

Fostering a true halal economy: Global Integration and Ethical Practice

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The following is the keynote address by the Sultan of Perak Sultan Nazrin Muizzuddin Shah at the conference yesterday at Mandarin Oriental, Kuala Lumpur.

BISMILLAH r-Rahmani r-Rahim. Assalamualaikum Warahmatullahi Wabarakatuh.

It is my great pleasure to be here at such a prestigious international event to discuss crucial questions about the future of the Islamic economy. Embedded within this economy is the concept of halal. As those of you gathered here today will know, halal refers to that which is permissible or lawful according to Islamic law. As such, the concept and practice of halal should be omnipresent in the end-to-end ecosystem of both production and consumption within the Islamic tradition. The halal industry has, therefore, always been of paramount importance to Malaysia as a Muslim-majority country. Indeed, I would like to take this opportunity to encourage the ongoing work of the Halal Industry Development Corporation (or HDC) in Malaysia, which has implemented various initiatives since its foundation in 2006, with the aim not only of furthering the development of the halal industry locally, but also, I hope, of fostering its ecosystem beyond Malaysia.

There are approximately 1.84 billion Muslims in the world today, making up around 24.4 per cent of the world's population, or just under one quarter of humankind. By 2030, this number is expected to increase to 2.2 billion. It is important to recognise, however, that although Islam is one religion, the Muslim community is not one homogenous group. The worldwide Islamic community is spread over 200 countries, with an estimated one fifth of the world's Muslim population living in non-Muslim-majority countries. Muslims throughout the globe are citizens of their respective countries, but they also have a sense of belonging to the ummah, the worldwide Muslim community.

The growing Muslim population worldwide translates into a rising international demand for halal products. Halal is now a truly global industry, and this ever-increasing globalisation represents an exciting opportunity for the Islamic economy, to grow more prominent within the world economy as a whole. However, it also presents a number of challenges, to do with international attitudes and rapid technological change; and it entails important responsibilities concerning the ethical governance of the halal industry and its proper regulation worldwide. I will be considering these aspects of the burgeoning global halal industry in my speech today.

These are, indeed, exciting times for the global halal economy. The value of the halal industry is growing at a remarkable rate: from approximately US\$2.3 trillion (RM8.89 trillion) in 2012, the halal sector is expected to almost triple, to US\$ 6.4 trillion by this year. This is an astonishing growth within a period of just six years, and represents a major success for the global halal industry. In Malaysia, there have been a number of concerted efforts and programmes, most notably, the formulation of the Halal

Industry Blueprint for 2008-2020, to propel the international growth of the industry, and to make Malaysia a global leader in innovation and production.

While halal is perhaps most often associated with food and drink, there are in fact a wide range of halal products and services which can be offered, including healthcare and pharmaceuticals, personal care and cosmetics, travel and tourism, and financial services. According to Reuters, by the end of 2018, the halal food industry alone will be worth US\$ 1.6 trillion, the halal cosmetics industry will be worth US\$ 39 billion, and the halal pharmaceuticals industry will be worth US\$ 97 billion. It is projected that the halal food and drink sector may be worth as much as US\$ 2.1 trillion by 2030.

This vast and widespread growth is due to the increasing demand for halal alternatives across a variety of retail sectors, particularly in parts of the world with a rapidly growing Muslim population. The halal market is not only thriving in Muslim-majority countries, but also in major non-Muslim-majority economies, including China, Japan, the US and the UK. In the United Kingdom, for instance, food production companies are increasingly recognising the importance of the Muslim market, with around 20 per cent of sheep meat in England being consumed by the Muslim population. More and more companies are therefore catering to the Muslim market by producing halal food items. Indeed, one of Malaysia's Department for Halal Industries has been collaborating with local councils in the North East of England to develop a business hub for producing halal meat. This is an excellent example of the way in which building bridges and establishing global links can help to foster the development of the halal industry worldwide.

There is also an increasing international awareness of the importance of halal tourism, with travel agents offering halal holiday packages. Halal tourism is thriving across Europe, to the extent that Spain even hosted the inaugural Halal Tourism Conference in 2014, and will also be hosting the Halal Expo conference, on food, tourism and lifestyle, later this year.

As these facts and figures attest, recent years have witnessed the rapid international growth of the halal industry across a variety of sectors, and this growth is predicted to continue. Countries are increasingly catering to Muslims at home, as well as appealing to Islamic tourists and holiday-makers overseas. There is a growing realisation, it seems, that halal is a way of life, and that businesses need to meet the needs and demands of Muslim consumers. In this way, the halal industry is propelling the growth of the Islamic economy on an international level.

Despite these success stories, however, the industry must address some significant challenges if this encouraging trend is to continue.

First and foremost, we must acknowledge that halal continues to face some opposition in non-Muslim majority countries. While many non-Muslims are also choosing halal products for their business and personal needs, recent years have witnessed the rise of what we might call "halal phobia" in certain countries. In December 2017, for instance, a French supermarket supplying halal products was ordered to close for not selling pork or alcohol. This kind of reactionary behaviour could potentially damage the globalisation of the halal industry.

I spoke several years ago at the Saïd Business School in Oxford University, about the role and importance of branding in relation to halal products. While we should be proud of the proliferation of Islamic brands in global markets, we must also ask ourselves to what extent we want to segment markets along identity and religious lines. Pushing Islamic brands too aggressively may affect the marketability of products in non-Muslim communities, and will almost inevitably invite reactions from other religious groups. There is, it seems, a delicate balancing act to be performed, between ensuring the availability of halal products and services to Muslims worldwide, and encouraging non-Muslims to see halal products as viable options for themselves as well.

Another potential challenge to the internationalisation of the halal industry is the so-called “Fourth Industrial Revolution”, or Industry 4.0. Rapid and unprecedented technological advances are currently transforming economies, jobs, and even civilisation itself. We must recognize that the world is changing. Billions of people are now instantly connected to each other via countless portable machines. Huge increases in processing power and storage capacity mean that data is being collected and harnessed like never before. Along with the incredible benefits of such developments come substantial risks, as evidenced by big data scandals such as the one high-profile case unfolding in the news at the moment.

Past industrial revolutions have shown us that if companies and industries do not adapt with new technology, they can struggle or even fail. The change brought about by the Fourth Industrial Revolution will be inevitable, not optional, in my view, and the halal industry must therefore adapt to the new technologies available, in order to discover the benefits they offer. For, I strongly believe that the technological innovations we are witnessing today have the potential to strengthen and improve not only the economy, but also the world as a whole. The possible rewards of Industry 4.0 are staggering: heightened standards of living; enhanced safety and security; and greatly increased human capacity. Rather than falling behind, the halal industry must tap into these potential benefits if it is to continue to grow on an international level.

We must harness new technologies in order to contribute to the global spread of the halal sector. The Malaysian International Halal Showcase (MIHAS) 2017, meanwhile, provided a platform for companies from across the world to share their experiences in using technology to capture the halal market, for instance, in the areas of imports and exports, as well as in improvements in halal product packaging. Again, we see how international collaborations and the sharing of ideas can benefit the halal industry on a global scale. Although the Fourth Industrial Revolution presents a challenge to businesses and industries worldwide, therefore, it also presents an opportunity to expand and improve, and to strengthen international links, for those companies willing to think creatively and modernise with the times.

I wish now to turn to an equally important, related topic: that of responsibility, and regulation. For, it is not sufficient to pursue the global spread of halal products and services, without reflecting on the way the halal industry is run and regulated. The concept, and indeed, the philosophy of halal goes beyond the preparation of food — beyond, even, the habits and beliefs governing consumption, behaviour and lifestyle. It is also, crucially, I believe, about an ethical and wholesome way of doing business.

To that end, the regulation and governance of the halal industry is going to be key, especially if it requires strategic collaboration across the whole of the halal ecosystem involving numerous government ministries, agencies and business stakeholders. The latest initiative by the Government of Malaysia in setting up the Malaysia Halal Council to coordinate this effort is both timely and welcome. In this country, where the final authority on matters relating to Islam rests with Their Royal Highnesses The Malay Rulers, I am pleased that the establishment of this council has the consent and support of the Conference of Rulers.

Ultimately, supporting the establishment of an international standard for halal products conforms to Islam's philosophy of the Adamic man's mandate as God's khalifah and stewards on earth.

With this God-given honour, we are entrusted also with a grave responsibility: that of ensuring ethics and integrity in business. We must work to establish what the Malaysia International Islamic Finance Centre, or MIFC, has called "a holistic end-to-end Syariah compliance" in the halal industry, ensuring not only the production of halal goods and services, but also a Syariah-compliant business and finance model in its value chain and ecosystem.

We need, in other words, to pursue the continued development of a "halal economy", in the fullest sense of that phrase. The concept of the "halal economy" was in fact brought to prominence at this very conference in 2011, to describe the integration of the halal industry with Islamic finance. This is a testament to the vital role that the World Halal Conference plays, in promoting the importance of the philosophy of halal and its strong relationship with the spiritual life of Muslims, and facilitating discussions about how to take the halal industry forward in an ethical way.

According to a 2014 report by the MIFC, the global halal industry represents a major opportunity for the growth of Islamic finance models on an international level. The report describes these sectors as "natural economic partners": the successes of the halal industry could help to promote Islamic finance, while the increased use of Islamic finance models and mechanisms could, in turn, help to ensure "end-to-end Shariah compliance", making sure that the global halal industry is run in both a successful and an ethical manner. These two key facets of the Islamic economy need to exist in a symbiotic relationship if we are to witness the continued international expansion of a truly halal economy, which is both successful and responsible.

At the heart of Islamic finance is the aim to foster inclusive growth, and to support the livelihoods and aspirations of humankind worldwide. Islamic finance has been practiced for centuries around the world, but it has increased in prominence in recent years. Today, over US\$260 billion is invested in Islamic funds in over 300 global Islamic institutions active around the world. By 2020, the Islamic finance sector is forecasted by some to grow to over US\$ 6.7 trillion.

We have witnessed significant successes in Islamic finance in recent years, but there is still potential for expansion. In particular, it is striking that Syariah-compliant trade finance, specifically, represents only a very small proportion of global trade finance — in fact, approximately 1.5 per cent, as of 2016. As the halal industry continues its rapid expansion, therefore, halal industry players, together with the Islamic financial institutions, regulators and other market participants, should aspire

to do more to nurture a halal ecosystem through the use of Syariah-compliant trade facilities. This would facilitate the growth of Islamic finance within the global trade economy, and would help to promote the sought-after “end to end” compliance for the halal industry.

At the same time, moreover, the halal industry could actually benefit greatly from the capital that can be generated via Islamic finance mechanisms, such as sukuk and takaful. Indeed, some halal companies are already pursuing these funding methods, such that, as of 2014, US\$5 billion had been raised through sukuk by 40 issuers from the halal industry. In spite of this, according to the MIFC, however, “the potential of sukuk financing in support of halal businesses is yet to be realised”.

We have seen in Malaysia in recent years the potential of corporate sukuk financing. 2016 was a record year for corporate sukuk issuance: corporate issuers dominated the market with US\$47.3 billion of issuance, representing a market share of 63.2 per cent. This is in contrast to historical trends, where issuance was driven largely by sovereigns. This is, I believe, a positive indicator, hinting at the huge global potential of sukuk funding for the halal industry, to raise funds and finance business in a fully Syariah-compliant way, with the aim of achieving that desired goal of “end-to-end” compliance in its ecosystem.

It seems no exaggeration to suggest that the core principles underlying Islamic finance — in promoting inclusion, equity, property rights and ethics — are, fundamentally, “universal values”. Islamic finance has much to offer the world’s economy, and there is a natural connection between Islamic finance principles, responsible finance, and the UN’s Sustainable Development Goals or SDGs.

Indeed, in a recent speech, I suggested that Syariah and SDG compliance are, in many ways, one and the same. I would like to reiterate that point today. The UN’s 17 Sustainable Development Goals were set out in 2015 with the ultimate aim to “end poverty, protect the planet, and ensure prosperity for all”. In promoting risk-sharing and ethical investment, as well as charitable giving through zakat and waqf, Islamic finance has the potential to play a major role in the achievement of these aims.

For the global halal industry, what this means is striving to provide goods and services in a way which is not only halal, but which is also tayyib. As those of you gathered here, will no doubt be aware, the term “at-tayyib” is used in the Quran and the Sunnah to describe something that is good and wholesome. In reference to food, for instance, the Quran calls on humankind to consume food that is both lawful and wholesome. The famous verse is when Allah subhanahu wa-ta’ala (SWT) says:

“O humankind! Consume from the earth what is halal and tayyib, and follow not the footsteps of the devil!”

(Al-Baqarah, 2:168)

We should not be content, therefore, with simply achieving something that is halal, but instead should strive for something that is also tayyib, namely good, ethical and wholesome.

In the context of the global halal industry, this means working to supply products that are sustainable, not damaging to the planet, and pursuing business models that are

ethical, responsible, and not exploitative. I have spoken already about the importance of integrating the halal industry with Islamic finance, and this, truly, is why: because the ethical and responsible mechanisms of Islamic finance can produce a business model for companies supplying halal goods and services, which is not simply halal, but which is also tayyib. Indeed, I would say that all the players within the halal ecosystem should strive to make their end-to-end transactions tayyib and wholesome.

Allow me to briefly give an example of how I envisage this wholesome or tayyib business and supply chain working in action. Imagine a company that supplied halal chicken. First and foremost, the company should be funded in a fully Syariah-compliant way, perhaps with the help of sukuk bonds and/or Syariah-compliant trade financing contracts, and financed by an Islamic bank. It should pay and treat all of its employees fairly, with the kindness and respect that are central to the teachings of Islam. Then, the chicken should be farmed in a sustainable, environmentally-friendly, and ethical manner, and ensured a good quality of life in fulfilment of our responsibility to act as khalifah and stewards of the planet. It should, of course, be slaughtered according to the proper halal ritual, transported with consideration of the damaging carbon emissions generated by certain kinds of fuel, and even packaged in sustainable and recyclable packaging wherever possible. Finally, it should be sold to retailers and consumers at prices that are fair for all involved in the transaction.

This, I believe, represents a wholesome and tayyib value chain, producing goods which are halal, and which are also sustainable and financed in a Syariah-compliant manner. It is in this way — in striving for tayyib as well as halal in this industry's ecosystem — that I believe the Islamic economy can realise its full potential within the wider global economy.

Consumers worldwide, both Muslims and non-Muslims, are increasingly seeking ethical and sustainable options, with the aim of safeguarding the future of humanity, and of our planet. As the halal industry continues to globalise due to rising international demand, it must harness the socially responsible funding mechanisms of Islamic finance, and strive to produce goods and services which are both halal and tayyib. By capitalising on the synergies between Islamic finance principles and the United Nation's SDGs, we can demonstrate that the Islamic economy has a vital role to play on a global level, and that it is, ultimately, beneficial to Muslims and non-Muslims alike.

After all, Allah SWT reminds us of our God-given honour in the Quran that, "We appointed you as stewards (khalifah) in the earth ... so that We might see how you behave!"

So, ladies and gentlemen: I hope we can behave by striving to make the world a better place for the entire human race, thereby realising our full potential and mandate as the Adamic man and woman. We can make a start by understanding that the true philosophy of halal is one that embraces tayyib in all of our end-to-end dealings in this world. Let us take this realisation forward in continuing to foster a truly halal economy, an economy in which the sum of its parts is not only in full legal compliance, but is also in divine concord.