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BUSINESS SPOTLIGHT

H.E. SOK SIPHANA

Cambodia's opportunities for Growth in the AEC



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Key Magazine sits down with his H.E Dr. Sok Siphana, Adviser to the Royal Government of Cambodia with rank of Minister and Principal at Sok Siphana & Associates to talk about his beginnings, his law practice and the future of real estate under the Asean Economic Community.

H.E. SOK SIPHANA

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Photo By: Leonard G. Reyes

Key Magazine: What got you started in your career in trade and law? Did you realise early on that this was what you wanted to do?

You know I studied law, initially my undergraduate was in business and marketing, then later on I went to study law, not necessarily for trade law, but you know when I got a job with the UN, it was more development law. It was only until 1999 when the government asked me to join as Secretary of State and Vice Minister for Ministry of Commerce that I was involved in trade. So it was quite happenstance, it was not designed, I never thought about it. But still, trade law, international trade is still law, so in a way it fit.

Key Magazine: Tell us something about Sok Siphana and Associates, it's reason for being

I'm a lawyer so I started this law practice but when the government asked me to be a Vice Minister of Commerce I had to stop and when I left the government, I went to work in Geneva for the WTO and the UN and it was on hold. It was only in 2009 when I came back from Geneva that I decided to restart the law practice with my wife. It's just me and my wife it's a small firm and we restored the practice together and so we are thriving as a law firm. But we do mostly commercial and banking law, so anything to do in the commercial sphere; banking transactions, joint ventures, shareholder agreements. Some commercial dispute (cases), some mitigation.

Key Magazine: In terms of vision, what would you think your company could contribute to Cambodia as a nation?

As a western trained lawyer, or intellectual, I bring a lot of understanding of how the Western world operates, how the Western World thinks, their paradigm. And being Cambodian born, being Cambodian, I also understand how my culture operates. So to me, the strength of my firm is the ability to explain both sides of the fence. So when we have for example a commercial transaction where a big foreign Investor is coming into the country and have to deal with a local component partner, the two are thinking in two different worlds. The Cambodian thinks very much like the Cambodian way, and the Western they think about due diligence, you know, they have to check all the records to make sure that tax payment is paid, to make sure that the Board resolution is there, while the Cambodian say, "Oh don't worry about it, it's my land, my property, don't worry, we sign and we go drink, karaoke and we are buddies for life", right? Only to find out that six months later they have a dispute. So I'm trying to educate the Cambodian business community that they should be thinking more as a

corporation, they should formalize, they should pay taxes, that they should do all the compliance that the Western companies take for granted. And the Western companies also, when they come, we try to explain to them how to deal with the local, how to be compliant with the regulations. And many times, they also take for granted many things in Cambodia, like work permits and registration. I try to explain to them that, you know, Cambodia is an emerging economy. The rule of law is not 100%. Even though the enforcement is lax, it does not mean that you should not comply.

Key Magazine: The October 2014 Regional Economic Outlook Update characterises the region's growth prospects as solid and that it will continue to grow. What are your insights on this?

I would say Cambodia's prospects are very good in the ASEAN Economic Community. You will see that there will be more investments coming to the country from the region, mainly from the fact that Cambodia is an open economy. The investment policy is very liberal, investors can own 100% of their business, which is a major decisionmaking factor because for a company not to have a local partner if they don't want to is a major factor in favor of investing in Cambodia.

And Cambodia is, in a way, in between two major markets if you look at the subcontinental Greater Mekong region, we're in between Vietnam (pop.) 80 million, Thailand (pop.) 67 million and now with the Mekong bridge, the Tsubasa bridge, it links the two big markets to Cambodia. So now, Cambodia is part of the supply chain. Before we could not say that we are part of the regional supply chain because of the border barrier. They say, yeah, the road is there but we have to cross on a ferry, that's no good. Now the ferry is no more, right? The trucks can go straight. But if there's no ASEAN Economic Community, the border will still be a headache, so the supply chain wouldn't work. The supply chain functions on a realtime basis. Like if a truck leaves Saigon, they expect it to be in Phnom Penh by noon, but if the container gets stuck in the border post because of some problems at customs...so you see with AEC, the border barrier is lowered. It means that it will facilitate the flow of this business. So I see the prospects of more industrial zones being built in Cambodia mainly to facilitate FDI.

So that explains why we are optimistic for the prospects for the next several years.

Key Magazine: What role does the real estate sector play in Cambodia's economic growth?

The real estate sector has a tremendous role Because

you know, for Cambodia to attract quality investors, what does a CEO of a company want when they come here? What is his motivating decision? If he is single he still wants to live in a nice condo, with a pool, access to a gym, in other words a Grade A type of building. If he is married he has to think, well, where does my wife shop while I'm working? Does it have enough facilities and that's why the Aeon Mall, the Parkson Mall that is being built, these are the soft dimensions that will justify why an executive or director of a foreign company may want to consider Cambodia.

The third one is office space, office space is important. For Cambodia to attract these companies they would want to work in a Grade A facility. Vattanac tower is a good start. The bridge is a good start and there are a few other buildings sprucing up that can deliver that quality office space with the broadband and everything, So I would say all these elements form the basis for why the construction industry plays a fundamental role to give the supporting infrastructure for major investments to come. Because you're dealing with a factory owner who may build a huge factory employing a few thousand people, but where are his managers? Where are his foremen? Where are the executive team? Where will they stay? They sure wouldn't want to stay in the factory. So, that explains why you see all these condominiums, these apartments are springing up left and right. So clearly (real estate and construction are) a fundamental actor in the development of this country.

Key Magazine: What do you think are the risks and challenges for Cambodia's Real Estate sector's growth?

I would say that one of the risks is ensuring proper standards, of building materials construction, proper design, qualified engineers, surveyors, proper qualified architects, in other words a whole ensemble of building practitioners. We would want to have construction companies who are qualified. We would want engineers and architects who are qualified to ensure that buildings meet international quality standards. But these are the risks that the Ministry of Land Management and Urban Planning and Construction is seriously working on now, because I've been tasked by the Ministry to help draft the construction law. So I'm putting all these elements in place to make sure that building practitioners are well regulated, that they are who they claim to be. These are the

sorts of prudential rules that we are putting in place to ensure that the public is protected, that the consumer is protected.

Key Magazine: You have had a long journey and overcome odds to be where you are now, what would you say is the most important life lesson you want to impart to the next generation?

Nation building. My main message is that the unfortunate historical distortion that took place during the killing fields goes beyond the physical destruction of buildings, of households, of banks and financial systems. I think it destroyed this notion of nation. What I would like to see in the next generation is more awareness of this sense of nation-building. Yes, it's ok to look for profit, but don't look for profit at the detriment of society. Think also about what you can contribute to society, Ultimately it is about rebuilding the nation. Our society now is quite selfish. The fabric of family, the fabric of community is destroyed, so people who had to think of survival needed to think selfishly. But now it's time, the country is stable enough to start thinking of Nation.

To me, it all starts with oneself, then hopefully everybody in different sectors, in different walks of life will start to think more: what can i do to make my community a better place to live in?

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