

Study on Cross-Border Transport of Goods by Road from Malaysia to Thailand*

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1. BACKGROUND

Currently, many factories located in Thailand rely on the supply of raw materials and intermediate inputs such as parts and components from Malaysia. Among them are automobile, electrical appliance, electronics and machinery factories located in Chon Buri, Rayong, Ayutthaya, and Pathum Thani, among others.

These factories have encountered many problems in importing raw materials and intermediate input by road from Malaysia. First, the tariffs on certain imported goods, particularly, automobile parts, remain very high. Second, stringent government laws and regulations concerning road transport, i.e., restrictions on the nationality of drivers, specification of the vehicle and cross-border provisions on transport services, have limited the supply of transport services across the border. Third, cumbersome customs procedures render the importation of goods excessively time-consuming and costly. Fourth, poor road conditions and the risk of flooding on certain parts of the main route on the Thai side of the border make the transport of goods by road prone to delays and damage. These elements affect the cost of production and hence the competitiveness of Thai industries in the global market.

Against this background, this study has been undertaken to review the relevant domestic laws and regulations, bilateral agreements as well as multilateral and regional agreements governing trade and transport. The study examines and assesses the customs procedures and formalities at the border, applicable tariff rates and regimes, as well as the domestic rules and regulations concerning the provision of transport services across the border. The review is based on available secondary data as well as primary data obtained from field surveys and interviews with the government officials concerned, experts from international organizations such as UN/ESCAP and the businesses concerned. The study

provides recommendations for achieving smoother transport of goods from Malaysia to factories in Thailand and thus reducing the cost of transport, thereby making Thai products more competitive in the global market.

The scope of this study, however, does not cover issues such as exports from Thailand to Malaysia, international transport using modes other than roads, and goods in transit from Malaysia through Thailand to neighboring Association of Southeast Asian Nations (ASEAN) countries and southern China.

2. STAKEHOLDERS' VIEWS ON CROSS-BORDER (INTERSTATE) TRANSPORT OF GOODS BY ROAD BETWEEN THAILAND AND MALAYSIA

2.1 Bilateral and Multilateral Agreements on Transport and Trade

a) On Transport

Bilateral agreements regarding cross-border freight transport between Thailand and Malaysia currently in effect are:

1. Memorandum of Understanding (MoU) between Thailand and Malaysia on the Movement in Transit of Perishable Goods by Road from Thailand through Malaysia to Singapore, 1979;
2. Agreement on the Recognition of Domestic Driving Licences Issued by ASEAN Countries, 1985.

Those that are in the process of ratification or drafting are:

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1. Agreement on the Recognition of Commercial Vehicle Inspection Certificates for Goods Vehicles and Public Service Vehicles Issued by ASEAN Member Countries;
2. ASEAN Framework Agreement on the Facilitation of Goods in Transit;
3. ASEAN Framework Agreement on the Facilitation of Inter-State Transport; and
4. ASEAN Framework Agreement on Multimodal Transport.

The ratification of a regional agreement on cross-border transport of goods in the near future is unlikely owing to the presence of large discrepancies in the level of development of members' transport infrastructure and economic structure. International organizations such as UN/ESCAP and the Asian Development Bank (ADB) have examined the nature of the problems and suggested possible solutions. Several seminars and workshops as well as training sessions have been organized. Occasionally, these organization also provide sources of funding for infrastructure projects. The most recent seminars/workshops are:

1. The UN/ESCAP-ADB Seminar on Facilitation of Cross-border Transport in the Greater Mekong Subregion, Vientiane, Laos, 27-29 January 2003;
2. Transit Transport Issues in Landlocked and Transit Developing Countries, UN/ESCAP, Bangkok, April 2003; and
3. Facilitation of Cross-border Movement of Goods and People in the Greater Mekong Subregion, ADB, July 2000.

UN/ESCAP promotes accession to seven conventions concerning international land transport as listed in its resolution 48/11 on road and rail transport modes in relation to facilitation measures. It has been suggested that ASEAN member countries consider becoming signatories to the conventions. They are:

1. Convention on Road Traffic;
2. Convention on Road Signs and Signals;
3. Customs Convention on the International Transport of Goods under Cover of the Transit and Inland Clearance Customs Regime (TIR) Carnets (TIR Convention);
4. Customs Convention on the Temporary Importation of Commercial Road Vehicles;
5. International Convention on the Harmonization of Frontier Control of Goods;
6. Convention on the Contract for the International Carriage of Goods by Road (CMR); and
7. Customs Convention on Containers, 1972.

Similarly, ADB promotes accession to the Greater Mekong Subregion (GMS) Cross-border Agreement between Cambodia, China, Laos, Myanmar, Thailand and

Vietnam. As a result, the six GMS countries are negotiating the annexes and the protocol of the Agreement, which is expected to be finalized and signed by 2005.

Thailand has always supported and recognized the importance of bilateral and regional agreements in the transport of goods and has achieved the following milestones:

1. Thailand has drafted a multimodal transportation act that complies with the ASEAN Framework Agreement on Multimodal Transport. The Agreement is the result of ASEAN members having recognized:

- That international multimodal transport is one means of facilitating the expansion of international trade among ASEAN countries as well as between member countries and third countries;
- The need to stimulate the development of smooth, economic and efficient multimodal transport services adequate to the requirements of international trade;
- The desirability of adopting certain rules relating to the carriage of goods by international multimodal transport contracts, including provisions concerning the **liability** of multimodal transport operators; and
- The need to create a balance of interests between users and suppliers of international transport services.

The draft law has already been approved by the Council of State and the Cabinet. It is currently under deliberation in the Parliament.

2. The Ministry of Transport and Communications is in the process of amending existing laws in order to comply with the draft agreement on the recognition of commercial vehicle inspection certificates for goods vehicles and public service vehicles. By virtue of recognition of the certificate, any commercial vehicle intended to be brought into and used in Thailand would not be required to undergo inspection, as generally would be required by Thai law, if the vehicle bears a valid certificate.

3. The Ministry of Transport and Communications has taken the lead in drafting the ASEAN framework agreement on the facilitation of inter-state transport. The draft agreement takes into consideration the seven **international conventions** promoted by UN/ESCAP as well as the **GMS agreement** promoted by ADB. An official signing of this agreement was originally set for October 2001, but was postponed possibly to early 2004. Thailand, Malaysia and other ASEAN countries would benefit from the agreement by having a free flow of vehicles within the region together with a more efficient, cost-effective, and reliable transport system.

b) On Trade

Trade between Thailand and Malaysia is governed by the Common Effective Preferential Tariff (CEPT) Scheme under the ASEAN Free Trade Area (AFTA), which was aimed at lowering intraregional duties on all products to 0-5 percent in the year 2003. The date has passed and tariffs on all products, barring those on the sensitive lists and a few non-compliance cases, have been reduced. As a result, ASEAN has moved closer to becoming a single market. Trade with Malaysia has also surged.

The development of an industrial zone in the Malaysian city of Alor Setar near the Thai border bodes well for cross-border trade in goods. Owing to their sheer proximity, the factories located in Alor Setar are likely to source raw materials and intermediate inputs, or even labor from Thailand. Despite the relatively bright trade prospects, two factors still pose obstacles to trade along the southern border with Malaysia, as raised by some of those interviewed for the study.

First, while tariff rates have fallen significantly according to the CEPT Scheme, major problems remain in the classification of imported goods. The classification is harmonized up to the 6-digit level, while products are classified at the 9-digit level. Therefore, there may be discrepancies between customs authorities on the classification code of a particular product and thus, a different import duty may apply. It is thus urgent that both Thailand and Malaysia undertake efforts to harmonize their tariff classification of the products that are traded.

Second, imports of perishable goods are subject to increasingly strict sanitary and phyto-sanitary standards (SPS). These increasingly higher standards have hampered the vibrant trade along the border. For example, for their daily consumption residents in several provinces along the Malaysian border import fresh seafood, and fruit and vegetables from the adjoining provinces in Thailand. It is proposed that Thailand and Malaysia draft an "agreement on trade along the border" that would allow for relaxed SPS standards for perishable goods that are for private consumption. These goods can be easily distinguished from goods imported for commercial purposes to distant customers, as they are often transported in small quantities on pick-up trucks.

2.2 Policy-related Issues on Trade Protection and Interests

Domestic policies as well as bilateral and regional agreements are important factors affecting the development of transport between Thailand and Malaysia. Indeed, the greater the trade privileges, which may include tariffs and quotas, and the lower the other non-trade barriers, the greater is the flow of goods across borders. On the contrary, the more protection the government provides for local businesses, the smaller is the volume of trade. The following are the key determinants of (a) the volume of trade and (b) the transport of goods across the Thai-Malaysia border.

a) Tariffs

As Thailand and Malaysia are both members of ASEAN, the applicable tariff rates for bilateral trade are governed by the AFTA's CEPT Scheme. As of January 2003, tariff rates on all products were lowered to the 0-5 percent range, except for those included on the list of sensitive products, which includes mainly agricultural products. Indeed, the lowering of the regional tariff rates has helped to boost intra-ASEAN trade and attract overseas investment.

While commitments made under the CEPT Scheme are binding, non-compliance under the AFTA agreement is not subject to a dispute settlement mechanism, as would be the case in the WTO. As a result, certain members sometimes renege on their commitments to lower tariffs on sensitive products, such as automotive products from Malaysia.

Automobiles and automobile parts do not appear on the list of sensitive products of either Malaysia or Thailand. Thus, the current tariff rates, which range between 5 and 42 percent for Thailand and 0 and 42 percent for Malaysia, were scheduled to be lowered to the bound rates of 20 percent in January 2001 and 0-5 percent in January 2003. However, Malaysia refused to lower its tariff rates in 2001 and in 2003. In order to extend protection for its local automobile parts companies, Malaysia asked that the introduction of the lower rates be postponed until January 2005. Since tariff privileges are reciprocal, automotive products exported from Malaysia to other member countries are thus denied lower tariffs. As a result, the applicable tariff rates on automobile parts between Thailand and Malaysia are the most-favored-nation (MFN) rates, i.e., rates that apply to non-members of ASEAN. For the Thai automobile industry, the MFN rates range between 5 and 42 percent on parts, and are 33 percent on all imported parts.

As tariff privileges under the CEPT Scheme were not forthcoming, automobile manufacturers have resorted to applying similar privileges accorded under the ASEAN Industrial Cooperation Scheme (AICO), which promotes specialization and industrial complementation by sourcing raw materials and intermediate inputs within the region. The applicable tariff rate under that scheme is 5 percent. However, to apply for AICO privileges, a manufacturer would have to obtain approval from the relevant industry's group under the Federation of Thai Industries (FTI), Ministry of Industry, Ministry of Commerce and the Customs Department, which makes the whole process cumbersome compared with CEPT privileges, which are readily available. Finally, each new imported product requires a Certificate of Eligibility (COE).

It should be noted that completely knocked down (CKD) automobiles are treated differently in different countries. In the Philippines and Indonesia, CKDs are considered "a single product" that qualify for 5 percent duty under the CEPT Scheme. In Thailand, CKDs are considered a "package of different automotive parts," each of which is subject to different tariff rates. Also, as

imported CKDs often consist of varying parts or a mix of different parts, they are considered new products that would require a COE. The certificate is issued by the ASEAN Secretariat, which does not have the required resources to ensure prompt service. Owing to the delay in obtaining such certificates, importers sometimes would have to pay the non-preferential flat tariff rate for CKDs of 33 percent, which is the average of the different tariff rates on different parts.

As for Thailand, it has always been very protective of its relatively uncompetitive palm oil industry. Since Malaysia refused to lower tariffs on automotive parts in 2001 and 2003, Thailand refused to lower its tariff rate on palm oil from 20 percent to 0-5 percent by the CEPT deadline. Consequently, large-scale smuggling of palm oil takes place along the Thai-Malaysian border, which prompts border inspection.

b) Transport of Goods in Transit

While the transport of goods in transit by road from Thailand through Malaysia to Singapore is generally prohibited, a MoU between Thailand and Malaysia allows the transport of perishable goods in transit in quantities of up to 30,000 tons a year based on a first-come-first-served basis. Several restrictions apply, however. Only a handful of transport companies are eligible for the privilege; the driver must be a Malaysian national and the goods in transit must be transported only on a specified route. Each year, the allocated quota is filled in November or December after which the transit of perishable goods from Thailand to Singapore via Malaysia would come to a complete halt. There is no clear record of the actual volume of goods transported under the MoU. Data are collected by the Malaysian authority only. Thailand asked for an increase in the quota to 60,000 metric tons a year, but there has not been any attempt to estimate the size of the potential demand under such a quota.

c) Other Trade Protection Measures

Malaysia imposes several regulatory rules on road transport that serves to protect local businesses. All vehicles operating on the Malaysian border must be registered and insured locally. Thai importers/exporters have complained that this requirement imposes unnecessarily high costs, because registration and insurance costs in Malaysia are relatively high.

2.3 Customs Procedures and Documentation

Current customs procedures still rely mainly on printed documentation as the Electronic Data Interchange (EDI) still does not function fully. As a result, documentation remains one of the major elements of customs procedures. Indeed, much of the delay at customs at the border arises from documentation problems. Other factors, such as random inspections and the availability of the officers concerned to solve prob-

lems on the spot, also contribute to the speed of clearance.

Goods crossing the border must go through customs on both sides, each taking two to three hours. The type of information that must be provided is almost identical. However, the Thai customs declaration forms are more complicated than the Malaysian forms. A typical customs procedure would require the following documents: (a) one of nine different customs declaration forms depending on the mode of transport and the type of the goods being imported; (b) 11 different forms/documents related to relevant import duties and the payments of those duties; and (c) six forms/documents related to tariff privileges or tax returns. As there is an extensive overlap of information provided to the authorities on both sides of the border, much time could be saved if the documents submitted to these authorities could be shared. Moreover, if customs clearance on each side of the border could be undertaken jointly, the savings in time would be even greater.

Random customs checks are another major time-consuming procedure. Moreover, such checks can lead to contamination or damage. However, large importers and exporters with a good track record may apply for "gold card" status that would subject them to less frequent random checks. However, all cargoes are subject to random inspection at any point in time.

As for EDI, it still relies on the manual entry of data. The data can be filled in at the customs office; alternatively, the importer/exporter may out-source the job. The data entry normally takes as much time as the traditional procedure. The only advantage is that the importers/exporters, rather than the customs officers, are responsible for the data entry. Also, computerized data are more easily managed and analyzed.

Differences in standard practices across customs officers and customs offices sometimes render customs procedures unpredictable and inconsistent. This may lead to confusion for those used to dealing with a specific customs officer. For example, the customs procedures at the Laem Chabang port are relatively fast and simple when compared with those along the Thai-Malaysian border. Also, the unavailability of officers from the authorities concerned, such as the Office of the Food and Drug Administration and the Department of Livestock Development, makes customs procedures much more time-consuming as customs officials must seek advice from the authorities in Bangkok.

2.4 Equipment and Facilities at Border Checkpoints

There are currently five customs offices or customs houses along the Thai-Malaysian border, but only three handle containers: Sadao, Padang Besar and Betong. Most goods pass through two checkpoints, at Padang Besar, which has both road and railroad crossings, and at Sadao, which has a road crossing only. Both checkpoints are congested and lack the necessary facilities to facilitate speedy inspection and clearance.

Of all the border checkpoints in Thailand, the highest volume of goods passes through customs at Sadao. This is because, according to Malaysian regulations, trucks that carry perishable goods in transit must operate only on designated routes and must enter Malaysia only at the Sadao checkpoint. The customs offices on both sides of the Sadao crossing are 10 kilometers apart, however, which causes inconvenience. At Padang Besar, the Thai customs office is closer (about 5 km) to its Malaysian counterpart. This particular crossing point is 30 km from the North-South Expressway in Malaysia and 15 km from Highway No. 4 in Thailand.

Both customs offices experience congestion owing to the limited space available to them and they lack the required equipment to unload and reload goods and containers at the border. In most cases, trucking companies have to bring their own equipment for that purpose. It should be noted that only trucks that are registered in both Thailand and Malaysia and carry two license plates are able to operate on both sides of the border. However, such trucks must restrict their operations to the border areas where they facilitate border trade.

The computer system at the Customs Department in Bangkok and at the checkpoint areas is limited in capacity. It cannot handle the large volume of information submitted from various sources, resulting in data congestion and delays. Therefore, customs brokers find little use in upgrading their own computer system as long as the system used by the Customs Department and its offices remains archaic.

2.5 International Road Vehicles and Road Network

a) International Road Network

As mentioned previously, only trucks that are registered in both countries are allowed to operate on both sides of the border. According to the Land Transport Act, only those who hold a permit to operate a transport company in Thailand are allowed to register commercial vehicles. Trucks registered in Thailand are not allowed into Malaysia, except for pick-up trucks facilitating along-the-border trade. Similarly, if one wants to register commercial vehicles in Malaysia one must obtain a permit to operate a transport company. According to Malaysian law, only Malays are eligible to provide transport services in Malaysia. It is also very difficult to obtain a permit to provide transport services in Malaysia. As a result, many joint ventures between Thai and Malaysian entrepreneurs have been formed in order to be able to secure permits to provide transport services on both sides of the border. However, without a bilateral agreement that would allow commercial vehicles to operate freely in both territories, the scope of operation of such vehicles is confined to border areas only. As a result, the availability of two-license trucks is very limited, so much so that importers/exporters sometimes have no choice but to resort to use single-license trucks; cargoes

carried on such trucks must be unloaded and reloaded at the border.

b) Road Network

As shown in Figure 1, trucks that are permitted to carry goods in transit must enter Malaysia through the Sadao checkpoint only and use the designated route only, which is the Asian Highway No. 2, a toll expressway. This results in heavy traffic at the Sadao customs checkpoint. Also, the access road to that checkpoint, which is extremely narrow with vendors' stalls on both sides of the road, worsens the congestion. Moreover, Highway No. 4, the main route from Hat Yai to the Sadao border checkpoint, is in urgent need of a major re-paving as its surface has been heavily damaged by over-loaded trucks carrying minerals.

The transport of goods from the border to factories in Bangkok and its vicinity must pass through two customs checkpoints at Thung Song and Chumphon. The customs procedures at each point take approximately 10 minutes.

Highway No. 410 from Yala to the border at Betong is another route that connects southern Thailand with northern Malaysia. The road is very winding for almost in its entire stretch, rendering it unsuitable for cargo transport. As a result, traffic on this particular route remains relatively light. There is a possibility of opening an alternative checkpoint at Krabang in order to provide an alternative route to Kedah province. The road between Yala and Krabang is more accessible as it is not winding and conveniently connects Pattani with Penang seaport via Yala.

2.6 Organization, Human Resources and Governance

a) Organization

As many government authorities are involved in customs procedures, it is necessary to introduce a "one-stop service" in order to minimize the required documents and shorten the procedures. For example, offices handling immigration, customs, export procedures, the clearance of transporting goods in transit should be in the same place and use unified forms for common information when possible.

On this matter, Malaysia seems to be more advanced than its Thai counterpart. To begin with, fewer government authorities are involved with customs procedures in Malaysia. Hence, officers from various authorities are readily available at the customs checkpoints to solve documentation and other problems. The Thai authorities still face problems related to limited budget and the lack of coordination among relevant authorities to ensure efficient and speedy procedures. For example, an imported product may be subject to independent random checks by different authorities that do not share information. Further, the lack of coordination between the authority responsible for cost

evaluation and that responsible for the issuance of a certificate of origin can cause delay and confusion. This

can prove extremely wasteful in terms of time lost and damage to the product examined.

Figure 1 Road Network from Malaysia and Southern Thailand to Bangkok



b) Human Resources

Certain government offices that provide public services face a shortage of staff. For example, the Sadao customs office has only 60 employees who processed daily in 2002 more than 1,440 cars and trucks and 6,130 passengers. The overwhelming workload has led to delays and, occasionally, errors. For example, the number registered on the documents issued by the Customs Department is sometimes different from that submitted by the business or customs brokers via EDI.

c) Governance

There are several channels by which the private sector may voice its concerns and take part in policy formulation. To begin with, private sector businesses organize themselves into many groups: for example, the Provincial Chambers of Commerce, the Thai International Freight Forwarders Association (TIFFA), and FTI. Representatives from such groups are often on various government committees at both the central and the provincial levels, including the Multimodal Transport Committee, which was formed by the Cabinet in December 1993 to support the development of efficient multimodal transport services and operators of international standard. The Committee is chaired by the Minister of Transport and Communications and consists of 18 members selected from public and private enterprises.

In previous years, many issues were discussed and some agreements reached between the public and private sectors; for example:

- An increase in permissible truck loading;
- Less restricted areas and more time for trucks operating in cities;
- Recognizing semi-trailers carrying the ISO containers;
- Adopting the EDI system for customs clearance;
- Reducing the value-added tax (VAT) rate and imposing no withholding tax for transport operators;
- Supplying the transport industry with qualified manpower by establishing educational and training programs in universities and supporting similar programs undertaken by private enterprises;
- Providing customs clearance services at some inland clearance/container depots (ICD), industrial estates, and ports of private enterprises; and
- Developing transport infrastructure, i.e., roads, railways, waterways, terminals, ports, airports, pipelines, etc., in consultation with stakeholders of the transport industry.

2.7 Information and Communications Technology

As mentioned previously, the current EDI system is not yet fully computerized in that all information still has to be entered manually into computers. Nevertheless, the digitized information that can be submitted electronically enables customs officials to review completed customs declaration forms in advance and thus makes it possible for businesses to cut the time spent preparing customs declaration forms from half a day to only 10-15 minutes. The system also eliminates the need for customs evaluation in accordance with the "green-line" system under which authorized agents can proceed with the payment of duties and the clearance of imports. The "red-line" system, however, requires manual evaluation of duties by customs officers prior to making the payment.

The first step is to enter the required information into the computer and send the completed form to the Customs Department, which would then check whether the information provided is correct, and complete and return the completed form to the sender. The sender then prints out the declaration form and submits it along with other supporting documents. The filling and submission of the customs declaration form through the EDI system can be contracted to customs brokers or private services currently numbering approximately 1,200. This would cost 50 baht plus the service fee charged by the particular customs broker. Alternatively, one may choose to access the EDI system at the customs office at the border. This costs 70 baht per customs declaration. To install one's own system would cost 200,000 baht plus the Custom Department's service charge of 50 baht per customs declaration.

Once the import duties are settled, all documents and cargoes require clearance by the customs officers regardless of whether the procedure is conducted through EDI or manually. In this regard, practices across customs offices vary widely. For example, the customs office at the Laem Chabang port has clear and efficient procedures when compared with those at the Sadao and Padang Besar border crossings, which often undergo frequent random checks. Most businesses interviewed are of the view that, as EDI aims to have the entire customs procedure computerized, all human interventions should thus be eliminated. While the need to conduct random checks is recognized given the prevalence of illegal smuggling of various goods along the border, random checks should be computerized rather than subject to an officer's discretion.

2.8 Transport Competition and Cost

a) Competition

There are presently approximately 10 transport companies that provide trucking services across borders. These include the following companies:

1. Tiong Nam Transport (Thailand) Co., Ltd.
2. Mahachai Transport Service Co., Ltd.

3. Hadyai Pongsiri Co., Ltd.
4. EH Utara Co., Ltd.
5. GODIS Transport Co., Ltd.
6. TNTT Logistics Co., Ltd.
7. NYK (TESCO) Co., Ltd.
8. Hi-Tech Nittsu (Thailand) Co., Ltd.

There are also over 250 companies registered with the Thai Freight Transport Association; they operate over 40,000 trucks nationwide. As can be seen, the industry is highly competitive. One should also note that competition from other modes of transport, i.e., rail, air and sea, is also prevalent.

Currently, many manufacturers with factories located in the central part of Thailand rely on raw materials or intermediate inputs from Malaysia. These include the automobile, electrical appliance and electronics industries. However, the value and the volume of such imports are not high. For example, in the year 2002, the Automobile Manufacturing Co. (1) imported auto parts worth 14 billion baht; of that amount, parts worth only 820 million baht or 5.5 percent of the total were imported from Malaysia. Similarly, in the same year, the Electrical Appliances Co. and the Electronics Co. imported intermediate parts worth 7,055 million and 10,714 million baht respectively. Imports of such goods from Malaysia contributed only 12.6 percent and 0.12 percent of the total import values respectively.

Each industry may choose different modes of transport according to the nature of the imported products. For example, the electronics industry prefers air transport for light-weight but high-value items. On the contrary, the automobile and electrical appliance industries normally prefer less expensive land and sea transport. The relative advantages and disadvantages of each mode of transport can be summarized as follows:

Advantages of Road Transport

1. There is no need to store goods since services are available on demand, i.e., a non-fixed schedule. Importers can also store ordered products at the manufacturers' warehouses free of charge.
2. The lead time is shorter at approximately three to five days compared with seven to 10 days for transport by sea for a distance of approximately 2,000 km.
3. Door-to-door services eliminate double handling and thus are more convenient.
4. Customs procedures are less complicated than those applicable to sea transport.

Disadvantages of Road Transport

1. Road transport is subject to higher risk of product damage as the accident rate is

significantly higher than that of sea transport. Despite the fact that transported goods are insured, the unavailability of intermediate supplies can easily affect the production line.

2. It is prone to frequent floods that cut off road access in the southern part of Thailand. However, ships are also subject to the effects of monsoon storms as well.
3. The issuance of Form D (Certificate of Origin) by the Malaysian authorities often requires two to three days. Therefore, if a truck arrives early at the border checkpoint, it will not be able to proceed until the form has been issued.
4. In cases when there are clearance problems, supporting documents must be sent by air from Bangkok or other destinations to Hat Yai airport in Songkhla. Although there are many flights every day from Bangkok to Songkhla, two hours of lead time before departure is required for the documents to be sent.
5. Goods transported by road are subject to inspection at the customs checkpoints on both sides of the border. Once a container's seal is broken, the goods are susceptible to tampering and theft. On the contrary, goods transported by rail or sea are inspected at the Lat Krabang or private ICDs or at the industrial estates of origin, which are closer to the production sites when compared with the southern border checkpoint.

b) Cost

The official cost of customs procedures is approximately 295 baht per customs declaration form. This cost can be broken down as follows: customs declaration form, 40 baht; overtime charge (for inspector), 150 baht; overtime charge (for administration), 100 baht; and document-binding, 5 baht. However, the actual cost can be significantly higher. The higher actual cost may be attributed to complicated procedures at the customs border checkpoints, procedures that are time-consuming. Many small- and medium-sized enterprises therefore prefer to contract the procedures to customs brokers and freight forwarders in order to avoid the cumbersome procedures and instead pay a service fee. The total cost of transporting a 40-foot container from the Sadao or Padang Besar border checkpoints to Bangkok, a distance of 1,000-1,200 km, is approximately 30,000 baht, inclusive of the cost of customs procedures.

Customs procedures are supposed to be completed within one hour, but in practice as mentioned previously, two to three hours are required.

3. CONCLUSIONS AND RECOMMENDATIONS

3.1 Conclusions

According to a literature review, field surveys and interviews, the following conclusions can be made with respect to the state of transportation between the Thai and Malaysian borders:

1. Various regional agreements to facilitate the cross-border transport of goods, as mentioned in section 2.1, have not yet been ratified and thus are not yet effective. The only agreements that are in effect are the MoU concerning the Movement in Transit of Perishable Goods by Road from Thailand through Malaysia to Singapore and the Agreement on the Recognition of Domestic Driving Licenses Issued by ASEAN Countries.
2. Certain ASEAN members have not yet complied with their tariff obligations. For example, Malaysia refused to lower the applied tariff rates on the import of auto parts according to the CEPT. Indonesia and the Philippines also have refused to lower the applied rates on sugar imports and have moved sugar to the sensitive list in 2001. As a result, automobile manufacturers must instead resort to tariff privileges under the AICO Scheme, which is more cumbersome.
3. The value of goods transported across borders between Thailand and four neighboring countries, namely Cambodia, Laos, Malaysia and Myanmar, has been growing at an average rate of 18.7 percent during the period 1998-2002, worth an average of 211.6 billion baht in 2002. Bilateral trade with Malaysia contributes the largest share at 61 percent.
4. Major imports by road from Malaysia include electrical appliances, machinery, plastics and chemicals, and auto parts. Approximately 96 percent of these goods enter Thailand through the Sadao and Pedang Besar checkpoints.
5. Despite continuous efforts in simplifying customs forms and procedures, an average cargo still takes two to three hours to clear customs and the actual cost still exceeds several fold the official cost of around 300 baht per customs declaration form.
6. The EDI system was introduced during the past five years. Approximately 70 percent of cross-border shipments are conducted through the EDI system, i.e., 80 percent of exports and 60 percent of imports.
7. In keeping with international standards and practices, the available officials at the border checkpoints consist of those performing customs, immigration and quarantine (medical quarantine, plant protection and animal quarantine) functions. Officials from other related authorities, such as the Land Transport Department and the Provincial Commercial Office, are located in the capital of the province.
8. As for governance, there are several forums at which private stakeholders may present and discuss among themselves and with government officials problems and solutions with regard to cross-border trade and transportation. These include, for example, the Provincial Chambers of Commerce, the Thai Freight Transport Association, TIFFA, FTI and the Multimodal Transport Committee under the Ministry of Transport and Communications.
9. The border checkpoints on both sides experience severe congestion owing to the limited space available and the lack of necessary equipment to facilitate speedier inspections.
10. The condition of the roads and highways on the Thai side is satisfactory as they comply with international standards. The main highway from the border to Bangkok, which is approximately 1,000 km in length, is a four-lane divided highway. Unlike the North-South Expressway in Malaysia, the Thai highway is toll-free.
11. The transportation industry in Thailand is highly competitive with many service providers and various modes of transport (rail, road, sea and air). At the same time, the volume of bilateral trade between Malaysia and Thailand via cross-border trade is still low at 46 percent of the total trade in 2002, although it has been increasing every year.

3.2 Recommendations

1. Give priority to the drafting and ratification of ASEAN agreements related to transport and trade. At the same time, work on amending domestic laws and regulations to ensure compliance with such agreements so that once these agreements have been completed and ratified, they can have an immediate effect.
2. Follow closely the draft multimodal transportation act, which is in the legislative pipeline. At the same time, preparatory work in support of the proposed law needs to be advanced. This includes the building of a da-

- tabase on multimodal operators and the amendment of existing laws in order to support the official registration of multimodal transport operators, the official multimodal transport documents and carriers or operators' liabilities. Government policies in promoting the consolidation of small transport operators to improve efficiency and competitiveness will also need to be formulated. Finally, the scope of the duties and the responsibilities of the Multimodal Transport Committee will have to be defined in collaboration with the National Transport Facilitation Committee under the ADB-GMS Program and the National Transit Transport Coordination Committee under the ASEAN Framework Agreement for Transit Transport.
3. Define clear carrier liabilities for land transport. Current liabilities of trucking operators are determined vaguely by the Civil Code. On this matter, Thailand may choose to define liabilities that are in line with the CMR Convention, while taking into consideration the local economic, legal and institutional environment as well as private and public interests.
 4. Promote road safety and environmental protection by conforming in substance to international conventions and agreements, i.e., the Convention on Road Traffic 1968, the Convention on Road Signs and Signals 1968, and the European Agreement concerning the International Carriage of Dangerous Goods by Road 1957, and completing agreements with ASEAN member countries on the working hours of drivers as well as vehicle specifications and emission-control standards to prevent pollution. The promotion of such instruments would pave the way for the recognition of international trucks with single registration to operate in Thailand, Malaysia and other ASEAN countries. Thus, a change of trucks and a transfer of a container from one truck to another at border checkpoints could be avoided. Besides, the safety and environment issues relate directly to social benefits and sustainable economic growth of the country.
 5. Encourage occasional regional seminars and workshops where the government officials concerned with border inspections from member ASEAN countries would participate in order to promote the exchange of information and foster greater cooperation in order to follow international best practices.
 6. Develop a "single-stop customs inspection" with Malaysian authorities that would entail:
 - Harmonized customs inspection procedures
 - Shared facilities
 - Mutual assistance in inspection, etc.

Such an arrangement would be more feasible if there were joint border checkpoints. However, should the checkpoints on both sides be distant, then arrangements must be made so that officials would be able to enter each other's premises in order to jointly perform their duties.
 7. Initiate discussions with the responsible Malaysian authorities concerning the possibility of developing common documents/-forms that could be used jointly by the authorities on both sides of the border. This is feasible because the information requested by both sides is almost identical.
 8. Initiate discussions with responsible Malaysian authorities concerning the possibility of speeding up the issuance of Form D (Certificate of Origin).
 9. Urgently improve the current EDI system by (a) further expanding the coverage of EDI applications for all import and export activities; (b) continuing to automate customs transactions in order to minimize delays and errors in border procedures and (c) upgrade computers and the size and quality of Internet connections.
 10. Improve the database system to support the business and management processes of planning, implementing, monitoring, evaluation and control.
 11. Extend the operating hours of border checkpoints experiencing heavy traffic. It is proposed that the Pedang Besar border be open until midnight and the Sadao border be open 24 hours a day.
 12. Ensure that a sufficient number of officers is available to handle the workload at the border and that their skills and experience are comparable with those in Bangkok. Training will be required so that officials will be able to keep up with the changing environment and conditions.
 13. Rotate officers performing duties at various border checkpoints in order to ensure harmonized standards and practices in customs inspection and clearance.
 14. Ensure that all officers concerned are present at the border checkpoints in order to facilitate "single-window inspection." These should include customs officers, immigration officers, quarantine officers, food and drugs officers as well as representatives of the Land Transport Department of the Ministry of

Transport and Communications, and the Department of International Trade of the Ministry of Commerce.

15. For imports from Malaysia destined for Bangkok and vicinity, serious consideration should be given to the possibility of arranging for a customs clearance point that is closer to the point of destination, for example, at a nearby ICD or at an industrial park/estate where custom officers are posted. This would minimize the risk of damage and tampering with transported goods that might occur between the border checkpoint and the point of destination. It would also facilitate speedier clearance as problems that may arise could be easily solved by the consignee, customs broker or the concerned government authorities whose offices are located in Bangkok.
16. Give urgency to the construction of the new Sadao customs and immigration checkpoint proposed by the Customs Department. The new checkpoint would occupy approximately 304 acres of land. The allocated budget for the initial phase is 590 million baht. The construction is expected to be completed in the year 2005. Thailand should also discuss with Malaysia the possibility of joining the Sadao customs and immigration office with its counterpart in the Bukit Kaye Hitam checkpoint that is to be constructed directly across from the new site on the Malaysia border. A "joint border checkpoint" could help to minimize clearance time, as explained previously.
17. Ensure the availability of essential equipment, such as weighing scales for trucks, container fork-lifts and closed-circuit video cameras, at the border checkpoints. An x-ray machine that can scan and identify goods stored in sealed containers would eliminate the need for physical inspection and thus, help to speed up inspection and minimize damage from inspection.
18. Undertake major repairs of the following roads: (a) the main highway between Hat Yai and Sadao, which is 50 km in length; (b) the Hua Hin bypass, 45 km in length and (c) the section between Samut Sakhon and the Bangkok Outer Ring Road, 30 km in length. It is also urgent to construct the remaining 21-km stretch on the southern side of the Bangkok Outer Ring Road in order to complete the loop. In the long run, construction of a tolled motorway along the International Asian Highway that cuts through Thailand would help to support a greater volume of trade between the two countries as well as promote the transport of goods in transit in the future.

