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TPP: WHAT'S THE BUZZ?

A note from Indranee Rajah S.C., Senior Minister of State for Law

You've heard of the Trans-Pacific Partnership or TPP. It's been in the news. It has just been signed. It has also been generating strong emotions in some countries. The question is: what will the TPP mean for Singapore lawyers when it is ratified and comes into effect?

Here's the low down:

- What exactly is the TPP? It's a comprehensive, high standard regional trade agreement that will create new trade and investment opportunities for Singapore in the Asia-Pacific region. It brings together 12 economies from both sides of the Pacific (Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam).
- Collectively, these countries represent 40% of global GDP, one-third of world trade, and comprise a population of 800 million, making it the largest regional trade arrangement to date.
- The TPP represents an important market and production base for Singapore businesses. In 2013, TPP partners accounted for almost S\$300 billion – that's 30% of Singapore's total goods trade. 30% (~S\$240 billion) of foreign direct investment into Singapore comes from TPP countries. 20% (~S\$110 billion) of Singapore's direct investments abroad (DIA) are in TPP countries.
- The TPP will boost regional economic integration with some of Singapore's key trading partners. There will be stronger and better linkages between Singapore and valuable sources of investment and technology such as the US, Japan and other advanced economies. Singapore-based companies will be better placed to tap growth opportunities in the Asia-Pacific, including Latin America.
- I should mention that Singapore has a carve out under the TPP re the practice of Singapore law. The current status on the practice of Singapore law is thus not affected by the TPP.

OPPORTUNITIES FOR THE LEGAL INDUSTRY

Law follows business. The TPP will create new business. It will generate new trade and investment in TPP countries. This means new opportunities for legal work:

- **First, there is potential for more regional, cross border legal work in ASEAN markets (Brunei Darussalam, Vietnam and Malaysia) and new markets (Mexico and Canada).**
 - Three of our ASEAN neighbours are TPP partners, and they are expected to benefit from the increased trade and investment. Demand for legal services from these countries could increase.
 - The TPP will also open doors to the new markets of Canada and Mexico (Singapore does not currently have FTAs with these two countries), and consequently, increase demand for our legal services. Canada and Mexico are already our important bilateral trade partners. With the TPP, further growth is expected.
- **Second, there is potential for more legal work in industries attracting direct investment.**

- With the removal or relaxation of certain trade barriers, greater direct investment is expected in industries such as construction, energy, food, healthcare, IT, telecommunications, textile and apparel, and transportation.



- More legal work could also be generated from the creation of new production and supply chains in secondary sectors like food products and processing, iron, steel and semi-finished products, and chemicals.

- As a transshipment hub and a gateway to ASEAN, new regional headquarters could be established in Singapore, bringing in re-invoicing and transshipment work.

- **Third, there is potential for legal work in certain practice areas.** This includes:

- International trade law The TPP could lead to an increase in demand for advice on the rules and customs governing trade between countries, to ensure compliance with complex tariff reduction rules, product-specific rules of origin, and settlements for false origin claims, amongst others.
- Finance The Financial Services chapter allows certain financial services to be provided by suppliers in one TPP country directly to another TPP country, rather than requiring the suppliers to establish operations in the other country before they can sell their services. These financial services include wealth management, forex and commodities, among others.



In addition, trade and shipping finance and maritime insurance sectors could benefit from increased trade, and lawyers will be needed to navigate new legal systems across TPP countries with differing financial regulations.

With Singapore being a financial centre, there will also be potential for greater stock exchange link-ups and the establishment of foreign financial institution subsidiaries in Singapore. If this happens, it will also generate more legal work.

- Intellectual property (IP) law With the opening up of new markets, local companies will need to protect their IP and enforce their rights in these jurisdictions. Lawyers will be needed to handle IP filings, particularly Madrid Protocol and PCT applications covering TPP countries.
- Dispute resolution The Dispute Settlement chapter expands the dispute settlement system, particularly in Investor-State Dispute Settlement (“ISDS”) cases, by allowing foreign-owned firms to privately enforce the TPP by challenging TPP governments in foreign tribunals. This could potentially mean an overall increase in ISDS cases. Singapore can position itself as a neutral seat for disputes to be administered and heard, e.g. through our Singapore International Arbitration Centre, or as a venue for arbitrations administered by international organisations, e.g. ICSID and PCA. International investment law has hitherto been led by law firms based in London, Paris and the US. With the TPP, more of this kind of work is set to come here. Singapore law practices should start building expertise in this area, if you have not already done so.

SEIZING THE OPPORTUNITIES PRESENTED BY TPP

I've set out the opportunities and likely areas of increased demand for legal services. I would like to urge our lawyers to start gearing up, and positioning and equipping yourselves to take advantage of these opportunities.

Time frame: The TPP could come into force if all twelve TPP countries ratify it within a two-year timeframe, or if the US, Japan, and 4 more TPP countries ratify it outside of the two year timeframe.

This means that we have roughly a two-year window to get ready to take advantage of the TPP once it comes into force. Two years will go by in the blink of an eye. It is best that we start getting ready now.

Far be it from me to tell you what to do in order to be ready, as you know your practices best. However, permit me to venture some general suggestions which I hope may be of assistance.



Photo: The Future of Us Exhibition

Singapore law practices and lawyers may wish to consider doing the following:

- Establishing a commercial presence in TPP countries or a pan-regional operation across the TPP region where it makes business sense to do so, or expanding your network of “best friend” law firms to include firms in TPP countries. This way, you will be better placed to serve clients looking to conduct businesses with other TPP countries;
- Acquiring the capability to advise on the rules and regulations in TPP countries relating to your practice areas. This is necessary as you will have to advise clients on how to operate under these new guidelines when they come into force. Choose a modality that fits your practice best, whether it be through your regional, partner or “best friend” law firms in TPP countries, hiring lawyers qualified to advise on the laws of TPP countries, or getting your own lawyers qualified to advise on these laws;
- Building expertise in industry sectors and practice areas that are expected to grow, e.g. by seconding lawyers to international firms with expertise in these areas, sending lawyers for relevant training, or hiring experts with experience in specific industry sectors; and/or
- Seeking out and building strong relationships with clients in the industry sectors that are expected to grow. Seconding lawyers to clients would allow your lawyers to gain knowledge of the industry.

EDB, SPRING and IE Singapore offer assistance schemes which support a wide range of capability upgrading initiatives to enable Singapore law practices to compete and grow their businesses locally and globally. You can capitalise on these schemes to grow your areas of expertise.

WRAPPING UP

The TPP presents a range of new opportunities for our legal sector. Our legal community must position ourselves to seize these opportunities once they arise.

MinLaw is open to helping Singapore law practices that have a specific strategy or plan in mind to invest in growth initiatives that will enable them to better capture the opportunities arising from TPP.

If you have such strategy or plan and would like to discuss it with MinLaw, you can contact our Programme Director at the Legal & IP Programme Office, Ms Celia Sia, at celia_sia@mlaw.gov.sg.

– *Indranee Rajah S.C., Senior Minister of State for Law*
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