



**YB THE HON. SENATOR TENGKU DATUK SERI UTAMA
ZAFRUL
TENGKU ABDUL AZIZ,
MINISTER OF INVESTMENT, TRADE & INDUSTRY,
MALAYSIA**

Special Address

Global Forum on Islamic Economics and Finance (GFIEF)

KLCC

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YBhg. Datuk Abdul Rasheed Ghaffour,

Governor of Bank Negara Malaysia,

CEO's of Banking and Financial Institutions

Distinguished guests,

Ladies and gentlemen.

Assalamualaikum warahmatullahi wabarakatuh, and a very good afternoon. Salam Malaysia Madani.

INTRODUCTION

1. Thank you, MOF and Bank Negara, for having me at this Global Forum on Islamic Economics and Finance (or GFIEF).
2. This session's theme on advancing the 4-Ts of Global Private Sector Halal Development – **Technology, Trade Connectivity, Talent, and Climate Transition** – reflects our collective commitment to fostering shared prosperity and equity through Islamic Economics and Finance.

3. I will present some possible enabling ideas and solutions from MITI's perspective. But first, let us look at **some data points and key trends in the private sector halal development space.**

GROWTH OF THE GLOBAL ISLAMIC ECONOMY TRENDS AND OPPORTUNITIES

4. The global Islamic economy holds immense potential for growth. The global halal market is predicted to reach US\$9.71 trillion by 2025¹, with nations like Malaysia expected to lead the pack in the coming years.
5. As the halal industry becomes one of the most competitive and fast-moving sectors in the world, so, too, will Islamic financial assets. In fact, **global Islamic financial assets expanded by 163%² over the past decade, from USD1.71 trillion in 2012 to USD4.51 trillion in 2022.** This is attributed to strong balance sheets, high earnings, regulatory support, and sustained demand from customers and investors worldwide³.

¹ 'State of the Global Islamic Economy Report 2018/19' by Thomson Reuters in cooperation with DinarStandard

² According to Islamic Finance Development Indicator (IFDI)

³ ICD-LSEG Islamic Finance Development Report 2023: Navigating Uncertainty.

6. Therefore, it does not come as a surprise that many countries are now focusing on the halal industry, with many businesses looking to invest in halal-related products, driving innovation and creating solutions for their 'target share' of the **1.9-billion Muslims globally, which is almost 25% of the world's population**. To serve the fast-growing and increasingly demanding halal sector, **technology is a key factor in ensuring the progress of most Halal industry developments** moving forward.
7. Let me touch on **four key trends and opportunities** in the halal industry that we at MITI are keeping our eye on, and what we are doing to capitalise on these opportunities.
8. **Firstly, the growing number of non-Muslim halal consumers globally will see the Halal industry grow exponentially**, covering a wide range of sectors, including F&B, personal care products, pharmaceuticals, services, and business operations. Coupled with **transformative digital Technology, such as AI and automation**, we can foresee how this will enable companies to **innovate faster, develop products more efficiently, and scale their businesses more quickly**.

9. In the **halal F&B sector**, many food-tech startups are **tapping into this growing global market**. While Malaysians generally takes halal sources of food for granted, there are many countries where businesses to capitalise on the growing Halal sector, from **Halal grocery e-commerce to cloud kitchens**. Such platforms and apps are rapidly gaining popularity due to the ease of **online ordering**.
10. And this is where the private sector can seek **opportunities via Technology** to power up not only the **retail F&B** aspect in these Halal food-related platforms and apps, but also **the procurement, logistics and supply chain aspects in the back end** of that service, which brings me to my next point.
11. **Secondly**, another opportunity where we see Malaysia's halal industry should be heading is the use of **Technology**, to **ensure the integrity of the whole halal supply chain ecosystem**, which includes **procurement, certification and logistics**.
12. This is where I feel our private sector can go further. Currently, our halal certification issued by JAKIM is globally recognised as a highly reputable, accepted by 84 other halal certifying bodies across 46 countries. This provides

robust support and value-enhancement to private sector players in the global halal market.

13. The challenge is this: **how can we encourage more robust public-private collaboration in R&D and innovation to support our private sector in capitalising on Malaysia's global halal leadership?**
14. While the Halal Industry Master Plan 2030 very briefly sets out its overarching aspirations on **enablers such as Fintech, IoT, Big Data and Blockchain**, MITI is looking into fleshing these out comprehensively to see which parts of the halal supply chain can benefit from a rapid tech-up using enablers such as AI and blockchain, as envisaged also by Mission 2 of the New Industrial Master Plan 2030.
15. **My third point is on facilitating halal Trade and services.** On this, the Malaysia International Halal Showcase (MIHAS) organised by one of MITI's agencies – the Malaysia External Trade Development Corporation (MATRADE) – serves as a key platform for showcasing Malaysian brands.
16. MIHAS is a robust marketplace for both international and local players to seize opportunities in sectors such as Halal

F&B, pharmaceuticals, medical devices, finance, modest fashion, personal care and cosmetics, green technologies and even Muslim-friendly tourism.

17. Since its inception in 2004, **MIHAS has generated sales of close to RM25 billion, hosted more than 10,000 exhibitors, and welcomed over 5,700 International Sourcing Program (INSP) buyers, and close to 500,000 visitors.** We plan to **leverage all that data** to gain more insights towards **taking the 7,800 halal-certified Malaysian companies onto the next level.**
18. My **fourth point** is on **Talent**. In 2022, Malaysia boasts **20,000 halal-certified talents**, but as MITI gets deeper into the implementation of NIMP2030, we can see how attracting more tech talent into the country is a huge challenge.
19. On that, I am very pleased to share that **just a few hours ago, our Honourable Prime Minister Dato' Sri Anwar Ibrahim, announced the gist of Malaysia's National Semiconductor Strategy (NSS) to take our semiconductor industry to the next level.** When I was still in the banking industry, our mantra was: data is the new oil. Today, **semiconductors are the new oil!**

20. Indeed, all the points I raised earlier – on **growing our halal market share, ensuring integrity of the supply chain and promoting trade** – will not be able to get off the ground if we did not have a sufficient supply of semiconductors. **Remember what COVID did to global tech supply chains?**
21. This is why it is also important to nurture our semiconductor ecosystem strategically and systematically. Hence, the **five headline targets** for the NSS:
- a. **Firstly**, we want to attract at least RM500 billion of investments, focusing on IC Design, Advanced Packaging, Manufacturing Equipment, and Wafer Fabs. This will include investment participation from GLICs and GLCs, as well as initiatives related to the capital markets such as the upsizing the NIMP Strategic Co-Investment Fund (CoSIF), as well as improving the listing criteria for semiconductor and technology-related companies.

- b. **Secondly**, we want to establish at least 10 Malaysian companies in Design and Advanced Packaging with revenues between RM1 billion to RM 4.7 billion, and at least 100 semiconductor-related companies with revenues close to RM1 billion (USD210 million). There will also be Government guarantees through SJPP totalling up to RM2 billion, to support companies and SMEs' working capital or CAPEX financing through participating Financial Institutions.
 - c. **Third**, we will develop Malaysia as a global R&D Hub for Semiconductors, featuring world-class universities, corporate R&D, and centres of excellence, blending the very best of Malaysian and international talent.
 - d. **Fourth**, we will train and upskill 60,000 Malaysian Engineers. MIDA will also be empowered to make decisions on the Returning Experts Programme (REP) and the Residence Pass-Talent (RPT) programme.
 - e. **Last but definitely not least**, there will be **fiscal support of at least RM25 billion (~USD5.3 billion) for a start**, to implement the Semiconductor Strategy.
22. Specifically on **Talent**, for our halal industry to grow, and grow exponentially, its talent base must be made up of

more data scientists and data analysts. And on the tech-enabling aspect, through the NIMP, NETR, Semiconductor Strategy announced this afternoon, **we will proactively attract more talent into the semiconductor industry** – to do more **higher-end testing** for chips, as well as **design and produce more higher-end chips and integrated circuits** on Malaysian shores.

23. The **US-China geopolitical tension** has created a tech war that has effectively seen MNCs - including in the halal industry – redesigning their global supply chains.
24. Thanks to our firm, neutral stance, strong value proposition for investors, and a thriving semiconductor ecosystem, **Malaysia is currently in a sweet spot to leverage on this once-in-a-generation opportunity, and to attract more halal, tech and semiconductor investments to our shore.**
25. All these initiatives reflect the Malaysian Government's resolve to not just reindustrialise Malaysia, but **reindustrialise strongly, strategically and sustainably** through our **various industrial policies.**

ISLAMIC BANKING, FINANCE & INVESTMENTS WILL BENEFIT FROM PROMOTED INDUSTRIES' GROWTH

Ladies and gentlemen,

26. **Where does Islamic banking, finance and investments stand in all these?** Our nation hosts 38 banks that either operate solely on Islamic principles or have branches offering Islamic financial products.⁶

27. On **Islamic investing**, if Syariah-compliant semiconductor stocks are anything to go by, **we can safely assume that the global semiconductor sector has great prospects and potential.**

28. After all, **semiconductors power up our daily lives**, and many of today's tech-based industries. Therefore, I believe **one of your key takeaways is this: future opportunities will lie in promoted industries such as aerospace, chemicals/petrochemicals, digital economy, E&E, medical devices and pharmaceuticals.**

29. And **semiconductors – a clear Syariah-compliant asset class – are the lifeblood for all these industries!**

⁶ Invest Monitor, <https://www.investmentmonitor.ai/features/where-are-the-global-islamic-finance-hubs/?cf-view>.

30. So, where are we now in terms of driving investments into these sectors? Here is an insightful data point: for the period **2021 – 2023**, we **approved RM144.7 billion of Digital Investments**⁷. All these digital investments require semiconductors. These digital investments - by companies such as **Amazon, Infineon, GDS, ByteDance** and others - are set to create **39,231 job opportunities**.
31. Again, **all these will be powered by semiconductors and data centres**. So, as we strengthen our skilled, tech-based talent in these sectors, we believe there will be **talent spill over into the fintech sector targeted at the halal industry**.

ISLAMIC FINANCE'S ROLE IN DECARBONISING THE ECONOMY & GROWING STRATEGIC SECTORS

Ladies and gentlemen,

32. I believe earlier sessions have discussed enough about how **Islamic finance's alignment and complementarity to Sustainable Development Goals (SDGs)**.

⁷ Approved by the Malaysian Investment Development Authority (MIDA) and Malaysia Digital Economy Corporation (MDEC)

33. **From Malaysia's industrial perspective, our commitment to sustainability** through two key policies launched last year, namely the **National Energy Transition Roadmap (NETR)** and the **New Industrial Masterplan 2030 (NIMP 2030)**. Both lay a robust foundation for decarbonising our economy and growing sustainably, with estimated **public and private funding / financing of over RM1 trillion by 2050**.
34. On Climate Transition, **semiconductors are also key AI enablers for Climate Transition solutions**. Therefore, **I would like to invite the architects of Islamic finance products, including ESG/Shariah-compliant Sukuk issuers, to consider playing a stronger role in financing not just the NIMP and NETR initiatives, but also contribute to policy efforts to strengthen our semiconductor sector,** particularly via the just-announced Strategy by our Prime Minister.
35. There is one final point I wish to add. **For Malaysia to stay competitive and achieve its ambitious goals**, we need more innovation, a unified market, increased investments through **ease-of-doing-business, reduced bureaucracy**

and smoother investor journey. To that end, the Government's decision to **empower the Malaysian Investment Development Authority (MIDA) as the central investment promotion agency will ensure a more efficient, orderly, and focused promotional activities.**

36. The Prime Minister himself is committed to a bold bureaucracy reduction and reform agenda, towards more streamlined, swifter administrative processes and less red tape burden for businesses of all sizes.
37. MITI is also **redefining the role of the Halal Development Corporation (HDC) to eliminate redundancies and sharpen the focus of halal industry promotion** within the MITI ecosystem.
38. Additionally, I have also requested **MIDA to have a new category for FDI and DDI, which is the halal category.** MIDA will spearhead overall investment promotions including halal, while HDC drives growth in the halal industrial ecosystem. HDC will craft strategies for fully halal and Shariah-compliant value chains, branching out into new sectors like pharmaceuticals, cosmetics, personal

care, logistics, hospitality services, and medical devices to cater to the modern economy.

CLOSING

Ladies and Gentlemen,

39. In closing, **Malaysia's industrial ambition - whether through the National Semiconductor Strategy, the NIMP, the Halal Master Plan or other industry-based policies - is to be a leading partner, collaborator and driver of the strong reindustrialisation in Malaysia, ASEAN and beyond, to build technology for the greater good.**

40. **Investments in industry represent patient but enduring capital that will provide opportunities for SMEs, create jobs for the population, and drive sustainable growth for the longer term. Let's be part of that growth.**

41. Just as the principles of halal economy and Islamic finance emphasize delivering socio-economic benefits for the greater good, similarly, **MITI's key industrial policies and strategies also reflect our overarching vision to use technology and other means to benefit society, and**

ensuring these benefits are inclusive and can be enjoyed by all Malaysians.

42. To quote what our PM mentioned in his speech at the SEMICON Southeast Asia this afternoon, **“This is Malaysia’s once-in-a-generation opportunity.” So, please join us for the exciting ride ahead!**

43. Thank you for your time and attention. Assalamualaikum Warahmatullahi Wabarakatuh.