

Remarks by DPM and Minister for Law Prof S Jayakumar
at Media Interview

**Overall Context: Changing Legal Landscape and Positioning
Singapore as a Legal Services Hub**

The changing worldwide legal landscape

The legal landscape has changed radically and continues to rapidly evolve. With globalisation there is a lot more international and cross-border work to be tapped. Singapore has to keep up with the changes and more importantly be quick to seize new opportunities to ensure that the legal services sector continues to effectively support Singapore's plans for future economic growth.

In this changing landscape, Singapore is growing in importance as a legal services hub for the region and beyond.

Greater export-orientation

In 2003, the Economic Restructuring Committee noted that Singapore was well-placed to become a regional services hub, and envisaged that exportable services will be a major engine of Singapore's growth.

While Singapore's overall services export has grown two-fold in the past ten years, legal services export has surged six times in the same period¹.

This is mainly due to the huge increase in cross-border legal transactions which have been spurred by the strong economic growth from China and India. Indeed, the major law firms in Singapore (both local and offshore ones) now do significantly more international legal work (e.g. arbitration and commercial law) than before.

There is therefore great potential for the growth of our exportable legal services.

¹ Report of the 3rd Committee on the Supply of Lawyers.

Export of dispute resolution services

One area with enormous potential for growth is international dispute resolution, particularly arbitration. International arbitration is increasingly becoming a preferred mode of commercial dispute resolution

We have many advantages (English language, our legal system, etc) which we should leverage on. Singapore has been growing in popularity as an international arbitration venue, and is uniquely placed to take advantage of the opportunities in international arbitration.

The American Arbitration Association, for example, has entered into a Joint Venture with the Singapore International Arbitration Centre to market and refer arbitration cases to Singapore.

Let me add that Singapore was the top Asian city selected for arbitrations conducted by the International Chamber of Commerce's International Court of Arbitration, one of the largest arbitral institutions in the world. Worldwide, we are number six after Geneva, Paris, London, Zurich and New York.

International arbitration work is high-value added work and legal fees in such cases tend to be large. The benefit to Singapore in terms of other support services revenue and hospitality earnings will also be significant.

Singapore will focus on the goal to become an exporter of international arbitration services, where lawyers and arbitrators from Singapore (or who are based in Singapore) are engaged to act in disputes originating from all over the world. Growth in international arbitration work will strengthen the legal services sector as a whole, which will help attract other kinds of international commercial legal work to Singapore.

Need for More High Quality Legal Talent:

Demand-Supply Gap

Information on the demand and supply of lawyers supplied by MOM and MTI shows that there is an increasing demand for legal professionals over the medium term, up to 2015, and that our current supply of legal professionals would not be sufficient to meet this entirely. They further emphasized that if Singapore

were to develop our legal exporting services, the demand-supply gap would be even greater.

The current supply of legal talent being produced locally has proven to be insufficient to meet the demands of the strong growth in the legal services sector.

The significant attrition figures in the local bar are a clear indication of this, as more and more of our highly sought after lawyers are being enticed into foreign firms and MNCs.

- The Bar had been growing annually until the year 2000, when it hit a peak of 3537 lawyers. It has been shrinking ever since, with the 3490 lawyers holding PCs in the year 2005.
- Law Society and SAL figures indicate that the majority of the lawyers leaving the profession are the younger ones, those with less than seven years' experience in the Bar.

Government will take measures to ensure that a sufficient supply of high quality legal talent is available to cater for this growth in legal services and to position Singapore as a hub.

To move forward, we need both numbers as well as quality.

To support the anticipated demand caused by growth in exportable legal services, we need to find ways to increase the supply of lawyers. But more than just numbers, we need high quality legal talent if we are to become a first-rate legal services hub.

Recommendations of the Third Committee

- Broadly, the recommendations are in three areas:

Domestic Supply

- First, the Committee recommended an increase in the **domestic supply** of legal talent.
- The Third Committee recommended that NUS law school increase its intake from 220 to 250, but with the rider that the intake be reduced if a second law school is set up.
- In addition, the Committee recommended that the Government consider setting up a second law school.
- The Government agreed with these two recommendations of the Third Committee.

- The Singapore Management University (SMU) has earlier submitted a proposal to set up a law school.
- ***Government has given SMU the go ahead to set up a second law school. A second law school will add diversity and competition to the local legal education sector, and will help bring our legal training to the next level.***
 - A second law school will add diversity to the legal training provided here and create healthy competition for NUS.
- The detailed concept and the intake number are yet to be finalised. MOE and MinLaw will discuss these issues with SMU in the next few months. SMU is expected to start its law school next year.

Overseas Law Graduates

- Second, the Committee made two recommendations concerning the supply of ***overseas law graduates***.
- The Committee recommended that the current list of Scheduled Universities should be maintained. More schools may be added in the future through our treaty obligations.
 - This may be through our CECAs or FTAs, as has been the case for the US and Australian schools recently added.
- In addition, the Committee recommended that Singaporeans who graduate from scheduled foreign universities with Second-Lower Honours should be allowed to practice here, subject to certain conditions.
 - Currently, our cut-off is Second Upper Honours or its equivalent.
 - At present, those who have 2-2s or its equivalent² cannot practise. But quite a number of them have gone on to have useful work experience in law-related areas, or have acquired additional qualifications. In so doing, they may have demonstrated their potential and aptitude to do well in law practice. We should be prepared to recognise such work experience and allow these graduates to be admitted to practise, but upon fulfilling certain requirements. This will also include serving the prescribed period of pupillage which the Government felt is necessary, just like what all 2-1 overseas law graduates have to undergo.

² Details of what will be an equivalent of a UK 2:2 in the case of law degrees obtained by Singaporeans and permanent residents from the scheduled Australian, New Zealand and American law schools will be worked out in the implementation legislation in due course.

- To ensure that the quality of our lawyers is maintained, in addition to the requirements recommended by the Third Committee, such graduates will be interviewed by the Board of Legal Education which will have to satisfy itself of factors such as the nature of their results, their work experience and whether they have acquired additional qualifications. This is still being worked out, and we will announce more details in the next 2 to 3 months.

Special Scheme for Singapore law firms to engage High-quality Foreign Lawyers

- Third, the Committee recommended a special scheme to allow local law firms to hire **high-quality foreign lawyers** to do Singapore law work in limited and specified areas.
 - The scheme is designed to allow our local law firms, especially those doing regional work involving cross border transactions, to attract high quality foreign talent so that they will be able to grow and be in a better position to compete regionally.
 - When high quality foreign talent join our local law firms, they will bring with them international experience. This can only be good. Singapore law firms can leverage on their experience to strengthen their capacity to compete regionally.
 - The scheme is not intended to allow unfettered entry of foreign lawyers. This scheme, to be administered and regulated by AGC, will be implemented in a selective way and stringent requirements will be put in place to ensure that quality is maintained.

Furthermore, any foreign lawyers admitted under this scheme can only do Tier 1 and Tier 2 legal work in finance, banking & corporate work.

- **We will introduce a special scheme for Singapore law firms to employ high-quality foreign lawyers. This will allow the blending of the expertise of overseas talent with the skills of our local lawyers to ensure that our law firms are better able to compete in the global marketplace.**

Justice Rajah's Committee to Review the Legal Services Sector

- The scope of the Third Committee was on the supply of lawyers.
- But we need to go beyond that. We need a more comprehensive review of the entire legal services sector. Given the rapid changes to the legal services landscape, we need to ensure that our legal services sector not only keep up with the changes, but is well

positioned to benefit from the vast opportunities thrown up by these changes.

- **Justice V K Rajah, who already is heading a committee to see how the use of Singapore law can be promoted, has agreed to head a committee to undertake a comprehensive review of the entire legal services sector, with particular focus on exportable legal services. This Committee will examine how we can move our legal services sector to the next level in the new economy, and position Singapore firmly as a major legal services hub.**
- The committee will look, for example, into:
 - legal education, in particular how to prepare our law graduates for the ever changing commercial realities, and developing Singapore into a legal education hub for the region;
 - identification of core areas of excellence for the legal sector and how they may be developed;
 - the roles of supporting infrastructure organisations such as the Academy of Law, Law Society, Singapore Mediation Centre and Singapore International Arbitration Centre;
 - more effective promotion of Singapore as a key provider of legal services in Asia, particularly for cross-border commercial transactions; and
 - future directions for the legal profession as a whole.