even those who are already in the profession. You have to continuously upgrade yourself.
29. When the client walks in and speaks with you, he must know that he is speaking with a true professional who is several notches above what the client can get

from an outsourced vendor in a low-cost jurisdiction or from a machine. It is critical.

30. This has been exercising my mind for several years. We have been thinking about this for a while, which will explain why we have taken the steps that we have taken for the last few years.
 - (a) The International Bar Association did a study on this in April 2017. They think that machines will replace one-third of all graduate jobs.
 - (b) Boston Consulting Group think that even the existing tech solutions can do up to 50 per cent of the work that junior lawyers do today.
31. I do not want to frighten you, but it is something that we need to factor in, remember, and then be prepared. If it does not happen, fine. But at least we need to be prepared, and take the necessary strategies.
32. The Government alone cannot do this. It needs you to work with us. A very strong, intellectually high-quality Bar is essential for the Rule of Law in Singapore.
33. We talked about technology and the threats that it poses. But it can also help us work better, and it can provide new work for those who are prepared to move into it, understand and make use of it.
 - (a) A study by Accenture in 2016 showed that 20 per cent of the global GDP – that is a huge amount – is digital now, and it is going to accelerate. It can only increase.
 - (b) A Deloitte study last year said that technology removed 31,000 jobs in the legal sector, but there was nevertheless a net increase of 80,000 jobs. So that is good news. If you can ride on it, it can actually be productive. The new jobs were higher-skilled, better-paid.
34. So technology is both a threat and an opportunity. I spoke about three challenges, now let me touch on opportunities.

Rising Asia

35. The shift of the economic centre of gravity of the world to Asia is inexorable.
 - (a) Asia-Pacific will account for more than half of the world's GDP within the next 20 years or so.

- (b) China is already the largest economy in the world on purchasing power parity terms, and it is already a US\$12 trillion economy.
- (c) The second largest economy in the world – soon to be the largest – as well as currently the third largest economy in the world, Japan, are in Asia.
- (d) But a lot of people overlook that right amongst us is one of the top 10 economies in the world, ASEAN.
 - (i) It has got 600 million people, its current GDP is at US\$2.4 trillion, which is bigger than India's GDP, and it is expected to grow to US\$4 trillion within 2020, 2021.
 - (ii) Today, if you take the 10 economies of ASEAN, it is the seventh largest economy in the world.
 - (iii) But if it is, say, within three, four years, it is at US\$4 trillion. Even at US\$2.4 trillion today, it is a growing market. Huge amount of infrastructure going in, huge amount of economic growth riding on that going in.

36. So yes, Singapore is small. We are limited by our size, our population. But if we are good enough, we can become the New York of ASEAN. That has got to be our vision, and therefore our value-add has got to be the region. If we can ride on that successfully, then there is a very bright future for our lawyers.

Government's Approach

37. What have we done?

Dispute Resolution National Archives of Singapore

38. One story all of you know is, of course, arbitration. We do not owe our success in arbitration to fluke or luck. It was a carefully coordinated policy over several years, and it had a number of different aspects to it.

- (a) First, you have got to get the legislation right. If you go back and check over a period of time, we constantly upgraded it, amended it, made it arbitration-friendly.
- (b) We then put a lot of money into physical infrastructure – Maxwell Chambers, and we're going to make it three times the size it is today. But even when it was unveiled, it was the best in class in the world. That makes a big difference to arbitrators.

- (c) We opened up the arbitration panel to people from all over the world. We cannot afford to be a closed shop – if the case has nothing to do with Singapore, we allow foreign lawyers to argue that case. All of that has made Singapore a very serious place for arbitration.
- (d) We built up the Singapore International Arbitration Centre (SIAC), put in a lot of effort. The result – last year, SIAC had 343 cases. Its growth over the past few years - has been faster than most other international institutions. Last year, it had more cases than the London Centre for International Arbitration (LCIA).
- (e) We want to replicate that in allied sectors. Singapore International Mediation Centre, we have set it up following the same model.
- (f) Also, the Singapore International Commercial Court - Singapore is uniquely placed to set up an international commercial court. For instance, an American company investing in Thailand or somewhere else, and for a variety of reasons does not want to go for arbitration. SICC cases are dealt with by top international judges.

39. That is one big area, dispute resolution. I will come to some other areas.

Thought Leadership

40. In the context of a booming ASEAN, we aim to make Singapore the thought leader in terms of regional law.

41. Regional law does not just mean Singapore law and English law. Our lawyers must understand Indonesian law, the civil codes, what happens in Thailand, what happens in Myanmar. We need a deep understanding.

42. If we can present ourselves as an academic centre of excellence, as a thought leader, where research and papers are produced on commercial and related laws for the region, then inevitably we have a possibility of getting involved.

- (a) So, we funded centres of excellence in the National University of Singapore (NUS) – Centre for Law and Business, Centre for Maritime Law, Centre for Asian Legal Studies, Centre for Banking and Financial Law.
- (b) The Singapore Management University – no direct Government funding, but they have set up a centre for cross-border commercial law, and an applied research centre for intellectual assets and law in Asia.

Debt Restructuring

43. We have taken a number of other steps. I want to see Singapore as a centre for cross-border debt restructuring. We have a tremendous opportunity.
44. We amended the Companies Act last month. It enhances the restructuring process – schemes of arrangement, judicial management, provisions to facilitate cross-border insolvencies and restructuring. I should acknowledge the very substantial assistance Judge Kannan Ramesh gave when he was working together with SMS Indranee on this.
45. We want to present ourselves as the place in Asia to do cross-border insolvency and restructuring. We want to anchor insolvency professionals in Singapore.
46. We want distressed debts to come into Singapore, and my officers are working with the Attorney-General's Chambers to bring all of this into force by the end of this quarter.

IP

47. We are also looking at developing ourselves as a centre for IP.
 - (a) We want to support innovative activities, to be the centre for patent attorneys, IP professionals. We want other foreign companies to register their IP here, bring work to our lawyers.
 - (b) The First Reading of the Registered Designs (Amendment) Bill was done in April. It makes it easier for designers to protect their creations to generate increased interest to obtain design protection.
 - (c) We are also doing a major Copyright Review to ensure rights are reasonable, clear, and efficiently transacted. The public consultation on that was done last year. Feedback from the public is now under evaluation. As we emphasise more and more on technology, we will also emphasise this area which fuses and segues into the digital revolution. And again lawyers need to understand these changes, and see where your value-add can be.

Committee on the Future Economy (CFE)

48. The third area is the CFE. SMS Indranee chaired a Working Group that focused on accountants and lawyers. The report was launched this month.
49. It sets out the framework of what we've done, some of which I've talked about – dispute resolution, IP and so on. And also new areas that straddle legal,

accounting, financial services. You can't look at these in silos any longer. Different government agencies oversee these professions. MinLaw, MOF, EDB and MAS will set up new inter-agency office on 1 May. It will be called the Professional Services Programme Office and will work with these professions to identify and seize new opportunities.

50. So those are just a broad sense of the macro, legislative measures that we are using to try to make Singapore an exciting, growing legal centre.

Direct Support

51. At the law firm level, we want to work together with you. We have firms of different sizes, and we have programmes in place.

- (a) For large firms, IT is important, and they may also want to internationalise. We have put money on the table for that. I say large firms, but anyone who has a plan which seems sensible and workable, we will consider seriously.
- (b) For the smaller firms, again I think the main area is IT. A lot of smaller firms understandably don't invest in IT. Also, to develop specialised expertise. Not everyone is going to compete with the large firms, but you can engage a small group of good lawyers and develop a speciality.

52. We are looking at four broad areas:

- (a) Internationalisation
- (b) Deepening expertise in high-value practice areas – you identify a law firm or company overseas, these people have the expertise, you say that I want to send someone to learn, and he can come back and do that work here.
- (c) Technology adoption –
 - (i) Tech Start for Law. It has been around for one month, to support small and medium law firms in adopting technology. Only 10 firms have taken up so far. Hope that more will do so.
 - (ii) Tailored schemes are also available for firms looking to explore more sophisticated use of technology.
- (d) Development of leadership and business skills – if you want to develop HR skills within your firm, and business skills – we will support it.

53. Look at the Factsheets, spread the message. Come to us with a plan, we will work with you to structure support that fits your firm's strategy.

Into the Future

54. Looking forward, we will continue to work with academia to develop centres of excellence, thought leadership.
55. We will ask the universities to have a more multi-disciplinary, practice-oriented curriculum, because that will be essential, and more continuous pathways for upgrading, allow lawyers to train.
56. We will also try to create pathways for Singaporeans to have the right skills – both on the research and academia side, and on the practice side.

Conclusion

57. All of this is one hand clapping. You are the other hand – what should you do? You have to upgrade, take advantage of technology. If we are not careful, the cheese would have been moved. If we don't want that to happen, our lawyers must distinguish themselves as skilled experts, deliver high quality work. They have to have a good understanding of not just the law, but also the region – how is it evolving, what are the underlying political and economic trends that will impact the region – what does that mean for your practice.
58. If you do that and we have stability, we will do well.
- (a) We have a very strong, rational approach to governance
 - (b) We have strong institutions
 - (c) We have rule of law
 - (d) We are stable economically, we are a successful financial centre in the middle of a successful region

59. So despite our declining population and our high cost base, and the challenges posed by technology, we can succeed.

60. Thank you.

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