

A Study of the Situation of Thailand – Cambodia Border Trade at the Chong Chom Border Crossing, Surin Province

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Abstract

The objectives of this study are to collect and provide data about the entrepreneurs, the logistics of products, the factors that affect border trade, SWOT analysis of the businesses, and the competitiveness of Chong Chom border crossing by using the survey and interview of 40 entrepreneurs between 2015 and 2016. This study found that most entrepreneurs are female, Cambodian, and with less than five years' business experience. Most of the products sold are bicycles, clothing and kitchen implements. For the logistics of product, materials and products are mostly transported by private vehicles, stored in shops and sold in front of stores. The strengths and opportunities of businesses are the low price of products, the variety of products, and encouragement from the government. The weaknesses and threats are weak language skills, and lack of experience in running a business. For the Diamond model analysis of demand conditions, Thai consumer demand has increased; however, Cambodian consumer demand has decreased. In terms of factor conditions, it was found that there is a variety of products and low prices but a lack of technology utilization. For firm strategy and rivalry, there is cooperation between similar businesses but there is still competition in terms of price. In terms of supporting industries and government, the governments of two countries have supported industries. Although Surin province was encouraged to be ASEAN market, the government has introduced stricter border trade policies and increased import tax. It is suggested that there should be business training courses in Thai for Cambodian entrepreneurs, geographical indications on products to differentiate products, and cooperation between Thailand and Cambodia for stability and sustainability.

Keywords: Border Trade, Chong Chom Border Crossing, Logistics

JEL codes: F14, F18

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Background and significance

Thailand is adjacent to neighboring countries, including Myanmar, Laos, Malaysia and Cambodia. Among those countries, there has been a visit and interchange of the arts, cultures and traditions from the past to present. People who live along the borders have gained the influence of the arts and cultures of each other. And it can be called that they have shared their way of life together which might be different based on the different territories. Trading and exchanging of products and services has also been existing for a very long time. In the past, trading focused on the local products of each country with a non-formal process run by small traders. But at present, the border trade has been changed from small trading to importing-exporting process. The use of technology is applied in trading. There are procedures and formalities for import and export. The value of border trade is gradually increasing and becomes enormous. It helps create works and careers, and develop a quality of life of local people.

Cambodia is a major Thai border partner from the past to the present. During the first 7 months of 2016 (January – July), the total trade value is 74,783.69 million baht. It increases 0.16 percent when comparing with last year at the same period which was 74,662.01 million baht. It is divided into the export portion at 60,278.59 million baht which is decreasing at 0.66 percent and the import portion of 14,505.10 million baht which is increasing at 3.75 percent. Thailand has gained a trade balance of 45,773.49 million baht. Major export products include non-alcoholic beverages, motorcycles and components, engines with carburettors, cars, equipments and components, and other vehicles and components. Major import products include vegetables and vegetable seasonings, insulated wires and cables, aluminum, transmitters and receivers with their installation equipments, and ready-made garments

Thailand – Cambodia Border Crossing Point and Check Point include Aranyaprathet Crossing Point, Ban Taphraya Check Point, Ban Nong Prue Check Point, Ban Khao Din Check Point, Klong Yai Crossing Point, Chanthaburi Crossing Point, Ban Phak Kad Permanent Crossing Point, Ban Laem Permanent Crossing Point, Ban Subtari Check Point, Ban Suan Som Check Point, Chong Chom Crossing Point, Chong Sa-ngam Crossing Point and Phibunmangsan Crossing Point.

Chong Chom is the biggest and most convenient crossing point to Cambodia from Surin Province. This border crossing allows people of Thailand and Cambodia to roam and trade for a long time. Therefore, this situation initiates the idea of opening the border crossing

point for the benefit of people in both countries. The products sold here are those mostly used in daily life, especially in the morning, and agricultural goods are the best selling items. Most vendors from Cambodia bring them to sell especially horseshoe crabs. People buy them to cook for their meal. And products made of wood such as benches, bamboo mats and baskets are also popular.

Nowadays, Cambodian people still come across to Thailand to buy consumer products vivaciously. After the cabinet resolution to extend the opening and closing time at the Chong Chom crossing from 06.00 - 22.00 hours, more and more people come to buy goods vividly. People who cross the border to Cambodia are increasing in numbers. There are police officers from Kapchoeng Immigration Office strictly taking care of all travellers. The road has been expanded into four traffic lanes, making it much more convenient for transportation by cars. Besides, there is also a project to improve the Chong Chom Crossing which includes a construction of tourist building, landscaping, building parking lot, drainage system, electrical and IT system and security system. When the abovementioned project has successfully completed, it is sure that the future of this Chong Chom Crossing will be improved to be a major economic resource in the Lower North Eastern Thailand (South Isan) from there onward.

Obviously the border trade at Chong Chom Crossing in Surin province is very important for economic development in South Isan area. Therefore, this is the source of the study of the situation of Thailand – Cambodia Border Trade; a Case Study at the Chong Chom Border Crossing, Surin Province which will analyze the potential, SWOT, and competitive competency of traders at Chong Chom Border Crossing. The findings will be used to support the government and private sectors in analyzing trade policy and formulating strategy for border trade development in the future.

Objectives

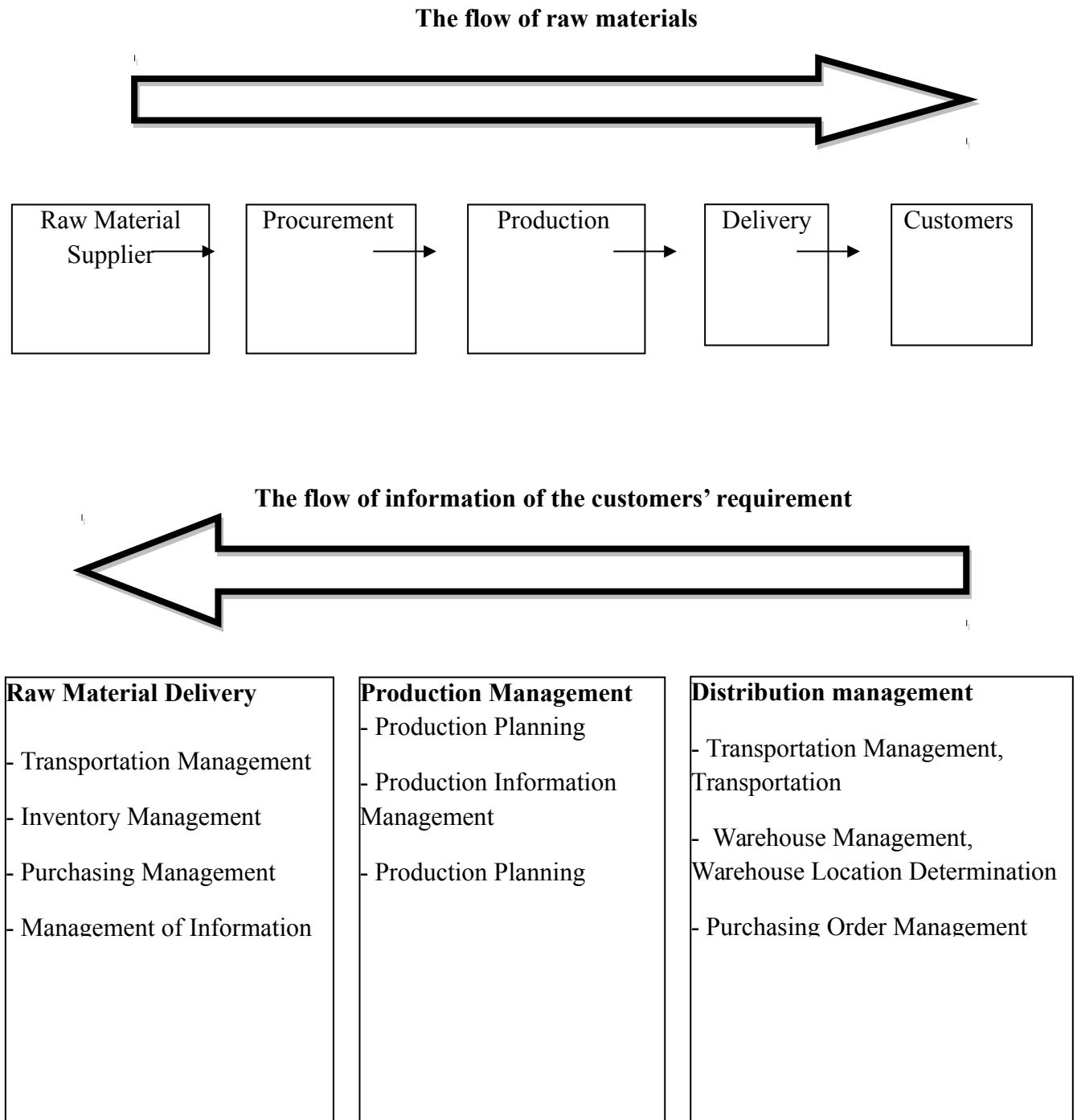
1. To study general information of entrepreneurs at Chong Chom Border Crossing
2. To study the information of basic logistics of goods sold at Chong Chom Border Crossing
3. To study the factors affecting border trade at Chong Chom Border Crossing
4. To do SWOT analysis of the businesses at Chong Chom Border Crossing
5. To study the competitive capability of Thailand with its competitors

Theories and related research

This research has adopted the concept of competitive capability analysis in border trade in 3 aspects which include;

1. Diamond Model shows the factors that determine the competitive advantage of the country and the national competitive competency. The 4 factors are as follows,
 - 1.1 Factor Conditions
 - 1.2 Demand Conditions
 - 1.3 Related and Supporting Industries
 - 1.4 Firm Strategy, Structure and Rivalry
2. SWOT Analysis is used to analyze the external and internal environments of the business. The analysis focuses on the Strengths, Weaknesses, Opportunities and Threats of the business which can be separately analyzed according to the characteristics of the business as follows:
 - 2.1 Internal Environment Analysis determines the internal environments of the business, for instance, factors on marketing, finance, production, human resource and culture. Therefore, the Internal Environment Analysis means to analyze the strengths and weaknesses of the business.
 - 2.2 External Environment Analysis considers the environment that influences the strategy of the business. The analysis will be done in a micro and macro scales. Thus, the External Environment Analysis is to analyze the opportunities and threats of the business.
3. Logistics is the design and management of the controlling system of the movement or the flow of goods and information from the point of origin to the company and from the company to the customers efficiently and effectively. Or it refers to the movement of goods and information from raw materials to finished goods, from the point of origin to the consumers, with efficient and effective coordination of each step. (Taweesak Theppitak, 2007)

Figure 1: Elements of Logistics System



Source: Thapana and Nongluck, 2012

Related Research

The researcher has studied various researches which have a similar characteristic. There are 4 related researches: 1. “Guidelines for Border Trade Economic Development; A Case Study of Thailand – Cambodia Friendship Market” (Mathurada, 2013), 2. “Thai Border Export Problem; A Case Study of Thai – Lao PDR Export at Thai-Lao Friendship Bridge Crossing Point, Nongkhai Province” (Cheunjit and Ekapong, 2000), 3. “Potential and Trends in Border Trade in the Northeast” (Kwankamol, 2001), and 4. “A Study of Thai – Lao Trade at the 3rd Mekong River Bridge in the Context of Economic Culture” (Chalisa and Wannarat, 2006). All 4 researches have the similar objectives which are to study the border trade situation between Thailand and neighboring countries, problems and threats in the development of border trade, factors affecting the border trade, and guidelines for the development of border trade between Thailand and neighboring countries. But the samples for each research study are different. The sample of the first research is stakeholders at Thai – Cambodian market while the second and third ones are the representatives of entrepreneurs and government officials. And the fourth is the representatives of entrepreneurs and government officials of both Thai and Lao parties. The results of the four studies are similar. They revealed that the problems of border trade arose from the laws, regulations and procedures of import and export which had a lot of steps. They were complicated and uncertain. The practices kept changing all the time. Infrastructure of neighboring countries had not been satisfactorily developed. Moreover, there was a competition of informal traders. The guidelines for border trade development showed the similar results which included the determination of border trade with neighboring countries to be a special economic zone, reducing the import-export procedures, supporting investment fund to entrepreneurs and co-developing the infrastructure of neighbouring countries to enhance the potential of border trade.

Research Methodology

Research instruments are both the interview and survey as per the following details.

1. Collecting data from entrepreneurs using the interview method. The interview is divided into 6 parts as below:
 - Part 1: General Information of the entrepreneurs
 - Part 2: Product Details, Frequency of Purchasing Order, Frequency of Delivery, Distribution Method, Storage Method, Proportion of on Shelf Products
 - Part 3: Customer Data, Marketing Channels, Distribution Method, Selling Process, Customers
 - Part 4: Supplier and/or Raw Materials Data, Delivery Method, Source of Raw Materials
 - Part 5: Revenue and Expenses
 - Part 6: Factors affecting the border trade of entrepreneurs which the results will be analyzed using the descriptive statistic to respond the objectives no.1-3.

2. Semi-structured Survey

After collecting data, it is divided into 5 major parts which are Product Details, Imported Products, Delivery, Local Products or OTOP Products sold at the border crossing points and the last part is the points that the surveyor sees that they are important. The data will be analyzed along with the secondary data collected previously to do SWOT analysis of the businesses at Chong Chom market and to get the factors that determine the competitive advantage using Diamond Model which aims to respond the objectives no.4 and 5 of this study including to complete the information on logistics.

Research Results

The results of the study of the situation of Thailand – Cambodia border trade at the Chong Chom Border Crossing Point, Surin province showed in 5 parts as follows;

Part 1: General information of entrepreneurs and the situation of Chong Chom Border Crossing.

For the general information of the entrepreneurs, it revealed that the majority was female at 67.50 percent with the age between 20-30 years at 32.50 percent. Most of them finished primary school at 60 percent and up to 75 percent had been running the business for 1 to 5 years. For the product details, it was found that the majority placed the orders 1-5 times per month at 80 percent. Transportation of products was 1-5 times per month at 90 percent. Mostly they used the price reduction strategy to increase sales at 65 percent. For storage management, the goods were mainly stored in their own stores at 90 percent. Proportion of

products sold in the shop was those of the same category at 87.50 percent. The most popular products were clothing at 42.86 percent. For customer data and marketing channels, it was found that most entrepreneurs were only retailers at 62.50 percent. For distribution method, the goods were available in the shop and had the customers collect them at their ease at 37.50 percent. Most customers were Thai tourists at 97.50 percent. For the supplier data, product transportation of the producers or middlemen showed that the goods were mainly delivered by private vehicles at 97.50 percent. The sources of raw materials or products for resale were found in many places, but most came from Thailand at 76.50 percent. For revenues and costs of storing goods, it revealed that the average net income was less than 10,000 baht per month. The expense of storing goods was mostly spent on the lease at approximately 5,422.50 baht per month.

The shops that sell things like bicycles, clothing, footwear, bags and household implements were in a recession. Several stores were closed and many had just started for a few months. Sellers were mostly Cambodian and they could give the details and prices of products which were originally from Thailand and Cambodia. If the goods came from Thailand, they would be delivered to Chong Chom Crossing Point by a pickup truck (the delivery would be 2-3 times a month because the goods were seldom sold and there were not many customers). The goods also came from Aranyaprathet (Rong Klue) which were similar to those of Chong Chom but more various and plenty in numbers. Rong Klue is a wholesale while Chong Chom is mainly for retail.

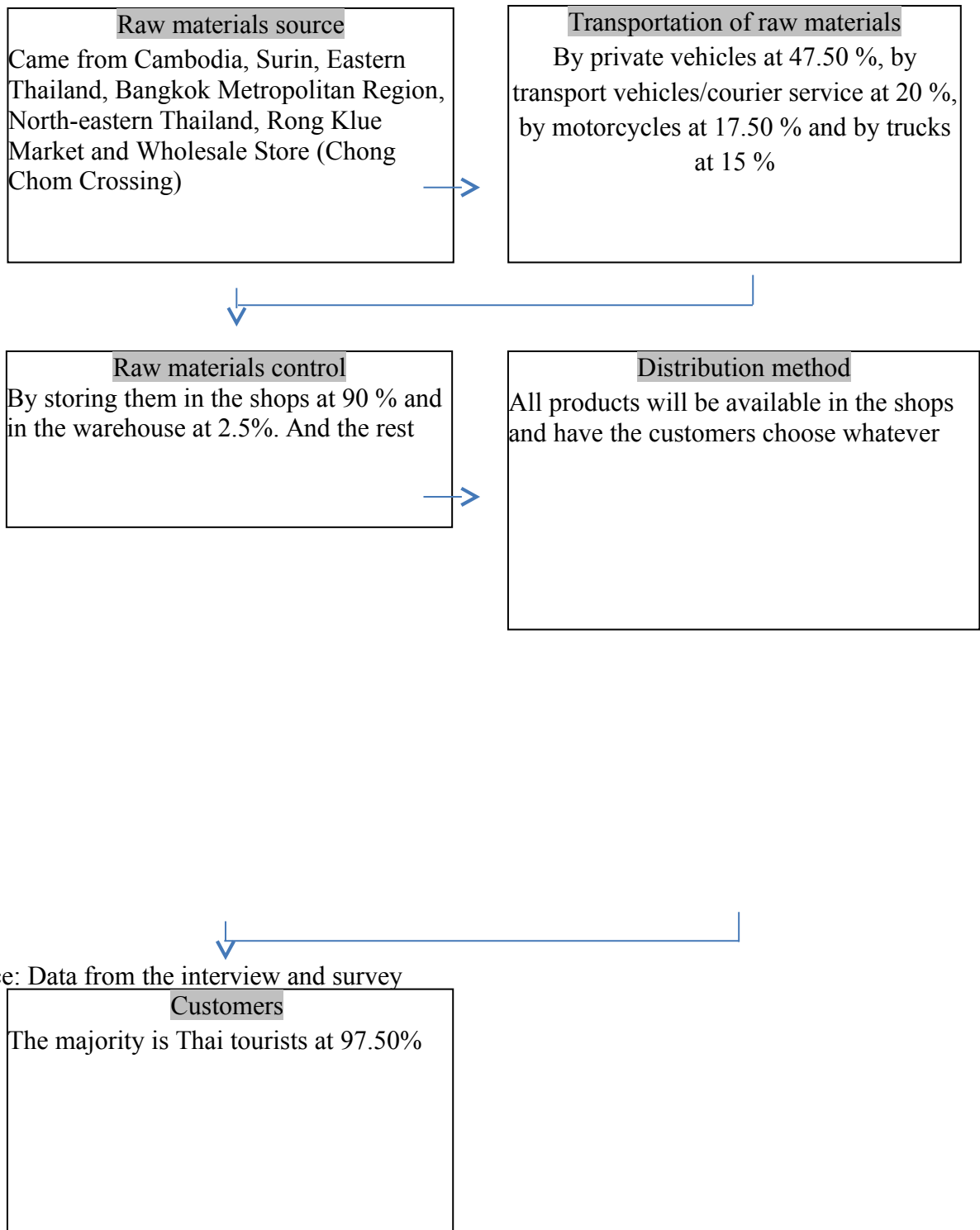
The OTOP products are similar. They are very common, old fashioned and nothing new. The OTOP products can be commonly found at the Walking Street Market in many provinces. They look the same but the only difference is the raw material used. At Chong Chom, the main raw material is bamboo but the finished products are not different. They are made in Cambodia and Thailand. Both Thai and Cambodian stores sell the products from both countries. Most products from Cambodia consist of basketry such as winnowers and baskets made of bamboo. And the other inventions such as back scratchers, massage sticks, bamboo baskets are from Yasothon, Surin and Buriram. Sellers can pick up the goods at the factory or have them deliver to their place. From the interview with Cambodian merchants, we only knew that the deliverymen are Thai but no one knows where they originally come from. The goods they ordered were not frequent depending on a sale amount. Sometimes they placed the orders 2-3 times per month. For the OTOP products of furniture, they belonged to the provincial cooperative. Some were from Roi-et and Sakaeo.

The vegetables and fruits were mainly from the Thai side. The sellers were local people (in Chong Chom, Surin) or people from Sisaket. The fruits such as Rambutans, Durians and Mangosteens mostly came from Chanthaburi with own pickup and delivery service by private pickup trucks. Coconuts were from Surin and Buriram and transferred by the pickup trucks too. The agricultural products included vegetables and fruits mostly came from neighboring provinces because the area around Kab Cheung District is not suitable for growing crops. The rental space for selling fruits charges 20 baht per day. The products imported from Cambodia were mainly pumpkins and mangoes depending on the season. But Cambodians preferred Thai seasoning fruits such as longans and tamarinds. This is because the production in Cambodia is not enough to meet people's demand. However, in the next 4-5 years, Cambodia will have those products sold in the market because there were some Thai people bought land there and started planting those fruits.

Part 2: Information of basic logistics of products sold at Chong Chom Crossing and other related information

The data from the interview and survey revealed that most businesses were characterized by buying and selling model with the process of supply flow from raw materials to consumers as shown in the next page.

Figure 2: shows the process of supply flow from raw materials to consumers



Source: Data from the interview and survey

Part 3: Factors affecting the border trade in the opinion of the entrepreneurs at Chong Chom Crossing, Surin province.

Table 3: Factors affecting the border trade

No.	Factors	Average Impact Level
1.	Changes in political administration in the country	4.20
2.	Government regulations	4.05
3.	Border disturbance	3.83
4.	Product price increase	3.58
5.	Shop rental	3.49
6.	Transportation routes	3.48
7.	Moving locations	3.43
8.	Free trade policy	3.38
9.	Transportation cost	3.30
10.	Petrol price	3.18
11.	Product quality	3.08
12.	Convenience in transportation	3.00
13.	- Public utility system	2.95
	- Customer's credit request	
14.	- Establishment of Special Economic Zones	2.85
	- Exchange rates	
	- Communication system	
15.	Product adulteration	2.78

Source: Data from the interview

Impact Criteria

Level 5.00 - 4.51 means that it has the greatest impact.

Level 4.50 – 3.51 means that it has a great impact.

Level 3.50 – 2.51 means that it has a moderate impact.

Level 2.50 – 1.51 means that it has a little impact.

Level 1.50 – 1.00 means that it has the least impact.

From the above table, it revealed that the factors that had the great impact were the changes in political administration in the country, government regulations, border disturbance and product price increase. Factors with moderate impact included shop rental, transportation routes, moving locations, free trade policy, transportation cost, petrol price, product quality, convenience in transportation, public utility system, customer's credit request, establishment of Special Economic Zones, exchange rates, communication system and product adulteration.

Part 4: SWOT Analysis of the Businesses at Chong Chom Crossing

SWOT Analysis of the businesses and marketplaces at Chong Chom Crossing, Surin province.

Table 4: SWOT Analysis

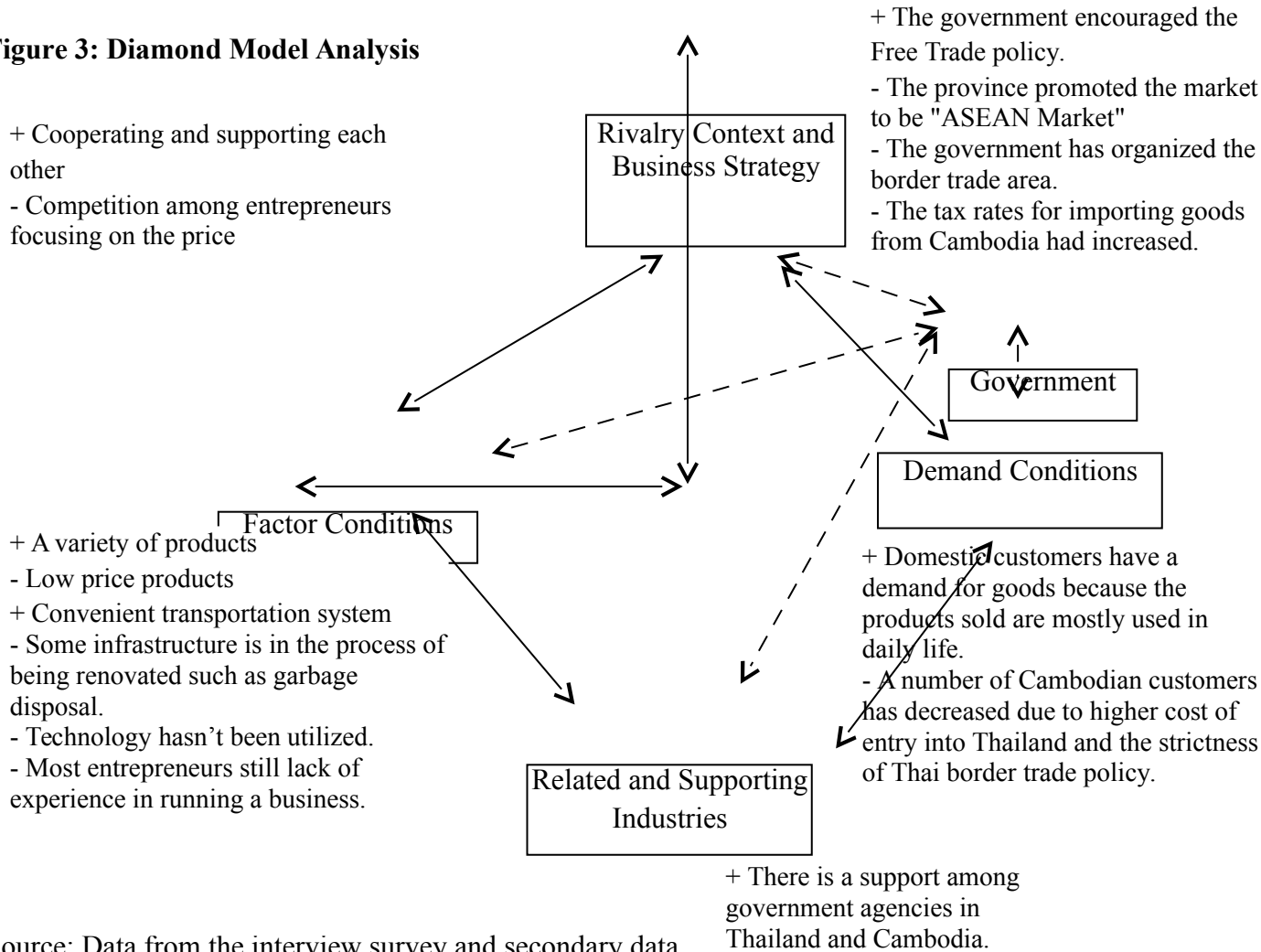
Strengths	Weaknesses
<ol style="list-style-type: none"> 1. Low price products 2. Variety of products 3. Be a significant tourist attraction 4. Promoted by the government 	<ol style="list-style-type: none"> 1. There are a lot of pirated products. 2. Price competition 3. Language barrier 4. A lack of operational experience 5. Incomplete public utility
Opportunities	Threats
<ol style="list-style-type: none"> 1. The image of Thai products is still popular among Cambodian customers. 2. The location is close to Angkor Wat 3. The use of Thai Baht as a primary currency 4. Thai media influence product consumption. 5. Special Economic Zone Policy 	<ol style="list-style-type: none"> 1. The Thai government has organized the border trade which makes it harder to inter-cross the border. 2. Increasing tax rates have led to higher prices.

Source: Data from the interview, survey and secondary data

Part 5: Diamond Model Analysis to study the rivalry capability

The analysis consists of the Domestic Factor Conditions, Demand Conditions, Related and Supporting Industries, Firm Strategy, Structure and Rivalry, and Government as shown in Figure 3 below.

Figure 3: Diamond Model Analysis



Source: Data from the interview survey and secondary data

Conclusion and Suggestions

The analysis can be concluded that most entrepreneurs are female, aged between 20-30 years old with Primary Graduation Degree and have been running the business for 1-5 years.

For distribution method, the products are mainly sold in the stores so that the customers can choose whatever they like. Most entrepreneurs use the private vehicles to deliver the products at 97.50 percent. The products are normally stored in the shops at 90 percent. And they use the price reduction strategy as a means to increase the sales amount.

With SWOT Analysis, the Strengths are that the goods are cheap, various and promoted by the government. The Weaknesses cover the competition with the price cuts. There are a lot of pirated products. And the sellers still lack of work experience. For the Opportunities, the image of Thai products is still popular among Cambodian customers. And the Thai Baht is the primary currency for trading. The Threats include the increase of imported tax rates leading to higher costs, resulting in higher prices. And the government has regulated the border trade by allowing only passport holders to cross the border.

For the factors affecting the performance of border traders, the most effective factor is political change. The second most effective factor is the governmental regulations. The disturbance around the border and higher prices are also the third and fourth factors respectively.

Diamond Analysis reveals that with the demand conditions, domestic customers still need the goods while the number of Cambodian buyers have decreased as a direct consequence of the strictness of the Thai border trade policy and the travel cost. For factor conditions, there is a variety of products. The goods are cheap. And the transportation system is convenient. But there is a lack of technology utilization. And the entrepreneurs are still lack of experience in running the business. In terms of firm strategy and rivalry, traders have cooperated and supported each other, but the competition focused on pricing. For related and supporting Industries, the government has supported the Free Trade policy and the province has promoted the marketplace to be ASEAN Market. However, the government has still regulated the border trade area and increased imported tax rates.

For the logistics factor, most businesses are Buy and Sell model, starting with sourcing raw materials from Cambodia, Surin, Bangkok Metropolitan Region and Rong Klue market, then the raw materials will be transported by private vehicles to store in the shops waiting for being sold. For distribution method, the products will be available in the shops so that the

customers can choose whatever they like. And the goods will rarely be sold wholesale to other shops. Most customers are Thai tourists, Cambodians and other foreigners in that order.

In conclusion, the significant issue of this study is the entrepreneurs lack experience in running the business. The lack of cost management is also the problem. Besides, the technology hasn't been utilized. Most customers are Thai tourists. With regard to the regulations of border crossing, only Cambodians with passport or border pass are allowed to transit. Moreover, the increase of imported tax rates from Cambodia has led to the decrease in the number of Cambodian travellers. However, Thailand has gained more advantage over Cambodia due to domestic demand. And the province has promoted the Chong Chom to be the ASEAN market in the future. Therefore, the development of border trade should be continued along with the development of the potential of entrepreneurs which will result in developing the border trade.

Suggestions

In the next study, there should be a study on the cost of inventory management of the suppliers so as to be able to manage for the minimal cost. Combined, there should also be a study on consumer behaviour so that we can know the true needs that will lead to the business development and the creation of competitive competency.

Acknowledgments

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