



MODERATOR

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OPPORTUNITIES AND CHALLENGES IN CROSS-BORDER TRADE

SPEAKERS

Datuk Roselan Johar

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SPEAKER

Datuk Roselan Johar
(Chairman BEBC Malaysia)

CROSS BORDER TRADE AND INTERNATIONAL TRADE

CROSS BORDER TRADE & INTERNATIONAL TRADE

What's the difference?



CROSS BORDER TRADE:

2

1

Information trade

2

Non-taxable kind

3

Officially recognized by both Governments

4

Designated for border communities

5

Subjected to certain conditions & limitations

Ability to perform this trade is a privilege given to certain specific group in recognition of the hardship they face as a form of welfare to decrease their burden and allow them subsistence. It is typically a limited operation and cannot expect to grow.

INTERNATIONAL TRADE



Point 1

Involving exchange of capital, goods and services



Point 2

Across the international borders



Point 3

Subjected to the laws, policy and regulations of import and export



Point 4

This borderless world tells us to concentrate on International trade for it bring vast economic benefit for any country.

E-COMMERCE IN CROSS BORDER TRADE

Opportunities for on-line sellers to increase sales/revenues in the borderless world of e-commerce.



Growing 250% faster than traditional retail

More people have mobile phones & internet connectivity. It was reported that there are 1.79 billion shoppers (2018) and traded goods valued at US\$1,785,733 million, with projection up to 2.14 billion digital shoppers for 2021

E-commerce is an emerging market with lots of potential which differs from established markets that may have gaps to exploit or may have a high level of competition

CHALLENGES IN CROSS-BORDER TRADES



Challenge 1

Market places, processes and on-line buyers are not uniform around the world,



Challenge 2

Have to overcome the barriers: languages, differences, cultural differences, local business practices and laws, local logistics, payment methods and consumer practices



Challenge 3

Many countries are combining efforts to formulate or refining laws, policy & regulations for e-commerce:

- (i) In July 2019, Indonesia prepares their e-commerce regulations designed to prevent excess imported goods that may inundate their domestic market
- (ii) Our own Malaysia has established National E-commerce Council and has the consumer protection (electronic trade transaction) Regulations 2012.

2ND OPPORTUNITY IN CROSS-BORDER TRADE



The pasar Kaget at Entikong, Indonesia and Serikin Border Market are examples that the establishment of border markets can have positive benefits for the rural community and boost tourism

2ND CHALLENGES IN CROSS-BORDER TRADE

To find a model that:



Challenge 1

Balances economic gains for rural economic development.



Challenge 2

Maximise tourism potential.



Challenge 3

Has the proper government control so that issues of smuggling and abuse of privilege is minimised.

OPPORTUNITIES & CHALLENGES IN TRADE BETWEEN COUNTRIES

The **CHALLENGE**: to address the balance of trade issue of a country;



TRADE SURPLUS

Most countries aim for Trade surplus in their balance of trade, and they can be very sensitive towards imports and hence an obstruction to international trade



POLICIES AND REGULATION

This manifest itself into laws, policies and regulations that hinders the imports of goods and services into a country, i.e. non-tariff barriers such as approved permits, registration requirements, local certification requirements, etc



IMPORT BARRIERS

Unless the goods is critical for the country, there will be import barriers to overcome

INVESTMENT

However, to generate exports for a country to support the country's balance of trade, investment is required

OPPORTUNITY



Cross Border Economic Zones

REGIONAL or bilateral cooperation in combining the strengths and resources in order to produce goods for the international market. This will result in the proposed Cross Border Economic Zones



Agriculture & Aquaculture & Bamboo Agroforestry

Building up of raw material for manufacturing via agriculture & aquaculture and bamboo agroforestry:

- In order for there to be exports, there must be manufacturing. However before we can do the manufacturing, we still need to address the issues of raw materials first and foremost

THANK YOU







SPEAKER

Majer Radhi bin Mohamad

(Chief Operating Officer, Penang Port Sdn Bhd, Malaysia)

**OPPORTUNITIES AND CHALLENGES
IN CROSS-BORDER TRADE**



A Member of  **MMC** Group

2nd SABAH PORT FORUM

SUTERA HARBOUR RESORT, KOTA KINABALU, SABAH

1- 2 OCTOBER 2019







- Southern Thailand is situated between:
 - Andaman Sea that links to the Indian Ocean; and
 - The Gulf of Thailand which links to the South China Sea.
- The southern region comprises of 14 provinces.
- The five southernmost provinces near the Malaysia-Thailand border:
 - Satun
 - Songkhla
 - Yala
 - Pattani
 - Narathiwat



LADEN EXPORT FROM SOUTHERN THAILAND THROUGH PENANG PORT



More than **70%** of South Thai's volumes are exported thru Penang Port



- Sawn Timber
- Wood Mouldings
- Latex
- Rubber Products
- Rubber

South Thailand (TEUs)	2016	2017	2018	YTD Aug 18	YTD Aug 19
	93,517	111,889	80,818	60,981	42,882
	121,719	117,350	130,163	80,488	93,901
	45,180	44,630	43,554	29,015	26,376
Total	260,416	273,869	254,535	170,484	163,159

Economy

- Southern Thailand accounts for 9.8 % of the country's GDP.
- The local economy depends chiefly on the agricultural sector.
- Production in southern Thailand:

Rubber production

86 % of the country's total output



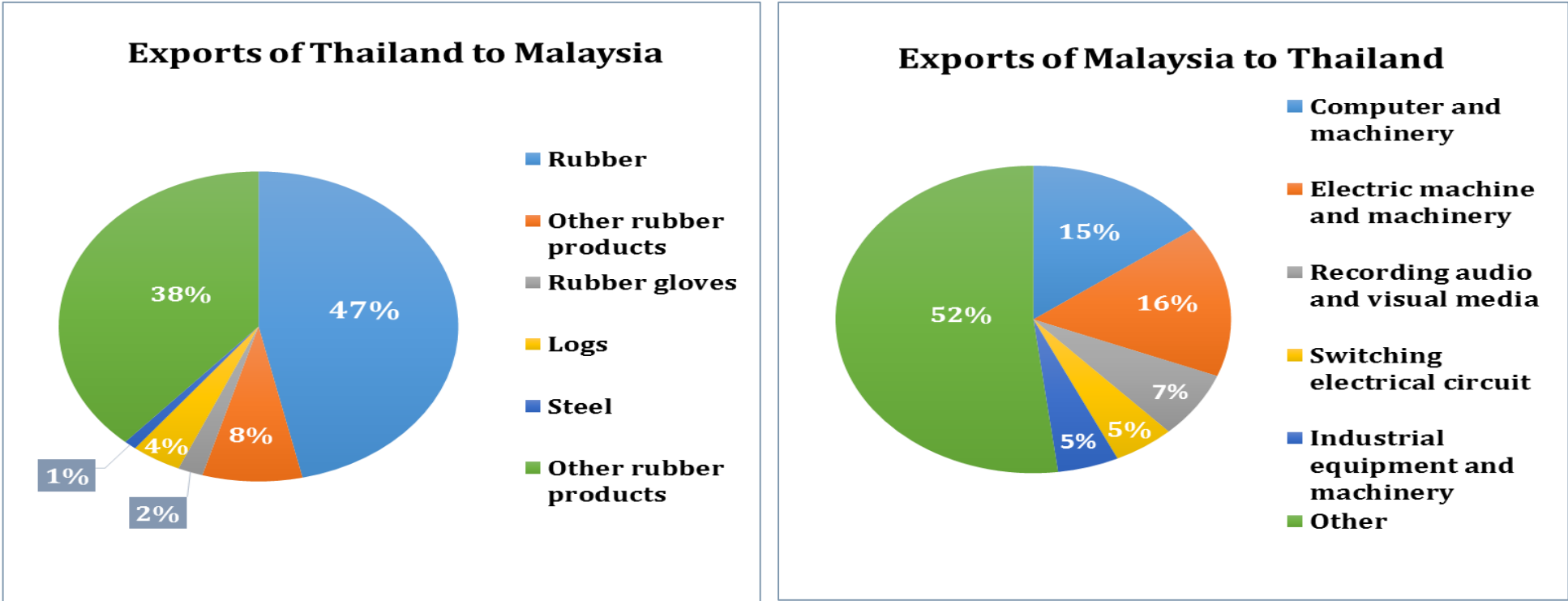
Cross-border Trade

- Malaysia is Thailand’s largest cross-border trading partner, followed by Myanmar, Laos and Cambodia.
- Cross-border trade in the south accounts for 70% of Thailand’s border trade value.

Exports/Imports:	Major Exports	Rubber & rubber products
	Imports	Electric machine, computers & machinery

90 % of border trade in the south is conducted through Padang Besar and Sadao-Bukit Kayu Hitam border checkpoints.

Major Traded Products at Thailand and Malaysia Border Crossing



Source : Based on data from Department of Foreign Trade, Ministry of Commerce, Royal Thai Government and Royal Malaysian Customs

Cargoes from Southern Thailand

The current volume of containerised cargo in Southern Thailand is estimated around 500,000 TEUs.



In 2018, out of this volume, 254,535 TEUs annually are exported through Penang Port.

Of the 254,535 TEUs:

- 51% is railed down by KTMB from Padang Besar ICD;
- 31% via road from Bukit Kayu Hitam and Padang Besar; and
- 18% via barge.

Penang Port is preferred over Port of Songkhla due to draft and equipment limitations and location of the Port of Songkhla.

	INITIATIVES
1.	Regular visit to shipper office - Monthly
2.	Participate in the Association events , quarterly / annually meeting and logistics conference.
3.	Monthly meeting with forwarding agents / stake holders at Padang Besar / Bukit Kayu Hitam. (Jointly organise with KTMB, MMF, KDRM)
4.	Appreciation dinner with Thai shippers & stake holders.
5.	Quarterly meeting with Jetty operator (Kantang, Trang Province)

	BUKIT KAYU HITAM	IMPACT
	1. Cargo clearing and documentation process. 2. 24 hours border crossing (June 2019) – low utilisation	1. Resulting constraints in logistic supply chain. 2. The related logistics supply chain i.e. depots, trucking and Thai shippers must in line with the 24 hours cargo crossing to move more cargo from South Thailand to Malaysia. Need to ensure seamless traffic movement to meet current and future demand.
	PADANG BESAR	IMPACT
	1. Delayed in development construction at Multimodal Padang Besar Terminal. 2. Multimodal rail facility currently not sufficiently equipped and processes do not cater to meet increase South Thailand cargo volume demand.	1. Current storage area insufficient to meet volume demand creating congestion and constraints in logistic supply chain. 2. Train/wagon operation turn around time resulting low utilization of KTMB assets i.e. rolling stocks.

1

Slow Demand in China (Rubber wood)

- The rubber wood market was slowdown due to slow demand in China.
- It was due to over supplied of rubber wood in construction site for house building which bonded with China Government Policy.
- Overstock in China leads to drop in rubber wood price rate.
- Apart of that, most of factories in China being force to shut down for renovation and upgrading to overcome pollution problem (rubber wood products).

2

Agreed Export Tonnage Scheme (AETS)

- The world's top producers of natural rubber will curb exports by 240,000 tonnes for four months started on April 2019.
- The decision made in a bid to prop up the global prices for the commodity.
- The move comprises of Thailand, Indonesia and Malaysia which account for 70% of world's natural rubber production.
- This is the 6th AETS implementation.

3

Competitiveness

- The Malaysian Rubber Board (MRB) is expecting rubber prices to remain "relatively low" ahead of an expected oversupply of natural rubber for top producers countries such as Malaysia, Thailand and Indonesia.
- In addition to the big exporters of rubber such as Malaysia, Thailand, Indonesia, Myanmar and Vietnam, there are also now a number of smaller producers that are increasing production like West Africa.

- Economic opportunity - allowing Penang Port and other local logistic players to tap into additional container volume of approximately 500,000 TEUs annually and other related cargo movements
- The growth of the above cross border cargo will have rippling effect in the revenue of handling sector, logistics and transportation players, JKDM and other related taxes.
- Socio-economic impact i.e. development of IMT-GT, transportation, agriculture and tourism.
- Attract foreign direct investment leading to improve and increase trade across borders.
- Movement of manpower – Flexibility of availing foreign labour workforce and skilled/technical expertise between both countries.

THANK YOU





SPEAKER

Dr. Rafiq Idris

(Senior Lecturer, Universiti Malaysia Sabah)

CROSS-BORDER TRADE



CROSS BORDER TRADE

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OUTLINE

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 - Formal & informal cross border trade
 - Traditional cross border trade activities
 - Sabah's trade with neighboring countries
- Opportunities in cross border trade
- Challenges in cross border trade
- Recommendations

INTRODUCTION

DEFINITION

- **Cross border trade?**
- It refers to the flow of goods and services across the international borders between jurisdictions.
- Specifically, it refers to the trade in areas where crossing borders is relatively easy and where products are significantly cheaper in one place than another.
- Trade can be in goods or services.

FORMAL & INFORMAL CROSS BORDER TRADE



- **Cross border trade** can be formal or informal.
- **The formal cross border** trade refers to trade in goods or services which is carried out by legally registered traders and fulfill all legal requirements of the trading countries
- **The informal cross border trade** refers to movement of goods in which all or part of the trading activity is unrecorded or unrecognized by the government, and or without adherence to procedural requirements of all formal institutions. Hence, the informality refers to the status of the trader (unregistered), not necessarily to the trade itself (captured or unrecorded by the official customs system).

TRADITIONAL CROSS BORDER TRADE ACTIVITIES

- Traditional or informal cross border trade activities can be seen at several areas in Sabah:
 1. Pegalungan-Labang
 2. Sebatik also has been a hot spot to be an active place for people to move in or out
 3. Serudong-Simanggaris (not yet gazetted as a proper CIQS but has been put in BTA to be a point that can do border trade activity).

AGREEMENTS THAT GOVERN SABAH'S CROSS BORDER TRADE

1. Border Cross Agreement (Malaysia & Indonesia)- exit & entry point
2. Border Trade Agreement (Malaysia & Indonesia)- To accommodate people lives near the border within specific radius and only for personal used
3. Anti Smuggling Agreement (Malaysia & Philippines)
4. Port & Harbour Ordinance (Sabah) to give power to Port & Harbour Dept to provide barter trade jetty and to Sabah ministry of finance to regulate such activity

Those mentioned above among others are the one that govern Sabah's cross border trade activities

SABAH'S TRADE (VIA SANDAKAN PORT) WITH NEIGHBORING COUNTRIES

SECTION	PRODUCT DESCRIPTIONS	CHANNEL	EXPORT DESTINATION	EXPORT FROM SANDAKAN (RM)
0	FOOD AND LIVE ANIMALS	SANDAKAN	INDONESIA, REP. OF	8,263
2	CRUDE MATERIALS, INEDIBLE, EXCEPT FUELS	SANDAKAN	INDONESIA, REP. OF	6,827,540
6	MANUFACTURED GOODS CLASSIFIED CHIEFLY BY MATERIAL	SANDAKAN	INDONESIA, REP. OF	357,352
7	MACHINERY AND TRANSPORT EQUIPMENT	SANDAKAN	INDONESIA, REP. OF	131,739
9	COMMODITIES AND TRANSACTIONS NOT CLASSIFIED ELSEWHERE IN THE SITC	SANDAKAN	INDONESIA, REP. OF	485,548
0	FOOD AND LIVE ANIMALS	SANDAKAN	PHILIPPINES	30,167,437
1	BEVERAGES AND TOBACCO	SANDAKAN	PHILIPPINES	99,372
2	CRUDE MATERIALS, INEDIBLE, EXCEPT FUELS	SANDAKAN	PHILIPPINES	2,823,701
3	MINERAL FUELS, LUBRICANTS AND RELATED MATERIALS	SANDAKAN	PHILIPPINES	725,160
4	ANIMAL AND VEGETABLE OILS, FATS AND WAXES	SANDAKAN	PHILIPPINES	450,451,920
5	CHEMICALS AND RELATED PRODUCTS, N.E.S.	SANDAKAN	PHILIPPINES	2,705,025
6	MANUFACTURED GOODS CLASSIFIED CHIEFLY BY MATERIAL	SANDAKAN	PHILIPPINES	1,968,142
7	MACHINERY AND TRANSPORT EQUIPMENT	SANDAKAN	PHILIPPINES	1,663,606
8	MISCELLANEOUS MANUFACTURED ARTICLES	SANDAKAN	PHILIPPINES	527,874
9	COMMODITIES AND TRANSACTIONS NOT CLASSIFIED ELSEWHERE IN THE SITC	SANDAKAN	PHILIPPINES	530,776
		SANDAKAN Total	WORLD (TOTAL)	7,663,992,332

SABAH'S TRADE (VIA SANDAKAN PORT) WITH NEIGHBORING COUNTRIES

SECTION	PRODUCT DESCRIPTIONS	CHANNEL	IMPORT SOURCE	IMPORT IN SANDAKAN (RM)
5	CHEMICALS AND RELATED PRODUCTS, N.E.S.	SANDAKAN	BRUNEI DARUSSALAM	8,395,798
9	COMMODITIES AND TRANSACTIONS NOT CLASSIFIED ELSEWHERE IN THE SITC	SANDAKAN	BRUNEI DARUSSALAM	138
0	FOOD AND LIVE ANIMALS	SANDAKAN	INDONESIA, REP. OF	38,627,474
5	CHEMICALS AND RELATED PRODUCTS, N.E.S.	SANDAKAN	INDONESIA, REP. OF	14,141,090
6	MANUFACTURED GOODS CLASSIFIED CHIEFLY BY MATERIAL	SANDAKAN	INDONESIA, REP. OF	4,561,751
7	MACHINERY AND TRANSPORT EQUIPMENT	SANDAKAN	INDONESIA, REP. OF	14,982,775
8	MISCELLANEOUS MANUFACTURED ARTICLES	SANDAKAN	INDONESIA, REP. OF	748,898
9	COMMODITIES AND TRANSACTIONS NOT CLASSIFIED ELSEWHERE IN THE SITC	SANDAKAN	INDONESIA, REP. OF	71,354
0	FOOD AND LIVE ANIMALS	SANDAKAN	PHILIPPINES	10,405,677
1	BEVERAGES AND TOBACCO	SANDAKAN	PHILIPPINES	6,468
5	CHEMICALS AND RELATED PRODUCTS, N.E.S.	SANDAKAN	PHILIPPINES	1,256,717
6	MANUFACTURED GOODS CLASSIFIED CHIEFLY BY MATERIAL	SANDAKAN	PHILIPPINES	47,467
7	MACHINERY AND TRANSPORT EQUIPMENT	SANDAKAN	PHILIPPINES	3,000
8	MISCELLANEOUS MANUFACTURED ARTICLES	SANDAKAN	PHILIPPINES	509,765
9	COMMODITIES AND TRANSACTIONS NOT CLASSIFIED ELSEWHERE IN THE SITC	SANDAKAN	PHILIPPINES	298,404
		SANDAKAN Total	WORLD (TOTAL)	2,507,199,661

SABAH'S TRADE (VIA SANDAKAN PORT) WITH NEIGHBORING COUNTRIES

SANDAKAN EXPORT TO INDONESIA	SANDAKAN IMPORT FROM INDONESIA	SANDAKAN-INDONESIA TRADE BALANCE	SANDAKAN-INDONESIA TRADE BALANCE POSITION	SANDAKAN EXPORT TO INDONESIA AS A % OF TOTAL EXPORT
7,810,442	73,133,342	(65,322,900)	DEFICIT	0.10
SANDAKAN EXPORT TO PHILLIPINES	SANDAKAN IMPORT FROM PHILLIPINES	SANDAKAN-PHILLIPINES TRADE BALANCE	SANDAKAN-PHILLIPINES TRADE BALANCE POSITION	SANDAKAN EXPORT TO PHILLIPINES AS A % OF TOTAL EXPOR
491,663,013	12,527,498	479,135,515	SURPLUS	6.42



SABAH'S TRADE (VIA TAWAU PORT) WITH NEIGHBORING COUNTRIES

SECTION	PRODUCT DESCRIPTIONS	CHANNEL	EXPORT DESTINATION	EXPORT FROM TAWAU (RM)
2	CRUDE MATERIALS, INEDIBLE, EXCEPT FUELS	TAWAU	BRUNEI DARUSSALAM	10,559,152
0	FOOD AND LIVE ANIMALS	TAWAU	INDONESIA, REP. OF	66,605,516
1	BEVERAGES AND TOBACCO	TAWAU	INDONESIA, REP. OF	4,991,445
2	CRUDE MATERIALS, INEDIBLE, EXCEPT FUELS	TAWAU	INDONESIA, REP. OF	22,324,465
3	MINERAL FUELS, LUBRICANTS AND RELATED MATERIALS	TAWAU	INDONESIA, REP. OF	1,926,871
4	ANIMAL AND VEGETABLE OILS, FATS AND WAXES	TAWAU	INDONESIA, REP. OF	513,948
5	CHEMICALS AND RELATED PRODUCTS, N.E.S.	TAWAU	INDONESIA, REP. OF	15,274,501
6	MANUFACTURED GOODS CLASSIFIED CHIEFLY BY MATERIAL	TAWAU	INDONESIA, REP. OF	20,505,228
7	MACHINERY AND TRANSPORT EQUIPMENT	TAWAU	INDONESIA, REP. OF	19,202,412
8	MISCELLANEOUS MANUFACTURED ARTICLES	TAWAU	INDONESIA, REP. OF	9,260,690
9	COMMODITIES AND TRANSACTIONS NOT CLASSIFIED ELSEWHERE IN THE SITC	TAWAU	INDONESIA, REP. OF	2,644,130
0	FOOD AND LIVE ANIMALS	TAWAU	PHILIPPINES	21,603,163
1	BEVERAGES AND TOBACCO	TAWAU	PHILIPPINES	1,493,341
2	CRUDE MATERIALS, INEDIBLE, EXCEPT FUELS	TAWAU	PHILIPPINES	33,855,877
3	MINERAL FUELS, LUBRICANTS AND RELATED MATERIALS	TAWAU	PHILIPPINES	222,713
4	ANIMAL AND VEGETABLE OILS, FATS AND WAXES	TAWAU	PHILIPPINES	3,591,471
5	CHEMICALS AND RELATED PRODUCTS, N.E.S.	TAWAU	PHILIPPINES	1,252,272
6	MANUFACTURED GOODS CLASSIFIED CHIEFLY BY MATERIAL	TAWAU	PHILIPPINES	11,477,847
7	MACHINERY AND TRANSPORT EQUIPMENT	TAWAU	PHILIPPINES	805,860
8	MISCELLANEOUS MANUFACTURED ARTICLES	TAWAU	PHILIPPINES	1,274,827
9	COMMODITIES AND TRANSACTIONS NOT CLASSIFIED ELSEWHERE IN THE SITC	TAWAU	PHILIPPINES	471,614
	TOTAL	TAWAU Total	WORLD	2,036,651,073

SABAH'S TRADE (VIA TAWAU PORT) WITH NEIGHBORING COUNTRIES

SECTION	PRODUCT DESCRIPTIONS	CHANNEL	IMPORT SOURCE	IMPORT BY TAWAU (RM)
0	FOOD AND LIVE ANIMALS	TAWAU	INDONESIA, REP. OF	51,264,866
1	BEVERAGES AND TOBACCO	TAWAU	INDONESIA, REP. OF	111,715
2	CRUDE MATERIALS, INEDIBLE, EXCEPT FUELS	TAWAU	INDONESIA, REP. OF	11,174,853
4	ANIMAL AND VEGETABLE OILS, FATS AND WAXES	TAWAU	INDONESIA, REP. OF	7,156,206
5	CHEMICALS AND RELATED PRODUCTS, N.E.S.	TAWAU	INDONESIA, REP. OF	14,104,918
6	MANUFACTURED GOODS CLASSIFIED CHIEFLY BY MATERIAL	TAWAU	INDONESIA, REP. OF	25,663,645
7	MACHINERY AND TRANSPORT EQUIPMENT	TAWAU	INDONESIA, REP. OF	19,569,746
8	MISCELLANEOUS MANUFACTURED ARTICLES	TAWAU	INDONESIA, REP. OF	2,420,651
9	COMMODITIES AND TRANSACTIONS NOT CLASSIFIED ELSEWHERE IN THE SITC	TAWAU	INDONESIA, REP. OF	319,021
0	FOOD AND LIVE ANIMALS	TAWAU	PHILIPPINES	15,003,921
5	CHEMICALS AND RELATED PRODUCTS, N.E.S.	TAWAU	PHILIPPINES	1,698,651
6	MANUFACTURED GOODS CLASSIFIED CHIEFLY BY MATERIAL	TAWAU	PHILIPPINES	41,160
8	MISCELLANEOUS MANUFACTURED ARTICLES	TAWAU	PHILIPPINES	88,456
9	COMMODITIES AND TRANSACTIONS NOT CLASSIFIED ELSEWHERE IN THE SITC	TAWAU	PHILIPPINES	7,785
	TOTAL	TAWAU Total	WORLD	3,273,379,439

SABAH'S TRADE (VIA TAWAU PORT) WITH NEIGHBORING COUNTRIES

TAWAU EXPORT TO INDONESIA	TAWAU IMPORT TO INDONESIA	TAWAU-INDONESIA TRADE BALANCE	TAWAU-INDONESIA TRADE BALANCE POSITION	TAWAU EXPORT TO INDONESIA AS A % OF TOTAL EXPORT
163,249,206	131,785,621	31,463,585	SURPLUS	8.02
TAWAU EXPORT TO PHILLIPINES	TAWAU IMPORT FROM PHILLIPIN	TAWAU-PHILLIPINES TRADE BALANCE	TAWAU-PHILLIPINES TRADE BALANCE POSITION	TAWAU EXPORT TO PHILLIPINES AS A % OF TOTAL EXPORT
76,048,985	16,839,973	59,209,012	SURPLUS	2.32



OPPORTUNITIES IN CROSS BORDER TRADE

- Relocation of capital city shall stimulate economic activities
- Shall increase trade
- Investment prospect
- Stimulate Gross Domestic Product

CHALLENGES IN CROSS BORDER TRADE

- No road to connect with neighbor country
- Illegal activities
- Income of a country
- Security

RECOMMENDATIONS

- Need to have a proper road connectivity between Malaysia and Indonesia so that this trade activity can be regulated.
- The idea of dry port or land port in Serudong area will give more advantages to Malaysia as Sabah is the nearest source of materials to Kalimantan. By having a proper land connectivity, a proper CIQS can be opened and it will help to curb smuggling activities.
- The need to enhance local SMEs so that it becomes more competitive.