

Legal Profession as Strategic Industry for Economic Growth and Prosperity

1. The interrelation between the legal industry and economic growth and prosperity

The legal industry has been synonymous with social advocates of political and human rights, but another fundamental aspect of this industry has also been its contribution as stimulants for economic growth and prosperity. Laws and economics are supplemental and are interdependent of each other. They are not mutually exclusive. Economic growth has encouraged the developments of laws regulating business activity. These laws are implemented either to promote market growth or to impose control on the market.

Hence, in the open economy, a lawyer's service is imperative in facilitating trade and commerce, commercial transactions, investments etc. Easy access to the legal fraternity allows businesses to design their commercial dealings in accordance with established legal and regulatory landscape. For example, the rapid wave of digital tsunami in the emerging market has caused constant changes in the legal landscape. Thus, businesses require lawyers who are able to ride the waves and maneuver through these regulatory developments and ever-changing law enforcements in order to sustain their business activities.

Amongst others, the legal industry:¹

- (a) provide for due implementation and predictability of the law;
- (b) protect small business to navigate through complex legal regulations;
- (c) ensures stability, certainty and clear legal boundaries for property rights;
- (d) forces greater accountability of public officials; and
- (e) postulate greater equilibrium of power between the executive; legislative, judicial, regulatory branches of government.

2. How lawyers help businesses drives the economy

Consumers, businesses, and investment's decisions are highly dependent upon a transparent, stable, and predictable regulatory framework. However, realistically, the law and order will not always work in their favor. Often, excessively complex, burdensome and costly procedures for the registration, licensing and overall functioning of a business will discourage and cause difficulty for entrepreneurs to ensure legal compliance when conducting their business activities.² This is especially true for small and medium business industries that will be most impacted as these complex regulatory procedures will impose a significant barrier to their business growth due to the lack of financial resources. When compared to their larger counterparts, these small businesses are placed at a competitive disadvantage in the market, undermining the effect of competition policies and antitrust laws.³

Lawyers will ensure that this regulatory framework is effectively and independently enforced, whilst having their client's business interest in mind. This is executed through the enforcement of contractual obligations, facilitating commercial transactions, incorporations, and registrations of business entities, and providing sound legal advice on feasible business solutions. Almost every segment of the business activities requires legal professional services to function. For example, in the formal economy, corporate and securities law plays a critical role in a business day-to-day operations for the sale and purchase of businesses assets, stocks, bonds etc. Meanwhile, compliance to environmental laws has emerged to be an important consideration for companies that aim to build their brand as eco-friendly businesses.

Additionally, businesses are also subjected to a myriad of employment laws, regulations, and policies. All of these require companies to seek and engage the legal services to help them mitigate and absorb the adverse effects of a highly regulated market.

3. The role of the legislative and judiciary in the growing economy.

The legislative also plays a critical role in ensuring that the laws evolve in tandem with the growing economy. Every modern nation has a dynamic legislative reform. The legislative body plays a critical role in paving the way to reform and modernize archaic regulatory frameworks through a more frequent review of the laws.

For instance, a member of parliament may propose a Private Member's Bill which is a normal affair in developed nations. This appetite for reform and the willingness to create business-friendly environments have been proven to be one of the most fundamental aspects in attracting local and foreign investments.

The judiciary is an important component in the creation of a more vibrant and modern economy. Judicial systems that are effective, efficient, and accessible will in return give businesses confidence that contractual obligations will be enforced and resolved through a fair and just process and simultaneously, property rights will also be protected as provided for under the law.

Furthermore, a well-functioning judicial system also plays a critical role in ensuring that judicial decisions will be delivered in an efficient and timely manner. Lengthy court proceedings can cause an impairment to the flow of economic activity. This is especially when a court case may take up to a few years before it can finally be disposed of.

This process would take even longer when an appeal comes into the picture. Nevertheless, a judicial system that is not equipped with sufficient and sound business knowledge has also proven to be counterproductive. This is because, even if cases are resolved, the outcome could be perceived as unfair or lack business acumen and ultimately will hinder economic growth and prosperity. Hence, the judiciary must be more proactive to embrace new and more robust common law development through their judicial decisions.

4. Evolution of new practice areas vis-a-vis the growing economy

The emergence of new practice areas such as the capital market, project finance, private equity, venture capital, personal data protection, anti-competition, anti-bribery, ESG policies and more serves as evidence on how the legal profession serves as a strategic industry for economic growth and prosperity.

Some of the factors contributing to new practice areas are as follows:

- (a) rapid growth of corporate law firms;
- (b) natural internationalization of clients' needs
- (c) companies expanding beyond their home turf;
- (d) changing landscape of economic activities (reduction of government active participation/intervention in private sector);
- (e) technology & telecommunication evolution;
- (f) new economic models (Purchasing power parity, privatization); and
- (g) free trade agreements.

5. Examples how the legal industry shapes economic growth all around the world

- (a) Latin America
Even though Latin American countries lack the market size of China or India and therefore might offer less attractive investment opportunities and possibly lower returns, an advanced and improved rule of law will help reduce potential investment risk for investors and in return attract more local and foreign investors.⁴

- (b) China
There were not many law firms in China until China opened its market. Chinese lawyers facilitate the entry of Chinese companies and products into the overseas markets. King & Wood Mallesons, Dacheng and Yingke Law Firm, have emerged to be amongst the biggest China-based law firms.

- (c) Singapore
Generally, Singapore's economy is very open. Singapore has opened its market to foreign lawyers and foreign law firms are authorized to practice Singapore laws in Singapore. Given its economic size and its position as the hub of the region, foreign law firms are attracted to have a presence in Singapore. As a result, the Singapore International Arbitration Centre has emerged as a popular center for arbitration and Singapore laws are also gaining traction as the governing law for transactions after English laws and US laws.

6. What lawyers do to move forward?

An economy with an advanced legal framework and 'state of the art' laws will not flourish if the quality of the lawyers who are responsible for implementation of these laws are subpar. Thus, moving forward lawyers should:

- (a) embrace innovation in their practice area;
- (b) invest in technology to modernize their practice;
- (c) acquire other skills – communication, financial, strategy, business and commercial skills;
- (d) develop a long-term strategy for their practice;
- (e) build a reputable and trusted brand in themselves and their practice;
- (f) craft a long-term strategic plan;
- (g) develop the firm's leadership team;
- (h) develop sustainability plan for the firm;

- (i) build and preserve organizational capabilities;
- (j) develop strategy to win high paying and premium works;
- (k) seize the opportunity of upscaling;
- (l) enhance the level of technological application and business processes;
- (m) build a value accretive practice; and
- (n) adopt CSR efforts – never forget to give back to the community

7. Conclusion

In short, the guarantee provided by the legal industry ensures confidence and helps companies and businesses to take up the risk of engaging in various commercial transactions. At the end of the day, they know that no matter what type of commercial disputes that they will encounter there will always be a legal system in place to protect them, and that they will always have legal recourse should they require them.

¹ Antonia Stolper et al., *Rule of Law, Economic Growth Prosperity* (New York, USA: Americas Society and Council of the Americas, 2007).

² Ibid

³ Lloyd Dixon et al., "The Impact of Regulation and Litigation on Small Business and Entrepreneurship," *Kauffman-RAND Center for the Study of Small Business and Regulation*, February 2006.

⁴ Antonia Stolper et al., *Rule of Law, Economic Growth Prosperity* (New York, USA: Americas Society and Council of the Americas, 2007).



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