

Assessing Trade Facilitation for Halal Food Import Through Seafreight Cross Border

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Abstract

Trade facilitation is widely known as an aid to international trade for moving across the border. It is instantly referred as a remedial effort towards procedures and documentation related to the import and export process. The major setup for trade facilitation is to achieve four main principles in border crossing process referring to simplification, harmonization, standardization and transparency related to border formalities. Meanwhile, in the later stage, strategic operational objectives were developed as a supporting measure towards the implementation of trade and transport facilitation from operational perspective. The strategy is mainly developed from the fundamental cross border operational resources as performance indicators to achieve the principle goals. Therefore, the purpose of this paper is to assess the current state of the cross-border import process for Halal food trade through sea freight logistics. The extent indicators for cross border operational performance is determined through food import clearance process. This study used a series of semi structured interview with 15 stakeholders from various core activities related to food import clearance within the border. It was found that regulation, policy, knowledge, experience, visibility, commitment, attitude, mentality and consistency were some of the additional operational determinants to strategic operational performance in border crossing activities. The newly discovered determinants must be addressed accordingly before any further attempt on measuring trade facilitation performance during border crossing process can be made. Previous trade and transport facilitation performance objectives study was conducted in Port Santos Brazil and involved superficial border crossing process but this study demonstrated every facet of border clearance activities using Halal trade subject matter within Malaysian border.

Keywords: Trade facilitation, Cross-border import, Halal logistics, Food supply chain, Strategic operation performance

Introduction

Islam is recognized as the fastest growing religion with 2.14 billion believers around the world which is recognized as the second biggest religion after the Christian religion (World Muslim Population, 2017). The Asia Pacific marks

the highest number of Muslim distributions in the world with the Southeast Asia which has more than 240 million Muslims (Thought Co.com, 2017) and within this figure, Malaysia, a multiracial country with 66% of its people are Muslims. Naturally, the demand for Muslim *Halal* dietary grows equivalent to the indicated rising Muslims. Thus, food for Muslim is a highly concerned issue which is not limited to its production but also the bigger trading activities involving trade among countries. Thus, it generates pertinent issues on the important effort of Halal food supply chain stakeholders to protect the wholesomeness process of Halal food postproduction in order to fulfill the need of Muslims' final consumption at the destination country. The import of food at various destinations absolutely involves the destination's country border procedures as compulsory formality requirements prior to the product's release to the market. At the border environment, trade facilitation is portrayed as the utmost important aid during import clearance as a protection from formalities causing trade hurdles. The objective of this paper was to assess the existing cross border process involving Halal food trade using sea freight operations.

A. Cross-border logistics

Trading across border operation generally implicates with the breadth of logistics activities depending on the number of stakeholders involved in the supply chain process including physical infrastructure services and the number of regulatory control imposed on certain import trade (Shepherd & Hamanaka, 2015). Within import cross-border trading activities, stakeholders respectively the importer and the exporter are two main key players which initiated the business agreements between the two, while the logistics processes determine the type of service providers as well as transportation of the goods, the cost involved and other related services (Jensen, Niels Bjørn-andersen, & Vatrapu, 2014). In the early 80's, the improvement strategy for effective cross-border import environment was influenced by innovation towards multitude factors including reduction of impediments from customs and trade policies within distribution channel (Anderson, 1985). Changes in trade and supply chain are driven by border

public administration which associate with various operational concerns related to logistics and transportation to offset sophisticated problem along the cross-border and international distributions (Hameri & Hintsa, 2009). Hence, trade facilitation initiative also links with cross-border activities that simply is affected by various factors including regional border integration and cross-border import infrastructure (Fujimura, 2004). Generally, there are three main categories of logistics stakeholders in cross border environment which are actively involved in border formality process and considered as the operational actor in the trade environment namely traders, intermediaries and government (Grainger, 2011).

B. Halal Food Logistics

Following the growing demand for Halal food around the world, the roles of Halal logistics increases parallel to the importance of a standard principle according to the Islamic teaching. Halal integrity in the logistics operation concerning the reliability of the beholder from the farm to the fork including warehousing, transportation and terminal operation (Tieman, Vorst, & Ghazali, 2012). Halal logistics is an important requirement for Halal food trade in order to safeguard process characteristic into a set of principles, standards and specification in logistics operation (Omar, Jaafar, & Osman, 2010). Even though Halal products appear similar to other types of food, the way they are prepared, handled and processed from the origin right up to the retailer's shop has been done in accordance to Islamic requirements (Kalantari Shahijan, Rezaei, Preece, & Ismail, 2014). Halal logistics emphasizes on two important factors that influence the vulnerability of supply chain namely product characteristics and market requirements during operations (Tieman et al., 2012).

C. Strategic Operational Performance

Key indication for cross-border trade and transport facilitation attributes is related to strategic performance objectives which generally support the intervention of logic by providing a referential basis for operational improvement aligned with key strategic aspects of border-crossing activities and infrastructure. The structured perspective of the framework facilitates understanding and allows

deconstruction of complex issues concerning the facilitation of trade and transport across borders into specific operation performance elements such as speed, dependability, flexibility, quality and cost. (Batista, 2012). Slack et al, (2007) elaborate that the structured perspective of the framework facilitates understanding and allows deconstruction of complex issues concerning the facilitation of trade and transport across borders into specific operation performance elements such as speed, dependability, flexibility, quality and cost (Batista, 2009). Strategic operation paradigm is used widely in logistics and supply chain research especially for such decision making support and performance strategy (Vivares-Vergara, Sarache-Castro, & Naranjo-Valencia, 2016; Kim, 2013; Trapczynski & Wrona, 2013; Wong, Skipworth, Godsell, & Achimugu, 2012; Skinner, Bryant, & Richey, 2008; Defee & Stank, 2005).

Research Method

This article adopted a descriptive study with a qualitative approach. The data collection was based on face to face in-depth interview with Malaysian international cross-border import communities within the selected case study. Participants were selected from cross border stakeholders involved in food import clearance operation. The following stakeholders were interviewed: Royal Malaysian Customs; Malaysia Quarantine and Inspection Services (MAQIS); Food Quality and Safety Division, Health Department; warehouse operator (free zone area), terminal operator and customs brokerage agent. A set of six open-ended control question was used based on the existing trade facilitation practice for food import clearance. Participants were approached 3 weeks in prior to interviews by using formal letter, electronic mail (e-mail) and follow-up by phone calls to confirm interviews. The number of participants is detailed out in Table 1 as per the following:

Table 1. List of participants in the case study

List of Participants	Number of Participants
Royal Malaysian Customs (RMC)	5
Malaysia Quarantine and Inspection Services (MAQIS)	3
Department of Health	3
Terminal Operators	1
Warehouse operator	1
Customs Brokerage agency/logistics operators	2

The interview started with an initial question of introductory nature, aiming to assess the overall perception of the interviewee on the evolution of Halal trade cross border import operation.

Results and Discussion

The main results of the study are strongly connected to the strategic and operational cross-border for trade facilitation of Halal food import. Based on the conducted exploratory survey with the case study, there are three pertinent operational segments during import clearance activities discovered as the important highlights for this research. They are respectively involving physical handling, data and documentation and relevant strategic operational factors that are identified as the influence of effective operations.

1) Physical Handling for Halal food import

During cross-border import activities, there are three important stages involving physical cargo handling, terminal handling, authority examinations and agent's storage. The three physical handling stages are crucial to food import especially for Halal food consignment before it is released to the local destination.

- Terminal handling

Terminal handling is a crucial activity with regards to all types of cross-border import particularly for sea freight operation. For sea freight operation, the seaport terminal plays vital roles in cargo handling which commonly involve both human intervention and machine to move physical consignment from the carrier to the temporary storage located at the dedicated free zone space while waiting for the

shipment clearance. There are a number of important activities associated to the terminal handling operation depending on border environment and cargo unitization. During the transit of cargo at the seaport, Halal food consignment is facing with handling risk especially for less than container load (LCL) unitization type. Food consignments are handled using minimum information appeared in the port system which is also referred from the shipper's declaration in electronic manifest which normally does not clearly display proper indication of the Halal food consignment. Therefore, it increases decision making difficulties to terminal operators on the issue process and location of the container within the possibility of cross-contamination between Halal food and non-Halal food.

- Inspection by Authority

Another crucial stage for Halal food consignment is the authority examinations. Examinations by related authorities involved two activities including physical inspections and also a sampling process for lab testing. For food consignment in the case study it applies the same standard operating procedures set by respective agencies especially for import operation that depends on tariff code selection which is determined by certain tariff code in the electronic declaration system. Generally, tariff code under food category is auto generated that they are required for inspections by two authorities involving Health Department for food safety control for human consumption and another authority is known as Malaysia Quarantine and Inspection Services (MAQIS) who is responsible for food control mainly to the safety of the local animal and domestic plantations. Both authorities will conduct basic inspection procedures based on the assigned roles which involve physical handling activities. Based on the officer's judgement, authorized agencies will determine the clearance approval or to conduct further examination for any findings on peculiar or suspicious condition of the physical cargo. Accordingly, Royal Malaysian Customs (RMC) also conducts examinations to confirm the cargo value and the import volume before the cargo is released to the importers or their forwarding agents. Detail examination is not referred to any

Halal inspection guideline as a precaution of any potential cross-contamination from the inspection bay conditions, the tools and from human intervention.

- Storage in free zone warehouse

Some import consignments deal with storage in the free zone area. It is a part of a strategy to reduce the clearance cost, especially for dutiable cargo. Free zone storage service provides an importer facility to clear their import consignment through the partial clearance. Based on data from the four case studies, a similar finding was received regarding the practice of current warehouse operation. Commonly, warehouse in the free zone operates under a conventional environment that barely operates according to the Halal standard where all the necessary requirements should be adhered to, especially involving Halal food consignment. Therefore, there is still a lack of implementation and practice for Halal standard as guided by MS2400 (part II): Halal Warehouse Management. Most of the food cargoes are handled by non-certified free zone warehouse which generally involves the mixed storage and mixed transportation for final delivery. Equipment and tools for Halal and non-Halal are mixed with one another either in the dry warehouse or cold-room storage with improper segregation. This practice exposes food items to possible cross contamination.

2) Data and Documentation for Halal import clearance

Second operational activity based on findings is data and documentation related to Halal import clearance. The identity of every import consignment is determined by information declared in through the electronic platform and supporting documents presented to the related authorities as part of the assessment process. Thus, there are three factors influencing the facilitation objectives for Halal food import.

- Electronic Data Declaration

Import declaration involves declaration from shipping agents through electronic manifest (e-Manifest) to indicate a general description of a shipment. Electronic manifest is linked with Customs Information System (SMK), a special database system for cross-border activities hosted by the Royal Malaysian Customs which is also shared by other authorities. The information from e- manifest is used by

port authority and regulators as a preliminary signal to standby with their operational plan according to their separated procedures. For example, food in the manifest is declared as meat without detail descriptions. Due to the subjective description, it will automatically trigger both the Health Department and MAQIS as relevant food authorities for physical inspection. The consignment will be checked and remarked by both agencies in a specific system for import declaration.

Meanwhile, the importers' agents are accountable to declare import shipment in another system known as electronic declaration system (e-Declare) which is also linked to the SMK. The states of every product descriptions and shipping information are revealed in the declaration including the right tariff code to represent product classification which determines the duty and taxes as well as regulatory process related to the specific consignment. Based on the tariff code selection system, it will automatically respond to the related authority's approval the moment the electronic declaration is sent for assessment. The information will then be cross-assessed with the inspection findings and all required documents as per import requirements. Clearance progress will appear in the import system screen that is accessible to all authorities and also registered public users.

Besides the three main reference systems, there is also an additional import risk assessment tool used by Health Department known as Food Safety Information System of Malaysia (FOSIM). It is for the purpose of food safety control subjected to International Food Act and Malaysian food regulation for all safety requirements but excluding the Halal criteria.

- Physical Document Assessments

Presentation of related trade and shipping documents is a compulsory requirement for cross-border import clearance. Specifically, for food import shipment, a copy of customs declaration is submitted with trade documents (invoice, packing list, import permit, certificate of origin, etc.) and shipping certificate as evidence known as Bill of Lading (BOL). Two additional documents entwined with food import are health certificate and Halal certificate for Halal meat and poultry.

Physical documents undergo a detailed assessment process by respective authorities' officers. According to the current import requirement, Halal certificate is only required for meat and poultry import but not for other imported food. This does show that majority of food import is not filtered accordingly with Halal control procedures during its arrival through sea freight modes.

3) *Elements of strategic operational performance for Halal food import*

In addition to section 1 and 2, findings from the case study also highlighted the importance of below mentioned operational discoveries for trade facilitation of Halal food import. These operational elements are gathered from the current trade facilitation practice and also from the operation concerned related to Halal food import clearance. All presented elements resulting from central activities related to Halal food import which are discussed in the previous section of this paper involving certain actions during import operation. Thus, the nine elements identified from the related issues revolving around physical handling and documentation process for Halal food import are summarized as in Table 2:

Table 2. Summary of strategic operational elements resulting from trade facilitation performance on Halal food import clearance

Elements	Trade Facilitation	Halal trade import clearance
Regulation	Existing border procedures are based on established International and Local Acts	Lack of clear Halal mechanisms to determine and justify Halal control for border authority
Policy	Enforcement agency's dilemma on agents' tendency to complaint to the higher authority	Foreign certifying body are subjected to JAKIM approval through joined approval with veterinary department
Knowledge	Import process varies according to officers' knowledge on regulation	Decision making constraint related to Halal products due to the lack of officer's knowledge on Halal standard
Experience	Verification of information and documentations depend on officers' experience	Ability of experienced OGA officer detecting authenticity of Halal certificate.
Visibility	SMK is linked with OGA to ensure clearance process transparency to other stakeholders.	lack of specific tariff code for immediate import identification
Commitment	Agent's low compliance level	Responsibility to produce

	is still a challenge to the assessment officer	genuine Halal label for foreign origin food (other than meat and poultry)
Mentality	Agents attempt to commit fraud documents and cheat information	Agents' negative mentality towards Halal operation
Attitude	Clearance agents' tactics to get fast approval from their favorite officer especially for tricky import consignment	Other OGA are aware on the Halal issue but do not consider any action which is related to their border responsibility.
Consistency	Random physical examinations are rarely conducted due to limited number of officers.	Halal import certificate requirements for Halal food import

Each of the above element plays important roles in every clearance stage that affects the trade facilitation performance especially for cross-border import clearance for Halal food into Malaysia. The elements originate from the detailed analysis of cross border import clearance process in the selected sea freight cross border operations environment.

Conclusion

This paper provides thoughtful information related to cross border import activities especially on the current trade facilitation implementation and Halal food import practice through sea freight. The findings of this study rely on the stakeholders' responds pertaining the current cross border practice through sea freight involving the transfer of physical cargo as well as information and documentation assessments for the authorized food import. Thus, strategic operational performance for Halal cross border activities can be proposed. The result shows that there are five crucial activities need to be monitored to determine the performance of sea freight import cross border clearance process respectively involving the terminal operation, inspection by authority and free zone warehouse storage. On the other hand, the electronic information and physical documentation verification are very important during border import activity involving desk assessment for import approval process. In conclusion, there is a need to embed

the newly discovered additional strategic operational performance elements into Halal food cross border clearance performance factors prevailing from the stakeholders' internal point of view on top of the original elements introduced by previous studies to enhance the performance objective measurement to be more accurate in the future. The result of this paper is limited to the perspective of border clearance stakeholders from the sea freight cross border community's perspective. Similar study on cross border environment involving rail/road land import cross border as well as airfreight import also need to be conducted in the future using the same qualitative methodological approach as a consideration for future study.

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