

Chapter

21



DEVELOPMENT OF THE *HALAL* INDUSTRY



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SECTION I OVERVIEW

21.01 Among the objectives of the Third Industrial Master Plan (IMP3), 2006-2020, is to make Malaysia the global *halal* hub for the production and trade in *halal* goods and services. Malaysia has the edge in the development of the *halal* industry, as it is a modern Islamic country with an open economy and a well developed physical and institutional infrastructure, capable of supporting initiatives and programmes to develop and promote the industry. There is great potential for developing and promoting the *halal* products and services for the global market:

- the Muslim population is about 1.6 billion and spread across the world. It is estimated that by 2010, the global Muslim population will be approximately 3 billion;
- *halal* products and services are also gaining increasing acceptability among non-Muslims; and
- the global market value for trade in *halal* food and non-food products is estimated at US\$2.1 trillion annually. This market has created interest among food producing countries, both Muslim and non-Muslim.

The growing interest in the potential of the market has hastened the move towards the development of global standards, as well as expanded the coverage of standards to include activities, such as logistics and packaging.

21.02 This Chapter covers:

- an assessment of the size of the global and regional markets, as well as major market developments, for *halal* products and services, including increasing competition from countries in the Asia Pacific and the development of international *halal* standards;
- development of Malaysia's *halal* products and services industry, including initiatives in strengthening the institutional support, and market development and promotion;
- challenges in the development of *halal* products and services, including shortage of raw materials, development of *halal*-compliant services and the need for greater coordination among the relevant ministries and agencies; and
- strategies and policies for the development of the industry, including measures to address the increasing competition from countries in the region and strengthen the institutional and human resource capacity.

SECTION II MARKET SIZE AND MAJOR MARKET DEVELOPMENTS FOR *HALAL* PRODUCTS AND SERVICES

21.03 The *halal* industry covers:

- food;
- non-food products, including pharmaceuticals, health products, medical devices, cosmetics and toiletries; and
- services, including logistics, packaging, branding and marketing, printed and electronic media, and travel and tourism.

(a) Size of the *Halal* Market

21.04 Information and statistics on the status of the *halal* industry are not readily available. Until recently, *halal* products and services have not been viewed as a market in its own right. For example, *halal* meat was considered simply a part of the meat industry, and not as part of the entire *halal* supply chain, from cattle farming to meat processing, packaging and logistics. This has placed a limitation on determining the extent of the global and regional markets for *halal* products and services.

Global Halal Market

21.05 Estimates have been made on the size of the global market for *halal* products and services. On foods, it is estimated that the global market value for *halal* foods is about US\$547 billion a year (Table 21.1). If non-food products, such as health products, cosmetics and toiletries, as well as hotel and catering services, are also taken into consideration, the global market value for both food and non-food *halal* products is estimated at US\$2.1 trillion annually. The present trend in consumer demand for *halal* products and services is expected to continue, in tandem with the increasing size of the Muslim population in the world. With regard to investments in the *halal* industry, it is estimated that the value of the wealth of the Muslim countries, which has been invested and is continuously seeking investments, is approximately between US\$800 billion and US\$1 trillion.

Regional Halal Market

(i) Asia

21.06 Asia, in particular, Indonesia, Pakistan, India, the People's Republic of China, Singapore, Brunei, Thailand and West Asia, with a collective Muslim population of approximately 1 billion, is a prime target market for *halal* goods and services. Within this region, there is also a fast developing *halal* food production industry being positioned to supply this lucrative market. South East Asia is becoming an important and competitive regional market for *halal* products, in view of its vast consumer market, fast developing *halal* food production and progress on *halal* certification.

TABLE 21.1

ESTIMATED ANNUAL MARKET SIZE FOR HALAL FOODS, 2005

Continent/ Country	Total Population (million)	Muslim Population (million)	Food Expenditure (US\$ per capita)	Market size (US\$ million)
Total	6,475.4	1,565.3	n.a¹	547,409
Asia	3,921.0	1,043.7	350	365,299
Indonesia	221.9	195.3	347	67,769
West Asia	213.9	195.3	572	111,712
People's Republic of China	1,311.1	39.2	156	6,115
Malaysia	26.1	15.4	381	5,867
Thailand	65.0	5.9	371	2,189
India	1,103.6	154.5	n.a.	n.a.
Pakistan	162.4	157.5	n.a.	n.a.
Bangladesh	144.2	127.3	n.a.	n.a.
Others	672.8	153.3	n.a.	n.a.
Africa	906.0	461.8	200	92,360
Europe	727.4	51.2	1,500	76,800
North America	329.0	6.6	1,750	11,550
South America	559.0	1.6	500	800
Oceania	33.0	0.4	1,500	600

Note: ¹ Not available

Source: Various sources

21.07 West Asia, with consumers having high disposable incomes, makes it a potential market for not only *halal* products but also services, particularly travel and tourism. Tourism packages have been developed which cater to the needs of the West Asian tourists. With limited domestic agriculture, the expanding local food production industry throughout the sub-region is largely built on imported raw materials. While the *halal* market in the sub-region has been primarily based on meat products, there is considerable room for expansion in the areas of non-meat, ready-cooked meal solutions, dairy products, baked goods, and cosmetics and toiletries. Limitations in the development of the *halal* industry in the sub-region include:

- lack of focus on developing domestic production in foods, since the economic development of many of the countries has been oil-driven; and

- limited or absence of infrastructure for domestic *halal* certification. Most *halal* products are imported. While certification is mandatory, in general, any recognised *halal* certificate is acceptable.

(ii) Europe

21.08 Europe, including Eastern Europe, has a Muslim population of about 51.2 million and has a spending power of about 30 billion Euros annually. Major retail chains view *halal* products as part of their business expansion plans, and source a range of *halal*-certified products to fill new *halal* sections of their outlets. Major retail chains in the United Kingdom (UK) have an increasingly influential role in the *halal* industry. In some of these stores, 40 per cent of their customers are Muslim, who require more *halal* products, both food and non-food, with a wider product offering. A report on the UK *halal* market, published recently by the UK Government, revealed that:

- the Asian population in the UK is growing at 15 times the national average;
- by 2011, about 50 per cent of all London boroughs will have an ethnic majority population;
- retail sales of *halal* meat are valued at £400 million;
- the majority of Muslim consumers utilise large supermarket chains for their main grocery shopping, indicating a vast retail opportunity for the large chains; and
- 51 per cent of the Local Education Authorities presently require *halal* meat.

(iii) The United States of America

21.09 With a population of 6 million Muslims, the *halal* food industry in the United States of America (USA) is substantial and is estimated to be growing at a faster pace than the market for *kosher* products. The Islamic Food and Nutrition Council of America (IFANCA) assumes a key role in this market.

(b) Major Market Developments

(i) Increasing Global Competition

21.10 Countries in the Asia Pacific, particularly Thailand, the Philippines, Brunei, Singapore, the People's Republic of China and Australia, are capitalising upon the growing *halal* market. This is reflected by various initiatives being undertaken

in this field by the countries concerned, including trade and investment promotion, strengthening of the institutional mechanisms for the development and promotion of *halal* certification, research and development (R&D) and capacity building. New market entrants, for example, the Republic of Korea, are beginning to develop their own export industry of *halal* foods. Countries which have been involved in the industry earlier, including the European Union (EU) and the USA, are emerging as viable suppliers of *halal* products.

(ii) Halal Certification

- 21.11 Countries in various parts of the world, as well as major food producers and exporters, are undertaking initiatives to capitalise upon the growth potential of the global market for *halal* products and services. They have not only focused on the production and supply of *halal* goods and services, but also *halal* certification. Muslim majority countries without *halal* certification procedures are undertaking measures to introduce them. Brunei, Pakistan, Turkey and Bangladesh are working on the development of *halal* certification procedures and agencies. *Halal* certification is also being pursued in non-Muslim countries, such as Thailand and Singapore. In addition, Muslim organisations, for example, IFANCA, are also involved in *halal* certification. These organisations capitalise upon their business linkages with large manufacturing companies to enhance the acceptance of their certification methods and procedures.
- 21.12 Countries in Asia are consolidating and strengthening their institutional mechanisms for the development and promotion of *halal* foods. Thailand has created the Institute for Halal Food Standard of Thailand to develop and monitor *halal* food production in the country. The Philippines has established the Mindanao Halal Service Center for training workers, prior to their deployment to testing facilities and factories producing *halal* foods. In Singapore, *Majlis Ugama Islam Singapura* is working with its counterparts in West Asia to gain mutual recognition status for its certified products.

(iii) Standards

- 21.13 Development of international *halal* standards is likely to become a major focus in the *halal* market during the next five years. Just as the development and implementation of standards assumed a major role within the computer industry, a similar effect in the *halal* industry can be anticipated. Presently, countries such as Turkey, Pakistan, Bangladesh, India, former Soviet Republics, the People's Republic of China, parts of West Asia and much of Africa, operate without any official *halal* standards. The development and promotion of international *halal* standards will facilitate potential producers and exporters in gaining control over such markets.

(iv) Emerging Sub-Sectors

Logistics

21.14 The *halal* industry involves 'farm-to-table' operations. This has led to the development of new links within the value chain, most notably in the area of logistics. Ports, shipping and freight forwarding, and warehousing and handling facilities are emerging as lucrative areas in the global *halal* market. As these facilities and services are already in operation and only need to be made *halal*-compliant, the growth of such facilities and services is likely to be rapid. For example, Port of Rotterdam will announce its new *Halal* DistriPark, intended to be the gateway to the lucrative European *halal* market. Other ports, such as Port of Tanjung Pelepas (PTP) and Westports in Malaysia, and Port of Marseilles, have also expressed interest in providing such facilities and services.

Travel and Tourism

21.15 There is potential in travel and tourism, including hotels and restaurants. Muslim tourists, particularly those from West Asia, are increasingly discerning and require access to more sophisticated holiday destinations and *halal* dining. In 2005, tourist arrivals from West Asia to Malaysia reached 47,646. While these arrivals accounted for only 0.1 per cent of the total arrivals, they accounted for 0.3 per cent of the total receipts.

(v) Increasing Demand for Product Diversity

21.16 Greater mobility and increased migration of the Muslim communities has contributed to the increased demand for a wider range of *halal* products. Muslim communities overseas want, and expect to acquire, foods and services according to their religious tenets, thus the requirement for *halal* compliance has become more prevalent. In addition, changing demographic tastes, for example, between one generation and the next, have had a significant impact on the *halal* market. While an older generation would have been content with *halal* meat, a younger generation expects to have a full range of *halal* fare and product offerings.

SECTION III DEVELOPMENT OF MALAYSIA'S HALAL PRODUCTS AND SERVICES INDUSTRY

21.17 Malaysia has unique advantages in developing and promoting the *halal* products and services industry:

- it is viewed as a progressive Islamic and business-friendly country by both Muslim and non-Muslim world communities;

- it has established a firm industrial base and is progressing towards a higher level of industrialisation;
- it is strategically located within the Asia Pacific region, with potential benefits from the presence of major areas of production and consumption; and
- it has created a conducive operating environment, in particular, necessary policies and an efficient institutional infrastructure, to support the development of the industry.

(a) Investments

21.18 During the period 1996-2005, total approved investments in the food and selected non-food industries (medical devices, cosmetics and toiletries, and pharmaceuticals) amounted to RM10.2 billion. Of the total investments, foreign investments constituted RM5.2 billion and domestic investments, RM5 billion (Table 21.2).

TABLE 21.2

INVESTMENTS IN THE FOOD AND SELECTED NON-FOOD INDUSTRIES

Industry	1996-2000	2001-2005	1996-2005
	(RM million)		
Total investments	3,023.3	7,204.9	10,228.3
Foreign	1,653.6	3,550.8	5,204.4
Domestic	1,369.7	3,654.1	5,023.9
Food			
Sub-total investments	2,043.2	3,197.6	5,240.7
Foreign	1,162.1	1,345.0	2,507.1
Domestic	881.1	1,852.6	2,733.6
Medical devices			
Sub-total investments	746.5	2,807.6	3,554.1
Foreign	424.3	1,845.9	2,270.2
Domestic	322.2	961.7	1,283.9
Cosmetics and toiletries			
Sub-total investments	138.1	288.1	426.3
Foreign	33.8	143.0	176.8
Domestic	104.3	145.1	249.5
Pharmaceuticals			
Sub-total investments	95.7	911.2	1,006.9
Foreign	33.5	216.9	250.4
Domestic	62.2	694.3	756.5

Source : Malaysian Industrial Development Authority

(b) Exports

21.19 Data on Malaysia's exports of processed food are used as an estimate of Malaysia's exports of *halal* foods (Table 21.3). During the period 1996-2005, Malaysia's exports of processed foods grew at an average annual rate of 10.8 per cent, from RM2.3 billion in 1996 to RM6.5 billion in 2005. Main export destinations were Singapore, Indonesia, the USA, Japan and Thailand. In 2005, these five markets absorbed 44 per cent of Malaysia's total exports of processed foods:

- Singapore, RM 1.1 billion (16.3 per cent);
- Indonesia, RM613.4 million (9.4 per cent);
- the USA, RM580.4 million (8.9 per cent);
- Japan, RM314.1 million (4.8 per cent); and
- Thailand, RM309.8 million (4.7 per cent).

In the non-food category, exports of medical devices and pharmaceuticals grew at average annual rates of 8 per cent and 10.6 per cent, respectively. In 2005, exports of medical devices amounted to RM5.3 billion and pharmaceuticals, RM494.3 million.

TABLE 21.3

MALAYSIA'S EXPORTS OF PROCESSED FOODS TO TOP TEN COUNTRIES

	1996		2000		2005		1996-2005	
	<i>Exports</i>	<i>Imports</i>	<i>Exports</i>	<i>Imports</i>	<i>Exports</i>	<i>Imports</i>	<i>Exports</i>	<i>Imports</i>
	<i>(RM million)</i>							<i>Average Annual Growth (%)</i>
Total	2,333.4	3,524.8	3,408.4	4,344.4	6,529.9	6,353.6	10.8	7.1
Singapore	564.1	92.3	791.2	126.1	1,064.9	287.4	7.1	13.4
Indonesia	72.8	100.2	320.3	219.1	613.4	265.3	22.5	10.1
USA	167.4	303.4	231.8	283.0	580.4	482.8	13.4	7.4
Japan	152.9	37.0	85.3	43.2	314.1	27.8	6.4	-4.3
Thailand	43.5	505.1	141.7	422.2	309.8	879.1	26.6	7.6
Australia	113.3	867.0	149.7	1,245.5	296.1	1,324.2	9.3	4.3
Hong Kong	286.5	23.2	230.1	44.2	249.7	21.7	-1.4	2.8
Philippines	74.7	25.9	111.5	43.5	236.0	154.9	15.5	18.9
Netherlands	113.1	119.9	113.4	152.5	223.8	338.7	7.8	13.5
Taiwan	88.7	55.0	109.8	42.4	166.2	44.9	6.2	-5.4

Source: Ministry of International Trade and Industry

(c) Imports

21.20 Imports of processed foods grew at an average annual rate of 7.1 per cent, from RM3.5 billion in 1996 to RM6.4 billion in 2005. Main sources of imports in 2005 were Australia, valued at RM1.3 billion, or 20.8 per cent, of the total imports of processed foods, Thailand (RM879.1 million, 13.8 per cent) and the USA (RM482.8 million, 7.6 per cent).

(d) Institutional Support

Incentives

21.21 Malaysian companies, including small and medium enterprises (SMEs), are eligible for a wide range of incentives to support their efforts to gain access to the *halal* market. The incentives include:

- grants for business planning and development, product and process improvements, productivity and quality improvements and certification, market development and brand promotion;
- a special grant for the development and promotion of *halal* products;
- Investment Tax Allowance of 100 per cent on qualifying capital expenditures for five years for companies which produce *halal* foods; and
- double tax deduction on expenditures for obtaining *halal* certification and accreditation.

Standards

21.22 The MS1500:2004 Standard for the Production, Preparation, Handling and Storage of Halal Food was developed by the Department of Standards Malaysia and gazetted in July 2004. This standard complies with international standards, such as Good Manufacturing Practice (GMP) and Good Hygiene Practice (GHP). As an ISO-compliant standard, MS1500:2004 has significant potential. It can serve as the global *halal* standard and provide Malaysia with a competitive edge. If it is expanded to cover the whole value chain and marketed effectively, it can assume an important role in the move towards global standards for the *halal* market.

Certification

21.23 *Jabatan Kemajuan Islam Malaysia* (JAKIM) and *Jabatan Agama Islam Negeri* collaborate in the issuance of *halal* certificates to enterprises and businesses which comply with the *halal* standards requirements.

Market Development and Promotion

21.24 Presently, various agencies, such as the Malaysia External Trade Development Corporation (MATRADE), Small and Medium Industries Development Corporation (SMIDEC) and Federal Agricultural Marketing Authority (FAMA), provide market development programmes to promote Malaysia's *halal* products and services, as well as the Malaysian Halal Standard. The programmes:

- facilitate the participation of Malaysian companies in selected international exhibitions and trade missions;
- assist SMEs in marketing their products to large hypermarkets; and
- provide business matching services between foreign buyers and Malaysian suppliers of *halal* products.

Specialised marketing missions and incoming trade missions are also organised under the programmes. In addition, the Government supports efforts by the private sector in promoting the industry. Examples are:

- Malaysia International Halal Showcase (MIHAS); and
- World Halal Forum, an international platform which brings together relevant experts from around the world for deliberations on *halal*-related knowledge and practices.

SECTION IV CHALLENGES

21.25 Challenges for Malaysia in becoming the global *halal* hub are:

- increasing competition from countries in the region;
- supply of raw materials;
- expanding the product range to meet consumer demand;
- developing *halal*-compliant services;
- leveraging upon the Malaysian Halal Standard to differentiate Malaysia's *halal* products;
- creating awareness on Malaysia as the centre for *halal* products and services;
- meeting increasing consumer demand for product quality assurance and food safety;
- harmonising the certification process;

- coordinating multiple agencies involved in the development and promotion of the industry; and
- enhancing the institutional and human resource capacity of organisations involved in the development and promotion of *halal* products and services.

(a) Increasing Regional Competition

21.26 The competition for *halal* products and services is intense in South East Asia and West Asia, as suppliers seek to gain access to the *halal* markets of these countries. Within ASEAN, there is also a fast developing *halal* food production industry, seeking to supply these markets. It is also in these markets that the developments on *halal* certification are taking place. The combination of a vast consumer market and a fast developing *halal* food production and certification industry, makes the South East Asian and West Asian markets among the more important and competitive markets. The challenge for Malaysia is to ensure that it remains competitive and is able to capitalise upon the advantages that it has, in terms of standards and a well developed manufacturing infrastructure.

(b) Supply of Raw Materials

21.27 A challenge for the development of Malaysia's *halal* industry is the lack of *halal* raw materials, particularly meat. More than 70 per cent of the raw materials for the food processing industry are imported. In 2005, the value of the total imports of raw materials for food processing amounted to about RM15 billion, mainly from Australia, Thailand, India, Indonesia and the People's Republic of China. Malaysian companies need to explore business arrangements which will ensure access to the supply of raw materials. On its part, the Government will need to provide strong institutional support to facilitate outward investments. Regular consultations need to be undertaken between Malaysia's certification agency and major suppliers of *halal* raw materials to ensure compliance with the Malaysian Halal Standard.

(c) Expanding the Product Range to Meet Consumer Demand

21.28 To take advantage of the increasing awareness and growing popularity of *halal* products, food and non-food producers need to expand their product range to accommodate changing demographic tastes and demand. This will involve investing in product development and research, as well as acquiring new processes to improve efficiency and productivity, and being innovative in product promotion and presentation.

(d) Development of *Halal* Compliant Services

21.29 A growing *halal* products industry will need to be complemented with *halal* compliant services, such as logistics, including dedicated cold-chain and

warehousing facilities, and packaging materials for *halal* products. The challenge is to undertake a systemic approach to the development of such services, involving all relevant parties, including suppliers of inputs, such as raw materials and packaging materials, logistics and testing facilities, and manufacturers.

(e) Leveraging upon the Malaysian Halal Standard to Differentiate Malaysia's Halal Products

21.30 Given the diversity and lack of governing standards in the *halal* market, advantage can be derived from the ability to differentiate Malaysia's products and services from those of the competition. Having already developed the MS1500:2004 Halal Standard, Malaysia has an edge in the increasingly competitive *halal* market. For the private sector, the challenge lies in its ability to use and leverage upon the Malaysian Standard to project the distinction of its products, in terms of quality and service. For the Government, the challenge is for the further refinement of the standard and its promotion to gain industry and market acceptance on a global scale.

(f) Awareness on Malaysia as a Centre for Halal Products and Services

21.31 Although Malaysia is ahead of the competition in the development of a *halal* standard, in general, there is still a lack of association of Malaysia with *halal* products and services. More efforts need to be undertaken to promote the Malaysian Halal Standard as a Malaysian brand.

(g) Product Quality Assurance and Food Safety

21.32 Hygiene and safety factors are increasingly important in the development of the food industry. Incidents of food poisoning, for example, by *salmonella* and *e-coli*, have made the issue on food safety a major market concern. In this respect, there is considerable potential to promote *halal* foods as being safety-compliant, since they undergo one of the safest methods of production. The challenge for Malaysian food manufacturers, particularly SMEs, is to ensure compliance with other safety standards, such as Hazard Analysis and Critical Control Point (HACCP), GMP and GHP.

(h) Harmonisation of the Certification Process

21.33 Malaysia's competitors are progressing towards promoting their own *halal* certifications. Malaysia had been ahead of the competitors in the region in this area. However, there is a lack of harmonisation of the processes and procedures for the issuance of *halal* certificates. The challenge for Malaysia is the harmonisation of the processes and procedures for inspection and certification between the Federal and State agencies.

(i) **Coordinating Multiple Agencies in the Development and Promotion of the *Halal* Industry**

21.34 Presently, a number of ministries and agencies, at the Federal and State levels, are involved in the development and promotion of the industry. Given the intense competition in the *halal* market and to achieve better utilisation of resources, there is a need for more coordination and collaboration among the agencies involved in the development and promotion efforts.

(j) **Institutional and Human Resource Capacity**

21.35 A comprehensive approach to the development and promotion of *halal* products and services requires a balance of knowledge and expertise of Islamic tenets and food science, biochemistry and microbiology, as well as business and management. In this regard, there is a need for the Government agencies involved in the development and promotion of *halal* products and services to collaborate and share resources and expertise, including in the areas of:

- human resource development (HRD);
- research and development (R&D);
- product development; and
- clinical and testing facilities.

SECTION V STRATEGIES AND POLICIES

STRATEGIC THRUSTS

21.36 Efforts will be undertaken to develop Malaysia as the global *halal* hub. Malaysia will be the base of operations for the industry. It is envisaged that by 2008, Malaysia will be the centre for:

- the production and distribution of *halal* products;
- *halal* service providers;
- reference on the Halal Standard; and
- R&D on *halal* matters.

Eleven strategic thrusts have been set for the development and promotion of Malaysia as the global *halal* hub:

- (1) enhancing the awareness on Malaysia as the centre for *halal* products and services;

- (2) managing the increasing competition from countries in the region;
- (3) leveraging upon outward investments to gain access to raw materials and enhance competitiveness;
- (4) enhancing R&D in product and process developments and leveraging upon latest technological developments to expand the product range;
- (5) developing *halal*-compliant services;
- (6) utilising and leveraging upon Malaysian Halal Standard to differentiate Malaysia's *halal* products;
- (7) ensuring product quality and food safety;
- (8) undertaking systemic development of *halal* parks;
- (9) harmonising the *halal* certification process;
- (10) enhancing the coordination among agencies involved in the development and promotion of the industry; and
- (11) strengthening the institutional capacity of organisations involved in the development and promotion of *halal* products and services.

(1) ENHANCING THE AWARENESS ON MALAYSIA AS THE CENTRE FOR HALAL PRODUCTS AND SERVICES

21.37 Competitive advantage can be derived from brand association. Measures to create the image which will link '*halal*' with Malaysia include:

- developing and utilising a 'country of origin' labelling campaign for Malaysia's *halal* products. All aspects of the initiatives for the development of the *halal* hub under this new branding strategy will be coordinated, including using the *halal* logo and continuously making the association of Malaysia with *halal* products and services in all promotions and trade exhibitions overseas;
- developing a comprehensive campaign for the *halal* industry, similar to the 'Malaysia Truly Asia' initiative for tourism. The campaign for *halal* products will leverage upon the theme of 'Malaysia, the Taste of Asia';
- positioning Malaysia as the reference centre for trade and investment promotion of *halal* products and services by designating Malaysia International Halal Showcase (MIHAS) as the international annual platform for *halal* trade;
- developing Malaysia as the centre for discourse and deliberations on issues related to *halal* products and services. Relevant experts from around the world will be brought together to make Malaysia the focus

for *halal*-related knowledge and information. Towards this objective, the World Halal Forum will be made the annual international platform for such discourse; and

- supporting the development of *halal*-related content for the print and electronic media.

In the Ninth Malaysia Plan (RMK-9), 2006-2010, Malaysia will be developed as a centre for the certification of *halal* products and the JAKIM certification will be promoted worldwide.

(2) MANAGING INCREASING REGIONAL COMPETITION

21.38 As the competition for *halal* products and services intensifies, measures will be undertaken to enable Malaysia to remain competitive and capitalise upon the edge that it has, in terms of standard and a well developed manufacturing infrastructure. Measures to enhance the country's competitive advantage include:

- facilitating greater collaboration among countries in the region, capitalising upon complementarities and economies of scale. This includes using the network established through the growth triangles, such as Indonesia - Malaysia - Thailand Growth Triangle (IMT-GT) and Brunei-Indonesia-Malaysia-Philippines East Asia Growth Area (BIMP-EAGA) regions, to encourage joint ventures and collaborations;
- developing contract manufacturing capabilities to enable small and medium producers of *halal* products to be integrated into the global supply chain. This includes equipping the producers to become suppliers of *halal* products to major hypermarket chains; and
- building a database on the domestic and international *halal* industry. The availability of comprehensive and up-to-date information on producers and suppliers of *halal* products and services will facilitate planning and assist the private sector to establish market leadership.

21.39 Competition will also be managed through enhancing the export promotion of Malaysian *halal* food and non-food products. Measures include:

- MATRADE collaborating with Tourism Malaysia to develop specific programmes to promote Malaysian *halal* food products overseas. Collaboration will also be encouraged with hotels and providers of food services;
- encouraging Malaysian companies to establish strategic partnerships with companies overseas which have strong marketing networks to distribute Malaysian *halal* food and non-food products to regional and global markets;

- encouraging Malaysian companies to acquire known brands in markets overseas, through strategic partnerships, mergers and acquisitions;
- enhancing MATRADE's capabilities in gathering market intelligence for new and emerging markets; and
- encouraging Malaysian *halal* food and non-food companies which have acquired marketing capabilities, to expand their operations in identified markets, including the establishment of Malaysian *halal* food outlets overseas.

(3) LEVERAGING UPON OUTWARD INVESTMENTS TO GAIN ACCESS TO RAW MATERIALS AND ENHANCE COMPETITIVENESS

21.40 Measures to overcome the constraint of the lack of raw materials and, to some extent, the non-compliance to the Malaysian Halal Standard by overseas suppliers include:

- encouraging strategic joint ventures between Malaysian and overseas companies, including those involved in cattle and sheep farming, as well as food and non-food production;
- assisting in the identification of areas for collaborative ventures and synergistic ties for Malaysian manufacturers of *halal* products venturing overseas; and
- encouraging more financial institutions to support the initiatives of Malaysian-owned companies, especially SMEs, which undertake new investments overseas.

(4) ENHANCING RESEARCH AND DEVELOPMENT AND LEVERAGING UPON TECHNOLOGICAL DEVELOPMENTS

21.41 To benefit from the growing *halal* market, the industry will be encouraged to achieve a higher level of innovation in product and process developments in both the food and non-food industries to improve export performance in the long term. This will involve:

- enhancing collaborations in R&D among research institutes in *halal* product development and improvements; and
- assisting SMEs involved in *halal* food and non-food production, in acquiring the necessary technological capabilities to upgrade their manufacturing processes, as well as enhance product development and improvements.

21.42 Food and non-food manufacturers will be encouraged to:

- undertake research, on their own or in collaboration with research institutes, in product development, to keep pace with changing consumer tastes and preferences;
- work with public research institutes to commercialise findings in R&D; and
- leverage upon emerging technologies, such as biotechnology and nanotechnology, and enhance local capabilities in these areas, to develop new products and improve the technology in food and non-food processing.

Technologies which will be enhanced include *halal*-compliant food preservation and packaging technologies, incorporating food safety and sanitation practices.

(5) DEVELOPING HALAL-COMPLIANT SERVICES

21.43 The development of *halal*-compliant services is integral to the development of the *halal* products industry. Services for development include handling, storage, shipping, airfreight, warehousing, road transport and container requirements in the logistics industry. Methods will be identified to prevent the contamination of *halal* products with non-*halal* items during transportation and distribution. Measures to achieve this include:

- greater collaboration with the relevant service providers to facilitate the development and promotion of *halal*-compliant services; and
- providing support to ports and companies which develop *halal*-compliant logistics.

21.44 In addition to the logistics services of handling, warehousing, cold storage, packaging and transportation, other services which can leverage upon the *halal* market include travel and tourism. By promoting Malaysia as a tourist destination with attractions and facilities which meet the expectations and requirements of Muslims, the number of tourists from West Asia and other Muslim countries can be increased. Measures to be undertaken include:

- using events, such as food festivals, cultural shows and Islamic fashion and music events, as a basis for promoting and branding Malaysia as a tourist destination which appeals to Muslim travellers; and
- reinforcing the *halal* image by increasing the number of *halal* certified restaurants, kitchens and food outlets in the country.

(6) USING AND LEVERAGING UPON MALAYSIA'S *HALAL* STANDARD TO DIFFERENTIATE MALAYSIA'S *HALAL* PRODUCTS

21.45 Presently, there is no single reference point for a *halal* standard, which is globally accepted as the industry standard. In this respect, Malaysia has taken the lead, in already having developed the MS1500:2004 Standard. It is thus important that Malaysian producers of *halal* products leverage upon this standard to differentiate their products from those of competitors. Measures will be undertaken to develop and promote the Malaysian Halal Standard, including gaining international recognition and acceptance. These include:

- the involvement of industry leaders on an on-going basis to assist in the development and promotion of the standard, in the same way that standards of International Organization for Standardization (ISO) are continually being developed and updated;
- leveraging upon Malaysia's role in the Organisation of the Islamic Conference (OIC) to promote the acceptance of the standard among member countries;
- enhancing the institutional capacity, including human and physical resources, in the efforts to gain greater international recognition and acceptance of the *halal* standard; and
- continuing to seek acceptance of the standard by relevant international accreditation bodies through mutual recognition arrangements, either through direct consultations or as part of Malaysia's bilateral and regional free trade agreements (FTAs).

(7) ENSURING PRODUCT QUALITY AND FOOD SAFETY

21.46 Standards conformance is important for industrial efficiency, productivity and competitiveness. The MS1500:2004 Standard is already an inclusive standard, which incorporates *halal*, HACCP, GMP and GHP requirements. Measures to intensify standards conformance include:

- expanding outreach programmes, particularly among SMEs, to enhance the awareness and understanding of the importance of standards compliance, particularly standards such as HACCP, GMP and GHP; and
- providing the necessary institutional support to facilitate compliance to international standards among Malaysian-owned companies, including SMEs.

(8) UNDERTAKING SYSTEMIC DEVELOPMENT OF *HALAL* PARKS

21.47 Focus will be given on a more integrated development of the *halal* industry. This involves the systemic development of the entire value chain. In the RMK-9, Kedah, Perlis, Pulau Pinang, Perak and Pahang have been identified to lead in the development of the *halal* food industry. Measures towards the systemic development of *halal* products and services include:

- establishing *halal* parks dedicated to the downstream production of *halal* products. No upstream production, particularly the slaughtering process, will be permitted in the parks. The parks will:
 - be free from non-*halal* contamination; and
 - have requisite infrastructure and adequate shared facilities, including on-site water treatment plants, dedicated cool and cold chain facilities, and specialist test laboratories, as well as factory units for high capacity food processing and packaging activities and warehouses of various sizes;
- providing manufacturing companies and providers of services (including logistics) located in these parks with preferential utility rates;
- encouraging universities and research institutes to establish linkages with manufacturing companies located in these parks to facilitate collaboration in R&D, as well as the commercialisation of research findings;
- creating disease-free agricultural zones, in collaboration with the *halal* parks, to facilitate access to quality raw materials; and
- promoting the *halal* parks as free zones to make Malaysia a preferred transshipment location for *halal* goods. This will have the added advantage of making raw materials more readily available for domestic manufacturers.

(9) HARMONISING THE *HALAL* CERTIFICATION PROCESS

21.48 Increasingly, countries in the region are embarking on promoting their own *halal* certifications. To remain ahead of the competition, the process of *halal* certification by Federal and State agencies will be harmonised and streamlined. Measures will also include upgrading the capacity of these agencies, including that of the auditors and inspectors.

(10) ENHANCING THE COORDINATION AMONG THE AGENCIES

21.49 To promote the development of the *halal* industry, coordination among the ministries and agencies will be further enhanced:

- the Halal Industry Development Corporation, which will be established during the RMK-9 period, will coordinate the overall development of the industry;
- the Ministry of Agriculture and Agro-Based Industry will coordinate the upstream development of the industry, including the supply and first-stage processing of raw materials. The ministry will be responsible for *the halal* accreditation of abattoirs;
- the Ministry of International Trade and Industry will coordinate the development and promotion of downstream activities. In particular:
 - MATRADE will undertake the promotion of the *halal* standard for products and services;
 - SMIDEC will be responsible for the development and capacity building of SMEs; and
 - MATRADE and MIDA will undertake trade and investment promotion of *halal* products and services; and
- the Department of Standards Malaysia will coordinate the development of the Malaysian Halal Standard.

(11) STRENGTHENING THE INSTITUTIONAL AND HUMAN RESOURCE CAPACITY

21.50 The development and enhancement of the industry require a balance of knowledge and expertise in various fields, apart from Islamic tenets. The other areas include technological developments and the sciences, specifically food science, biochemistry, and micro-biology, as well as business and management. Towards achieving this balance, a comprehensive approach will be adopted to enhance the institutional and human resource capacity. Initiatives include:

- capacity building of:
 - the certification and inspection agencies, namely, the Federal and State Islamic Development Departments;
 - organisations involved in providing testing facilities for *halal* products;

- logistics and other related services providers; and
- other relevant agencies involved in the development of the industry, including those responsible for the promotion of *halal* products and services, as well as standards development;
- streamlining and harmonising the audit and certification requirements and processes between the Federal and State Islamic Development Departments;
- identifying selected local universities to provide degree courses in *halal* related science;
- providing more targeted training for SMEs to cover not only requirements on *halal* compliance, but also product choice, and packaging and labelling, as well as marketing and branding;
- providing consultancy services to foreign companies and multinational corporations (MNCs), as part of Malaysia's efforts to be the reference centre for *halal* standards and certification; and
- upgrading JAKIM to enable it to provide more efficient services to the industry, both at the domestic and international levels.