

**Speech by Minister for Law, Mr K Shanmugam, at the 2nd Annual Singapore Chamber of Maritime Arbitration (SCMA) Conference**

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Ladies and gentlemen,

Good morning.

**I. INTRODUCTION**

1. Thank you for inviting me to join you this morning.

**II. THE MARITIME SECTOR IN SINGAPORE**

2. The maritime sector is an important economic sector in Singapore:
  - It contributes some seven per cent to GDP and employs under 200,000 people.
3. For many decades, we have retained our position as one of the world's busiest ports in terms of vessel arrivals, bunker sales and container throughput.
  - Vessel arrival tonnage - new record of 2.12 billion gross tonnes in 2011 (up 10.5 per cent from 2010).
  - Record total bunker sales in 2011, up 5.6 per cent to 43.15 million tonnes.
  - Container throughput for 2011 grew by 5.3 per cent to 29.94 million TEUs (Twenty-Foot Equivalent Units).
4. This has been so despite the past few years being challenging ones for shipping.
5. The industry faced natural disasters and debt crises in Europe and the US, which translated into softer demand and excess supply for shipping services.
6. Asia, on the whole, has fared better than Europe or the US.
  - Asia's GDP expanded by 8.4 per cent in 2010.
  - China's appetite for raw materials is a huge engine of growth.
  - Other fast-growing Asian countries include India, Vietnam and Indonesia.
  - European growth is forecasted to remain low as they deal with fiscal cuts.

In the end, we are in an interlinked economy – we will either sink or swim together.

7. As an international maritime centre, Singapore is in a central position to benefit from this economic growth.

**III. MARITIME ARBITRATION**

8. Given the importance of maritime trade to Singapore, we recognise that there is a need to have a framework in place to ensure that disputes are effectively resolved.
9. The SCMA was established in 2004, and reorganised in 2009, to cater to the demand for shipping disputes in the region.
10. As ad hoc procedure is the global choice for conducting arbitration of maritime disputes, the SCMA was re-organised in 2009 as its original model was based on the administered model of arbitration provided by the Singapore International Arbitration Centre (SIAC).
11. The maritime arbitration caseload has been increasing steadily:
  - More than 100 maritime related caseloads were heard by SCMA and SIAC from 2009 to 2011.
  - The value of cases is also growing, with the largest single case around S\$250 million or so.
  - The acceptance of SCMA Rules is also rising with more than 50 per cent of the parties involved in registered disputes not being Singapore based.
12. It is good to see many eminent arbitrators on SCMA's panel. We have to be open. I understand that SCMA is intending to invite more arbitrators based in other established maritime centres of the world to join its panel. A noticeable trend is that of the established London Maritime Arbitrators Association names registering themselves on SCMA's panel.
13. I understand that SCMA is also considering expanding its Board of Directors to include both local and international figures in maritime arbitration. We will support that strongly. We found that for example for the SIAC, one of the key things we did was to make sure that the SIAC Board was international. In fact, the chairman is an Australian. An international outlook is important for a place like Singapore, which tends to handle international work. This will enable SCMA to tap on their knowledge and networks to give strategic guidance for the next phase of SCMA's growth, and give SCMA a more international reach.
14. My ministry also supports SCMA's efforts to undertake greater marketing activities and to promote greater use of its clauses.
15. These efforts to boost the international profile of SCMA, and Singapore's importance as a key node of the global maritime network, promise an exciting time for maritime arbitration in Singapore.

#### IV. ARBITRATION IN SINGAPORE

16. The maritime arbitration sector is an important part in our desire to develop and push Singapore as an international arbitration hub. We sought to create an eco- system that is structured properly. The efforts over the last few years have borne fruit.
17. A survey by White & Case in 2010 found that after London and Geneva, Singapore – together with Paris and Tokyo – were the next most popular seats for arbitration.
18. Singapore was also named the most popular Asian seat in the 2010 International Arbitration Survey. Most people will now accept that Singapore is the pre-eminent destination for international arbitration. If you exclude domain name arbitration, construction, Singapore is well and truly ahead now.
19. Singapore's largest law firm, Rajah & Tann, was ranked by Global Arbitration Review as a top 30 arbitration practice for the fourth straight year.
20. We have taken a number of steps to make Singapore an attractive arbitration destination.
  - Adopted a completely open regime for the practice of arbitration. Parties have the freedom to bring in their preferred legal expertise and to use any governing law and any counsel from anywhere in the world.
  - Singapore is seen as a neutral venue for arbitration when parties are not able to use their country of operation or business as the venue of dispute.
  - Our courts are supportive of the arbitration process and have consistently supported the finality of awards from arbitrations.
  - Our legislative framework and laws support international arbitration
  - Further, we constantly update and review our legislative framework. Some of the changes we introduced this year include:
    - Arbitration agreements will no longer need to be made in writing, so long as they are recorded in some form.
    - Interim awards made by an emergency arbitrator before the arbitral tribunal is constituted, will be recognised and their enforcement provided for.
    - Party autonomy will be protected by allowing curial review of negative jurisdictional rulings by the arbitral tribunal.
    - The arbitral tribunal's powers to award interest will be clarified and strengthened.
21. Our philosophy is clear. We understand how the arbitration system works. Therefore, we intend to keep pace with the latest changes in international systems and watch the market. We are constantly in touch and we are reviewing if further amendments are to be taken this year or next year. Besides the software of legislative changes, we have also invested in the hardware.
22. Maxwell Chambers, a first-of-its-kind integrated dispute hearing facility, was opened in January 2010, providing world-class hearing rooms and facilities for dispute resolution while co-locating premier arbitral institutions.
23. Some of these world class institutions include the American Arbitration Association, the Permanent Court of Arbitration, and the International Chamber of Commerce's International Court of Arbitration (ICC-ICA).
24. More than 10 of the GAR top 30 arbitration groups have opened offices in Singapore, including 20 Essex Street, Essex Court Chambers, and Bankside Chambers.
25. We also understand the need for any legal infrastructure to be complemented by exceptional professionals who practise in this field.
26. More than 200 international arbitration cases took place at Maxwell Chambers over 2010 and 2011.
27. Singapore will host the International Council for Commercial Arbitration's (ICCA) 21<sup>st</sup> Congress this June.
28. This is the first time since 2004 that the ICCA Congress is being held in Asia.
29. The Prime Minister will be gracing the opening ceremony.

#### VI. TODAY'S CONFERENCE

30. The theme of today's conference - *"Insolvency of a Global Shipping Principal: Understanding and unravelling the complications"*.
31. This theme is obviously relevant since the shipping industry was one of the hardest hit by the global recession.
32. In 2009, world seaborne trade (goods loaded) decreased by 4.5 per cent to 7.8 billion tonnes.
33. The industry continues to remain cautious: the Baltic Dry Index (BDI), which tracks shipping rates across key routes, has fallen about 40 per cent since last year.
34. Numerous shipping companies have filed for bankruptcy - General Maritime, Korea Line Corp, Britannia Bulk Plc, Armada (Singapore) Pte Ltd, among others.
35. Dispute resolution is one of the areas that needs to be strengthened in this environment while we wait for an upturn. In this gloomy shipping environment, the market is likely to see more disputes linked to defaults.

36. Many parties may turn to arbitration to seek resolution.

**VII. CONCLUSION**

37. Singapore seeks to be a global destination for dispute resolution and legal services, especially in sectors like maritime where we have a natural advantage of maritime trade flows that come through Singapore.

38. We will ensure we have an eco-system conducive to the growth of these industries, and that it is responsive to the fast changing demands of customers.

39. I am confident that the SCMA will become an increasingly important member of this eco-system.

40. On this note, I wish the conference success.

41. Thank you.



