

## HALAL - THE NEW GLOBAL MARKET FORCE

In the first of a two-part article, Nurliza Ramli explains the meaning of *Halal* and outlines the initiatives taken to develop Malaysia as an international *Halal* hub

The concept *Halal* warrants an exposé of its origins and the impact it has made on the ever-growing global economy paving its way to being the new global market force.

The purpose of this article is not to advocate on religion, but to avail the reader to a better understanding of the concept *Halal* irrespective of race, religion or creed and how *Halal* applies to not just Muslims but to everyone who wishes to have a good and high quality of life in every aspect.

This article is divided into two parts. Part one will introduce the concept *Halal* and elucidate the development of the *Halal* industry in Malaysia whilst part two will discuss the relevant Malaysian legislation and the *Halal* certification procedure and standards mentioned in part one.

### HALAL DEFINED

Islam is a systematic way of life and as with any religion, Islam comes with comprehensive standards and guidelines to be adhered to by Muslims. One of these standards is the concept of *Halal*. The Arabic word *Halal* means lawful or permitted for Muslims. *Halal* refers to that which is permitted by *Syariah* (*Syariah is the Arabic meaning for the code of life or law which regulates all aspects of a Muslim life*) and *Halal* applies to every activity carried out by man.

When used in relation to the economy, it refers to business conducted in a manner deemed permissible in Islam. When used in relation to food, it refers to food which is in compliance with the laws of Islam.

In the Quran (*Quran is the holy book of Islam, the exact words of God [revelations]*), Allah (God) commands Muslims to eat all that is *Halal*. One of the many verses in the Quran which convey this command is as follows:-

*“O Mankind Eat of that which is halal (lawful) and tayyib (wholesome and pure) in the earth, and follow not the footsteps of the devil Lo! He is an open enemy for you” (2:168)*

Examples of *Halal* food including its products and derivatives are milk (from cows, sheep, camels, and goats), honey, fish, plants which are not intoxicant, fresh or naturally frozen vegetables, fresh or dried fruits, legumes and nuts, and grains such as wheat and rice.

Animals such as cows, sheep, goats, deer, moose, chicken, ducks and game birds are *Halal*. However, such animals need to be slaughtered according to Islamic rites for them to be suitable for consumption by Muslims.

The definition of *Halal* is not complete without *Haram* being mentioned. *Haram*, the opposite of *Halal*, means unlawful or forbidden. Examples of *Haram* food including its products and derivatives are pigs, boars, dogs, monkeys, blood, carnivorous animals with claws and fangs, almost all reptiles and insects, the bodies of dead animals, birds of prey with claws, pests such as rats, *Halal* animals which are not slaughtered according to the Islamic rites, and wine, ethyl alcohol and spirits.

Both concepts of *Halal* and *Haram* form the objectives of *Syariah* i.e. to preserve religion, life, property and progeny. *Halal* is not just about the slaughtering of animals, it is about standards and processes. It is about safety, reliability and quality assurance. *Halal* is about looking at the subject matter from all angles especially in the economic and scientific sense.

### DEVELOPMENT OF THE HALAL INDUSTRY IN MALAYSIA

The Malaysian Government has long recognised the importance of *Halal* and has established mechanisms to secure the confidence of Muslim consumers in certifying products, food producers, abattoirs/slaughterhouses and food premises *Halal* with several legislation in place for the protection of consumers of *Halal* products.

In 1982, the Malaysian Government established a “Committee on Evaluation of Food, Drinks and Goods utilised by Muslims” (“Committee”) under the Islamic Affairs Division under the Prime Minister’s Department

("Division") (now known as the Department of Islamic Development Malaysia ("JAKIM")). The main task of the Committee was to check and instill *Halal* awareness amongst food producers, distributors and importers and the Division was responsible for the issuance of *Halal* certificates.

In 2003, the Malaysian Government set up the "Technical Committee on Developing Malaysia as the Regional Hub For Halal Products" chaired by the Ministry of International Trade and Industry ("MITI") to stimulate the growth of the *Halal* food industry and to make Malaysia a *Halal* hub by year 2010.

The Malaysian Industrial Development Authority ("MIDA"), a government agency under the purview of MITI, issued the Guidelines for Application of Incentives for Production of Halal Food. Under these guidelines, companies that produce *Halal* food are given Investment Tax Allowance of 100% of qualifying capital expenditure incurred within a period of 15 years. Such allowance may be set-off against 100% of the statutory income in each year of assessment. Companies that are eligible for such incentives are new companies undertaking *Halal* food production, existing companies diversifying into *Halal* food production and existing *Halal* food companies undertaking upgrading/expansion of existing plants.

On 16.8.2004, the Malaysian Prime Minister Datuk Seri Abdullah Ahmad Badawi launched the '**Halal Food: Production, Preparation, Handling and Storage – General Guidelines (MS 1500:2004)**' ("MS 1500:2004") which was developed under the Malaysian Standard Development System by the Department of Standards Malaysia of the Ministry of Science, Technology and Innovation with the involvement and co-operation of JAKIM, relevant government agencies, non-governmental organisations, universities and industries.

**MS 1500:2004** incorporates *compliance* with international standards of Good Manufacturing Practices and Good Hygiene Practices and prescribes practical guidelines for the food industry on the preparation and handling of *Halal* food (including nutrient supplements) based on quality, sanitary and safety considerations and serves as a basic requirement for food products and food trade or business in Malaysia.

In line with being the government agency responsible for the issuance of *Halal* certificates, JAKIM published the Manual Procedure of Halal Certification Malaysia ("Manual") and Guidelines on the Appointment of Foreign Islamic Organisation as Halal Certification Body for Products to be exported to Malaysia. The Manual is a guideline to co-ordinate the implementation of *Halal* certification activities in Malaysia at JAKIM's federal level and the State Department/Council of Islamic Affairs level ("JAIN"/"MAIN").

The Manual provides the basic principles to be adopted by every *Halal* certificate holder in Malaysia and covers application procedure, inspection, monitoring and enforcement.

The Manual is a complementary document to **MS 1500:2004** and any issuance of *Halal* certificate by JAKIM/JAIN/MAIN is subject to compliance with **MS 1500:2004** and the Manual.

The Malaysian Government had in its Budget 2005 allocated RM10 million specifically for purposes of promoting Malaysia as the world producer of *Halal* products and services.

Recognising the need to prepare Malaysia for this new global market force, the Malaysian government proposes to establish a *Halal* Industry Development Board under the Ninth Malaysia Plan ("9MP") for 2006 – 2010 to develop the *Halal* industry in a holistic and orderly manner. Further, the 9MP provides for the setting up of a specific fund for the *Halal* products industry and the development of *Halal* food parks to support the *Halal* industry.

"The 9MP will drive the sector's growth in making Malaysia an international hub for *Halal* products and services" said the Malaysian Prime Minister when tabling the 9MP on 31.3.2006.

The Malaysian government has since announced the establishment of the Halal Industry Development Corporation ("HIDC") to spur ahead the development of the *Halal* industry in Malaysia and the international market. HIDC will lead the development of *Halal* standards as well as audit and verification procedures, in order to protect the integrity of *Halal* besides directing and co-ordinating the development of Malaysia's *Halal* industry among all stakeholders.

On 7.3.2006 the Malaysian Prime Minister announced that all state governments in Malaysia are to use the standard *Halal* logo issued by JAKIM thus making the logo the national *Halal* logo of Malaysia. Previously, state governments in Malaysia were allowed to use their own "*Halal*" logo.

Islamic banking and finance is the natural partner to the *Halal* market as both have the same market, values and principles. Malaysia being the market leader of Islamic banking and finance is in the ideal position to push the *Halal* market to a higher level.

In May 2006, a leading investment bank in Malaysia announced that it will allocate RM500 million in the form of loans to *Halal* food players by the second half of this year. It is the world's first special *Halal* package which offers good opportunities to businesses as they provide more depth and opportunities in the *Halal* industry (The StarBiz, 10.5.2006).

The *Halal* industry in Malaysia has been given a further boost by a recent announcement that an international hypermarket chain has made a commitment to purchase RM1 billion Malaysian *Halal* products for sale in Britain over the next 5 years (The StarBiz, 20.5.2006).

#### **MALAYSIA AND THE GLOBAL HALAL MARKET**

*Halal* has now become a universal concept. *Halal* stands for just and fair business transactions, caring for animals and the environment, social justice and welfare. It is no longer a concept confined or restricted to the slaughtering of animals for the consumption of a Muslim but encompasses products and services of the highest quality to meet the ever increasing awareness and needs of consumers in a demanding global market.

The Malaysian Prime Minister in his address to the Developing Eight (D8) member countries in Bali, Indonesia recently said that *“based on simple calculation and by looking at the per capita expenditure on food among the Muslim population around the world, we estimate that the Halal food market is worth at least US\$580 billion a year”*.

He further said that the amount did not include the likes of logistics and other non-food aspects of the *Halal* industry. (BERNAMA, Malaysian National News Agency, 13.5.2006). Based on that estimation, the global *Halal* market is huge.

The *Halal* market comprises all segments of society with the non-Muslims countries playing a major part in the production of *Halal* food such as Australia, Brazil and India in producing *Halal* meat products. The emerging and significant *Halal* food markets developing in the United Kingdom, Europe and the United States of America prove that the *Halal* market has an international appeal.

The *Halal* market encompasses the entire value chain – from production and manufacturing to shipping, logistics, export and retail. Even branding and advertising can be developed to spur the development of the global *Halal* market said the Malaysian Prime Minister in his speech at the opening of the 3<sup>rd</sup> Malaysia International Halal Showcase held in Kuala Lumpur recently (BERNAMA, 11.5.2006).

The *Halal* market is developing at a rapid pace and Malaysia is in a unique position to benefit from it as a result of the various initiatives taken by the government and the private sector to accelerate and develop Malaysia as an international *Halal* hub.

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