

Embrace, Don't Fear: Sok Siphana Talks ASEAN Integration

With Kali Kotoski
Photograph by Kali Kotoski

Dr. Sok Siphana spent five years negotiating Cambodia's accession into the World Trade Organization (WTO). In 2004, he reached that goal. Following that milestone achievement, Dr. Siphana served as an adviser to the Royal Government of Cambodia, and also to the Supreme National Economic Council. These days, Dr. Siphana is a practicing attorney at his Sok Siphana & Associates, specialising in international trade and corporate law.

With the first days of the ASEAN Economic Community (AEC) just months away, Dr. Siphana sat down with Management Insider to discuss what the open economy means for businesses in Cambodia.


What effects will the AEC have on Cambodia?

The immediate effect will be psychological in the sense that Cambodians have always seen themselves as between the two larger economies of Thailand and Vietnam. Now that the AEC will take effect, you will see that barrier come down. And this will allow us to actually change the promotion model of Cambodia by saying that it is no longer a small country, but a gateway into ASEAN, or rather into the Greater Mekong Subregion. Before we had a complex that at least we are bigger than Laos. With the AEC coming, that will lift that complexity out of our mindset.

What direct benefits will the AEC bring to Cambodia?

The AEC will benefit Cambodia because we are between two huge markets that transact and trade and who carry transport across our country. I see that already happening. Leading up to the AEC, major companies are positioning Cambodia as part of the global supply chain. Huge logistic companies are setting up in free trade zones and investing into special economic zones all along the ASEAN highway. And let's face it, this moment is historical, we opened the Tsubasa Bridge and that is symbolic of the fact that Cambodia is connected now. In a metaphorical sense, Cambodia is a bridge between two huge markets that are buoyant.

But for me, I am more excited about the soft side of the integration, which is hard to quantify. I am keen to see



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the benefits for our young generation of entrepreneurs and young professionals who will be exposed to a regional way of doing business. A young architect could just fly to Kuala Lumpur or drive to Bangkok with a digital camera and could come back with thousands of images for new designs. And we have been seeing that already. Just look at all these buildings designed around Phnom Penh. They are not by the world's top architects, but by local Cambodians who are exposed and knowledgeable.

What will be the effect on investment?

As a negotiator for Cambodia's acceptance into the WTO way back 11 years ago, we saw the first wave or true full economic liberalisation because we opened most of the sectors, besides the regulated sector. Because of this market liberalisation, we find that many investors considering Cambodia came. So, to me, we will see a second generation of new investment.

What do you say to people who are sceptical about the AEC?

Well, I have a lot of Cambodian business owners saying I am too optimistic and that Cambodia is too small and that we will be swallowed up by Thailand and Vietnam. And people are saying how can we compete against Malaysia and Singapore? But what I tell business leaders is that they have to shift the paradigm. Instead of thinking about overwhelming competition, they should start to think about cooperation, collaboration and teaming up because normally companies do not move their whole [operation], but will need access to local input for product distribution. And that is an asset.

What can local businesses do to prepare for the AEC?

First, they should not be scared of market integration because, after all, businesses have no choice. Cambodia is embracing AEC and the government is embracing true market integration so sit back and relax and see what you can do. Businesses need to get their books in order, pay taxes and get their corporate documents, so that when people come they see a business as a credible local partner. If you haven't done it in the past that is fine, that is the entrepreneurial spirit, but with the AEC start formalising your business.***

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How can the AEC hasten regulatory reform in the Kingdom?

Cambodia, since the peace process, has been labeled as a place with weak rule of law; a cowboy country like the Wild West. But the great thing about the AEC is that it is a charter-based organisation, and by being charter-based, if we commit, we have to deliver. So I see it has helping greatly because it provides a framework to issue regulations that will help stabilise certain sectors of the economy. The AEC will help the government do the things it should have done 10 years ago, and it will help protect the public better with consumer protections.

What can the government do to help ease fears of the AEC?

I think the government is doing awareness outreach, but not enough. But again, why wait for the government to help you out? At the end of the day, the industries should be more proactive. For instance, if I am in a specific industry like rice, there is nothing that stops me from conducting a study on the AEC impact on rice. We are not in Cambodia 20 years ago when you had to reach out to the government and donors for help. Now you have the capacity to do these things ourselves. ▽