



# **DEVELOPMENT OF THE *HALAL* INDUSTRY**





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## STRATEGIES AND POLICIES

### STRATEGIC THRUSTS

- 1.01 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

1.02 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

1.03 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.

1.04 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**

1.05 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

1.06 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.

1.07 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

1.08 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.

1.09 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**

1.10 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

1.11 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

1.12 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**

- 1.13 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**

- 1.14 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**

- 1.15 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.