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TABLE OF CONTENT

ACADEMIC LIBRARIES: SERVICE PERFORMANCE MODEL AT RESEARCH UNIVERSITY (RUs) IN MALAYSIA <i>Aishah Musa, Junaida Ismail, ETTY Harniza Harun, Sharunizam Shaari, & Mahadir Ladisma@Awis</i>	1
MIGRANT WORKERS IN THE SPECIAL ECONOMIC ZONE TOWARDS ECONOMIC AND ENVIRONMENTAL IMPACT USING ECONOMETRIC MODELLING <i>Azyyati binti Anuar, Nur Fakhzan binti Marwan, Sirinya Siriyannun, & John S.F. Smith</i>	3
UNDERSTANDING THE SIGNIFICANCE ROLES OF ALTRUISM AND SOCIODEMOGRAPHIC FACTORS ON VOLUNTEERING COMMITMENT <i>Mohd Nazir Rabun & Makmor Tumin</i>	5
DIVERSITY OF BOARD OF DIRECTORS AND ENVIRONMENTAL SOCIAL GOVERNANCE: EVIDENCE FROM MALAYSIAN LISTED COMPANIES <i>Roshidah Safeei, Salina Mad, Muhamad Ashaari Sukar, Syed Khusairi Tuan Azam, & Muhammad Iqbal Mohamed Azhari</i>	8
DETERMINANTS OF HALAL FOOD PURCHASE INTENTION: APPLYING THE THEORY OF PLANNED BEHAVIOR(TPB) IN PREDICTING HALAL FOOD CONSUMPTION AMONG MILLENNIAL GENERATION IN MALAYSIA <i>Musdiana Mohamad Salleh, ETTY Harniza Harun & Siti Meriam Ali</i>	11
COLLABORATIVE PLANNING FORECASTING AND REPLENISHMENT IN ORCHID SUPPLY CHAIN <i>Chattrarat Hotrawaisaya, Supamit Srisawat, Mohd Rizaimy Shaharudin, & Nik Ramli Nik Abdul Rashid</i>	15
THE CONCEPT OF CIRCULAR SUPPLY CHAIN MANAGEMENT (CSCM) <i>Mohd Rizaimy Shaharudin, Siti Fairuza Hassam, Nur Diyana Nazihah Zainal, Ahmad Rais Mohamad Mokhtar, Preecha Wararatchai, Wissawa Aunyawong, & Suwat Nuanklao</i>	17

DETERMINANTS OF CONSUMERS' PURCHASING INTENTION FOR NAKHOM PATHOM COMMUNITY PRODUCTS <i>Nur Zainie Abd Hamid & Mohamed Samsudeen Sajahan</i>	19
NAKHON PATHOM COMMUNITY DEVELOPMENT STRATEGIES: IMPLICATION ON BUILDING COMMUNITY CAPABILITY FOR PRODUCT DEVELOPMENT AMONG SMALL AND MICRO COMMUNITY ENTERPRISE <i>Mohamed Samsudeen Sajahan & Nur Zainie Abd Hamid</i>	22
THE COMMUNITY CAPABILITY IN PRODUCT DEVELOPMENT FOR THE EXPORT OF NAKHON PATHOM PROVINCE TO MALAYSIA <i>Hathaipun Soonthornpipit, Chattrarat Hotrawaisaya, Salisa Hemapan, & Peeranthon Saensook</i>	30
ANALYZING THE COALITION FACTOR AMONG ACTORS IN NWRP FORMULATION ROCESS <i>Junaida Ismail & Siti Zuliha Razali</i>	32
INLAND CROSS BORDER TRADE & LOGISTICS <i>Noor Zahirah Mohd Sidek</i>	35
SUPPLY CHAIN MANAGEMENT SUSTAINABILITY INDEX (SCMSI): A COMPARATIVE STUDY BETWEEN MALAYSIAN AND THAILAND COMPANIES <i>Roshima Said, Corina Joseph, Mariam Rahmat, Wan Nailah Abdullah, Leily Adja Radjeman, & Phuttiwat Chattrarat</i>	37

INLAND CROSS BORDER TRADE & LOGISTICS

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INTRODUCTION

The sustained positive growth of the world economy is accompanied by accelerated growth in global trade where countries tend to have higher rates of growth in trade as a share of national output. A host of studies have shown how trade liberalization policies have promoted firm-level productivity and economic growth (see for example Frankel & Romer, 1999; Alcalá & Cicone, 2004). Malaysia and Thailand has been active trade partners and neighbours over the years. In 2018, trade between Malaysia and Thailand had increased by 17 percent vis-à-vis 2017 to USD21.9 billion. Exports from Malaysia to Thailand between January to May 2019 stood at RM25.41 billion or USD6.17 billion which is equivalent to 6.3 per cent of total import. Import from Malaysia to Thailand accounts for approximately RM19.32 billion (USD4.69 billion) or 5.5 per cent of total imports. In the case of inland cross border trade, logistics play a core role in the transportation of cargo from one node to another, supporting processing of economic transactions especially when dealing with customs and immigration departments prior to benefiting from the trade in terms of economic growth and development. Inland cross-border trade flow through the northern Malaysia-Thailand border is estimated to be over 20 percent of the total Malaysia-Thailand trade. With growing trade over time, both Malaysia and Thailand must ensure continuous improvements in implementable policies especially on logistics, customs and immigration.

PROBLEM STATEMENT

Weakness and inefficiencies in inland cross border import-export logistics creates a bottleneck for cargo movements which later, hamper the growth in trade between the two countries. A classic example is the recent extended hours for cargo vehicles through Sadao-Bukit Kayu Hitam entry points. Preliminary observations by the Malaysian Immigration Department shows less than 1 per cent traffic uses the extended hours from 12 midnight to 6 a.m. This indicates lack of inter-governmental coordination, lack of interest and participation of logistics companies, which prevented Malaysia and Thailand from the achieving the intended benefits of extending the operating hours. Hence, extending operation hours at the ICQS, Bukit Kayu Hitam may not increase bilateral trade between Malaysia-Thailand unless both governments cooperate in delineating and overcoming the supply chain related problems. Such institutional voids may hamper further trade and growth prospects between the two countries.

PURPOSE

The focus of this study is to identify the factors driving the choice to trade via inland border and examine the parochial impact and bottlenecks of inland trade through seven (7) designated entry points at the Malaysia-Thailand border. The entry points are:

- (i) Bukit Kayu Hitam (BKH)
- (ii) Padang Besar
- (iii) Wang Kelian
- (iv) Rantau Panjang
- (v) Bukit Bunga
- (vi) Durian Burong
- (vii) Pengkalan Hulu

Finding from this study would cast light on how and what should be done to facilitate cross border

trade between Malaysia-Thailand. This study would serve as a basis for inland border trade for neighbouring ASEAN countries, consideration of free movements amongst ASEAN community (akin to EU), and free mobilization of labour between countries.

OBJECTIVES

- (i) To identify main factors affecting the choice to trade via inland borders.
- (ii) To identify bottlenecks emanating from governmental authorities and logistics companies.
- (iii) To recommend policies based on the empirical results.

DESIGN/METHODOLOGY/APPROACH

This study will use a two-step analysis. First, we identify the factors affecting the choice of inland cross border trade using geospatial based estimation techniques. We rely on spatial dynamic panel using GMM to estimate SDM, SEM and SARAR models. Second, a Geographic Information System and Cross-Border Trade View System (GIS-TVS) will be developed and used to identify bottlenecks in cross border trade between Malaysia and Thailand. GIS-TVS would be able to identify hotspot areas, occurrence of the locations, obtain the location's ranking, visualize the cross border trade and location information, retrieve cross border trade database, and perform statistical analysis on the selected location.

PRACTICAL IMPLICATIONS

Findings from this study can be used for the following purposes:

- a. Suggests ways to improve trade between two countries via border from the perspective of logistics and institutional requirements.
- b. Identifying which CIQ to be upgraded to ICQS.
- c. Identifying which entry point should be opened 24 hours.
- d. Identify which industries to be developed at the border.
- e. SOP harmonization for Immigration and Customs Departments
- f. Institutional and policy alignments needed to expedite cross border trade.

ORIGINALITY/VALUE

This paper contributes to the existing literature in the following manner. First, location specific factors affecting the choice of cross-border trade is proposed using geospatial techniques. We extend the existing theories and empirical finding by incorporating authorities, logistics variables and institutional framework. Second, with using GIS-TVS, would enable relevant decision making authorities to evaluate both trade impact and capture bottlenecks at the border. The information would help later assist policy makers towards designing and implementing more effective policies. The results would also logistic providers to choose the most efficient mode of transportation for imports and exports with the help of systematic coordination and organization.

Keywords: Inland cross border trade, Logistics, Geospatial modelling, GIS-TVS

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