

HALAL TRADING AMONG ASEAN COUNTRIES



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ABSTRACT

Indonesia as a big halal market among ASEAN countries will implement mandatory halal products on 2019 for food, beverage, cosmetics and gradually mandatory halal pharmacy products. Halal trading among ASEAN countries is still need to be created by ASEAN countries, eventhough full free trade and free financial movement among ASEAN countries will be implementing in 2020. The main problems of halal products among ASEAN countries are regarding with Halal Standards, Halal Logo (one halal logo for ASEAN), halal product retails (final product), law system regarding with halal regulations and halal logistic system among ASEAN countries. The proposal of ASEAN counties in developing halal trading is to decide mutual recognition among ASEAN Counties for Halal Standard, one halal logo for ASEAN, Halal Logistic System and agreement among ASEAN countries for fair trading in Halal Products. The possibility of cooperation among ASEAN countries is that majority muslims who live in ASEAN Countries are *Shafii* School of thought and Malay ethnic is a glue for making cooperation easily.

WHY HALAL CERTIFICATE IS REQUIRED?



Food and
Beverages



Cosmetics



Drugs and
Pharmaceu
tical



Finance



Clothing



Others

←-----→
HALAL PRODUCTS

←-----→
MUSLIM

MANDATORY

Islamic Principles

MUSLIM POPULATION IN THE WORLD

Southeast Asia is the region which has a highest Muslim population in the World

26%

is a persentation of Muslim population in the world (1.8 billion in 2016)

16.6%

is Muslim population in Southeast Asia

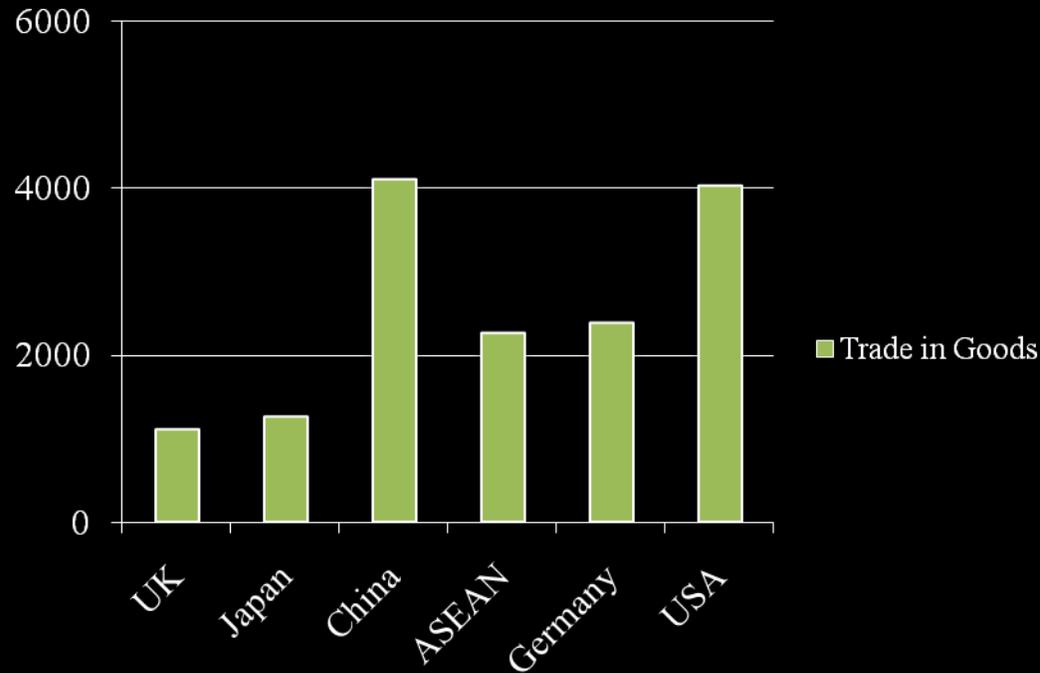
In 2015, ASEAN's population increased by 11.1% from 2007. ASEAN's population was the third largest in the world, after China and India. Indonesia's population accounted for about 40% of the region's total population.

Country	Persentation of Muslim In The World
Indonesia	13.8
Singapore	0.04
Malaysia	1.13
Brunei Darussalam	0.02
Thailand	0.3
Philiphine	0.7
Vietnam	< 0.1
Cambodia	< 0.1
Myanmar	0.2

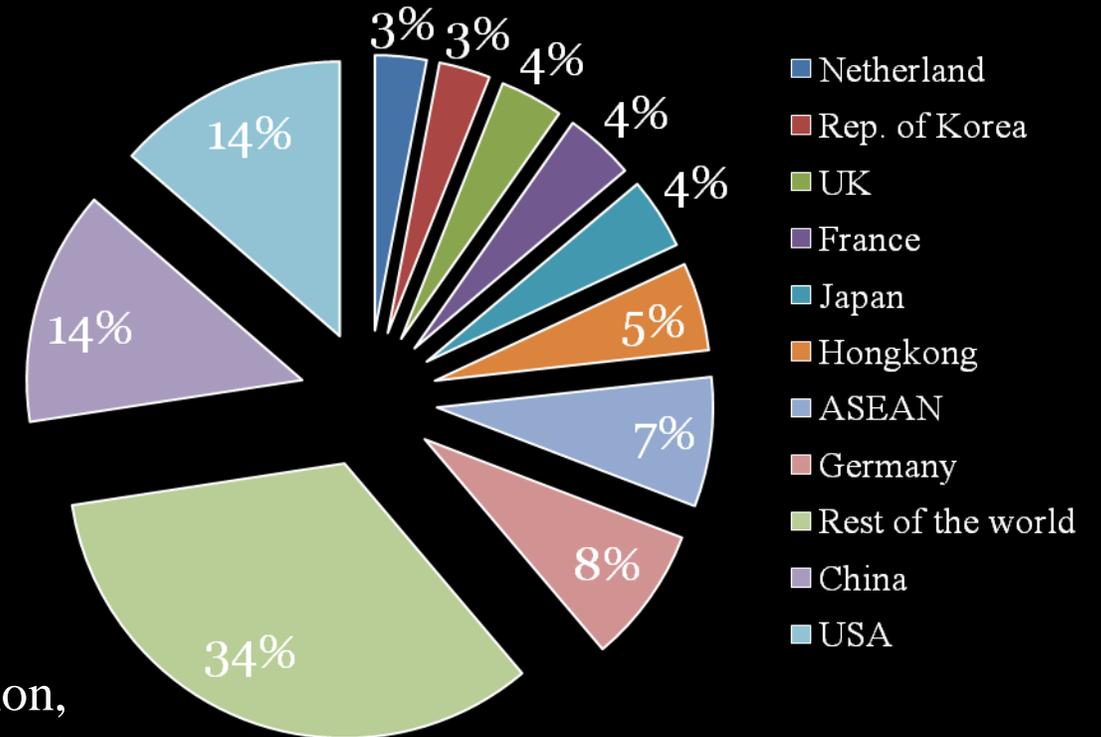
ASEAN IN THE GLOBAL ECONOMY

In billion USD

Trade in Goods

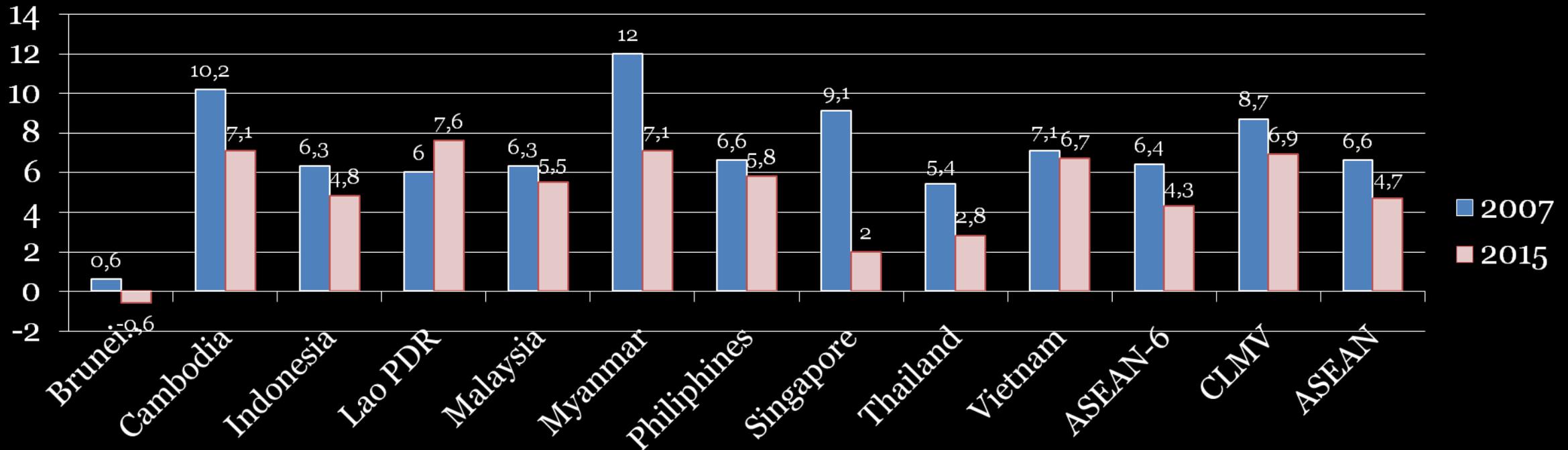


Percent Share to World Total Trade, 2015



In 2015, ASEAN's total trade stood at US\$2.3 trillion, accounting for 7.6% share of the world's total trade; and placed fourth after China (13.8%), USA (13.6%) and Germany (8.0%).

ANNUAL GDP GROWTH IN ASEAN 2007-2015

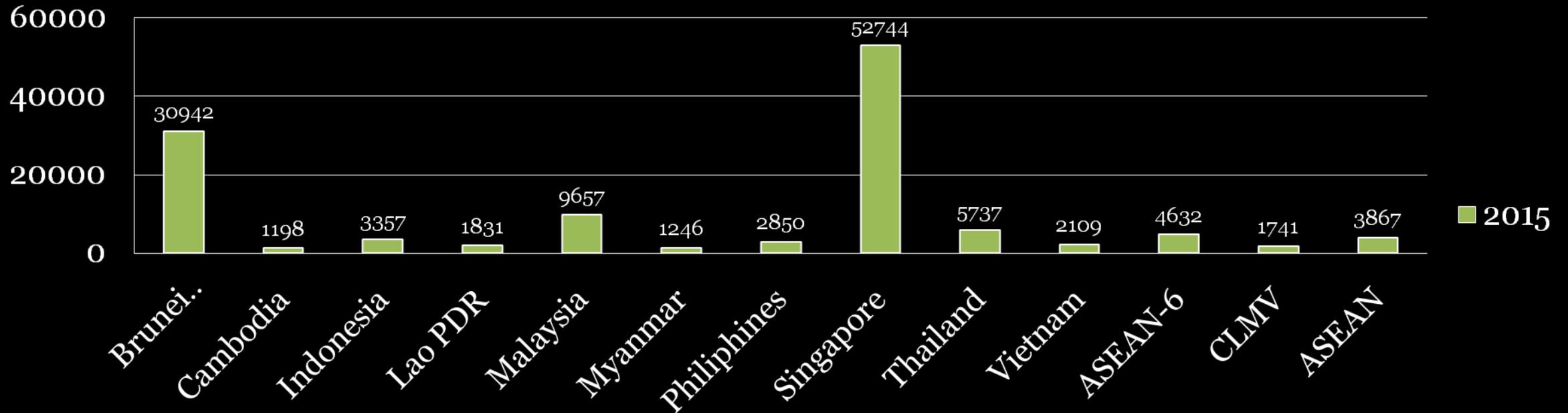


Note: ASEAN-6 = Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore, Thailand;
CLMV = Cambodia, Lao PDR, Myanmar, Viet Nam.

Source: ASEAN Secretariat.

The region's GDP grew at 4.7% in 2015, lower by 2.1 percentage points from 2007. GDP growth in CLMV remained higher than in ASEAN-6 during the same period.

GDP PER-CAPITA (in US Dollar), 2015



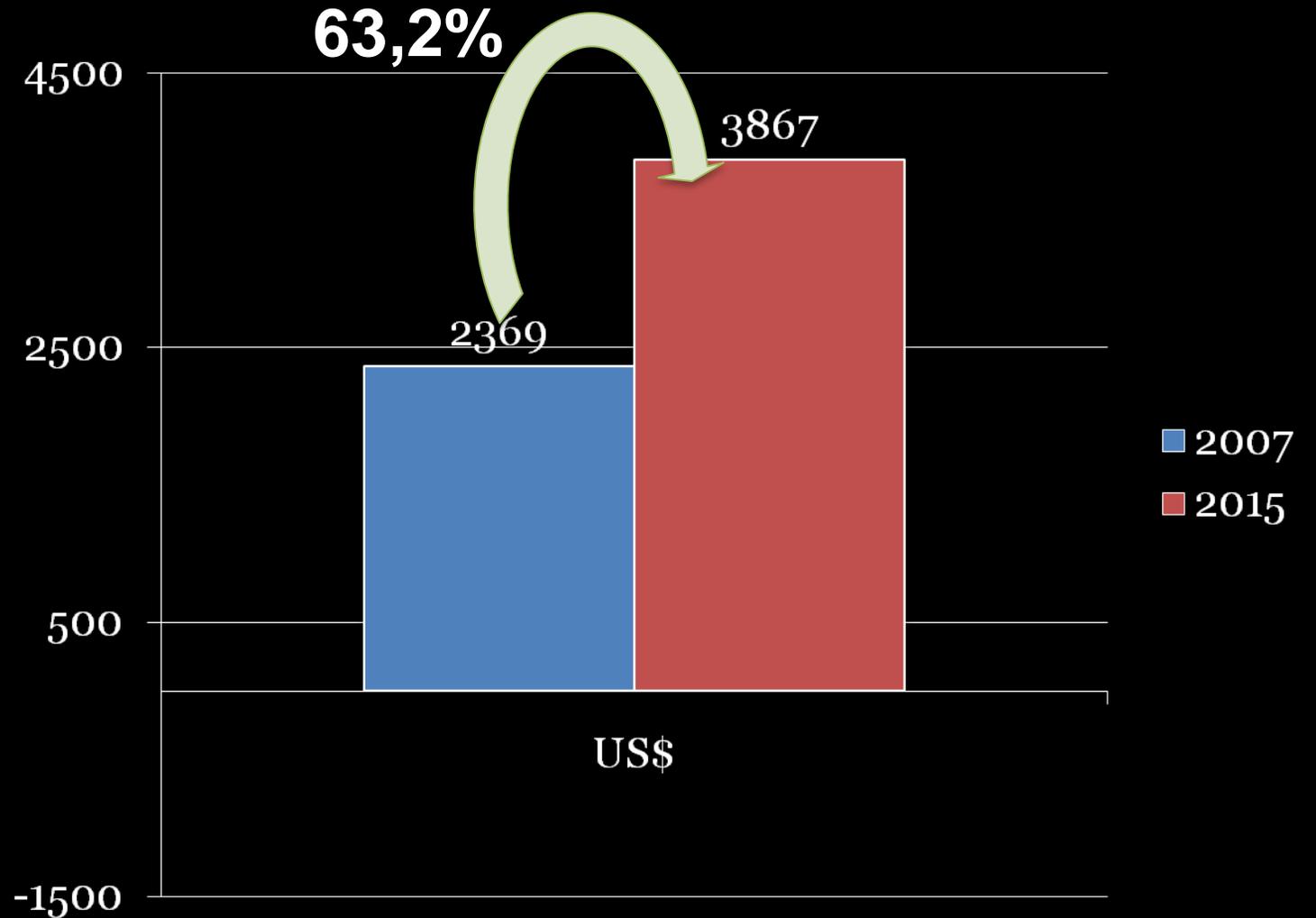
- Member States' GDP per capita varied widely. In 2015, GDP per capita in Singapore and Brunei Darussalam reached more than US\$50,000 and US\$30,000 respectively; while GDP per capita in Cambodia and Myanmar stood at US\$1,198 and \$1,246, respectively. Indonesia, Malaysia, Philippines and Thailand's GDP per capita ranged from US\$2,800 to US\$9,600.
- The region's GDP per capita (PPP) increased by 56.1% from US\$7,052 in 2007 to US\$11,009 in 2015. Singapore and Brunei Darussalam were among the top 5 economies with the highest GDP per capita (PPP) in the world.

GROWTH GDP IN ASEAN COUNTRIES (at current price, 2015)

GDP ASEAN 2.432
GDP Per Capita 3.867

ASEAN GDP Per capita increased by 63.2% from US\$ 2.369 to US\$ 3.867 in 2015.

Singapore was one of the top ten countries with the highest GDP per-capita in the world



OIC MEMBERS

Growth of GDP (Gross Domestic Product) of ASEAN countries incorporated in OIC (Organization of Islamic Cooperation) members:

1. Indonesia : 5.47%
2. Brunei Darussalam : 5.31%
3. Malaysia : 4.84%

Global Average :

3.6%

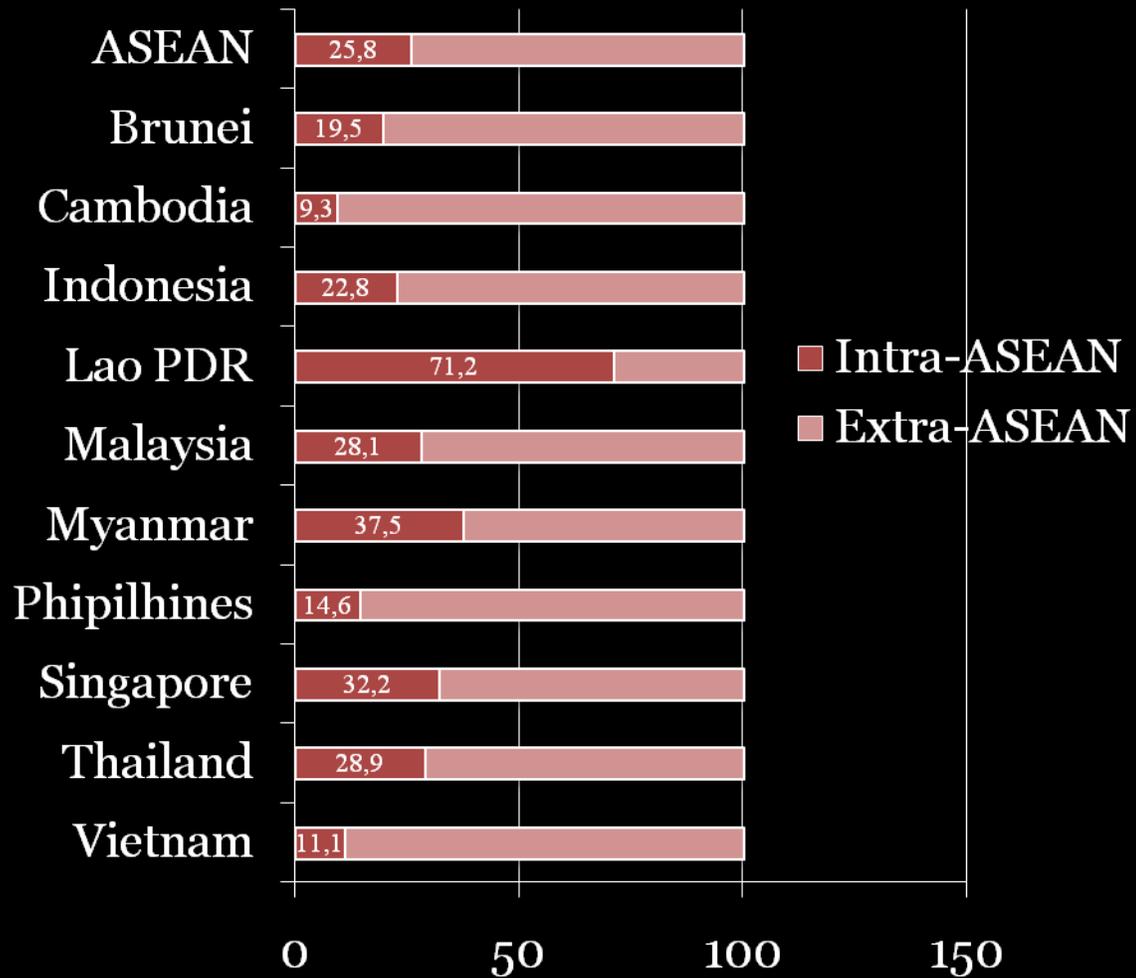
OIC Average :

4.19%

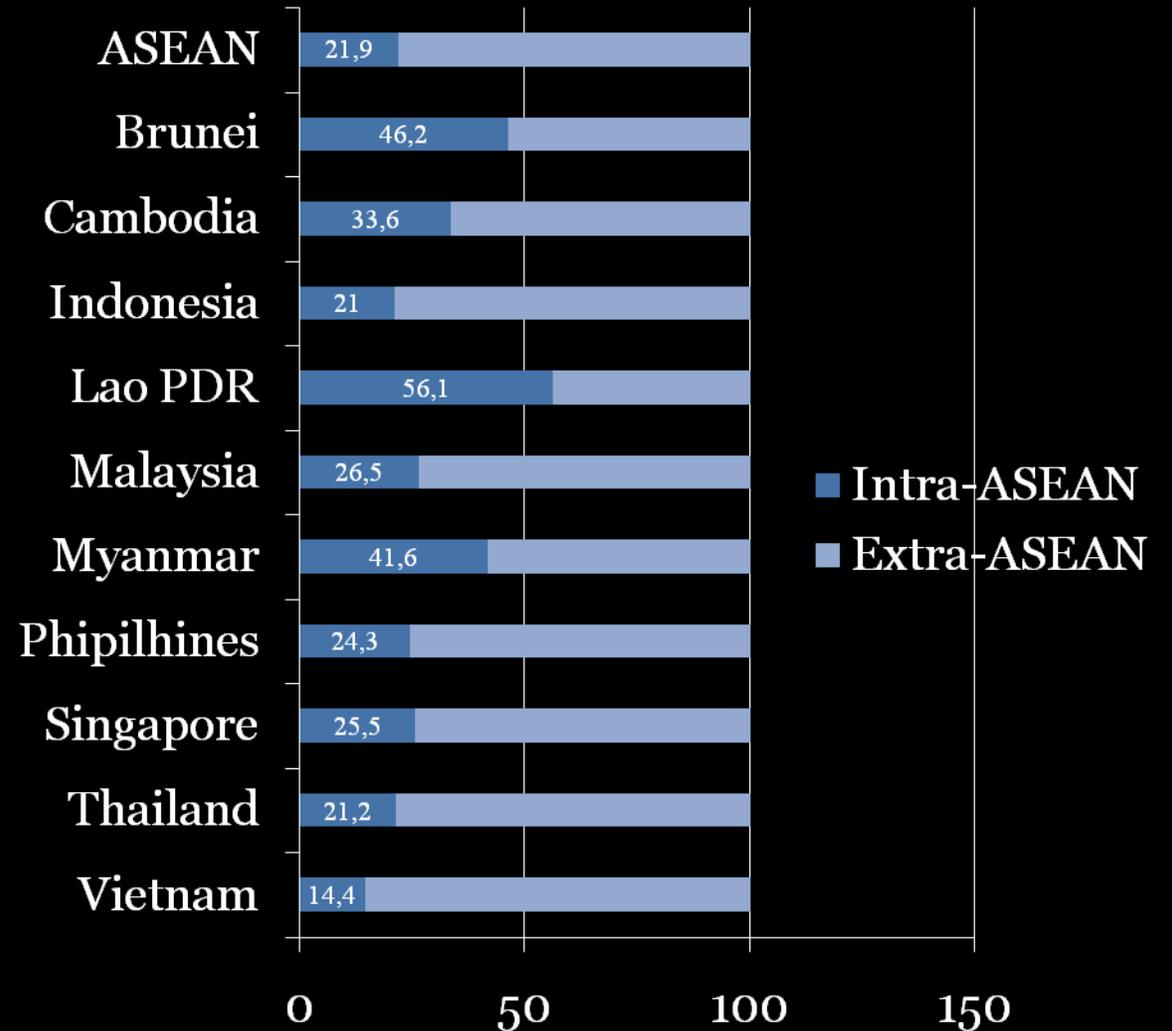
POTENTIAL OF EXPORT AND IMPORT

Country	Potential
Indonesia	Agro (raw material ex. - Palm oil, Coffee, Seasoning) Culiner or food industri
Malaysia	Iskamic financial industry , Cosmetics
Singapore	Pharmaceutical
Brunei Darussalam	Livestock

ASEAN MEMBER STATE EXPORT IN GOODS BY DESTINATION, 2015



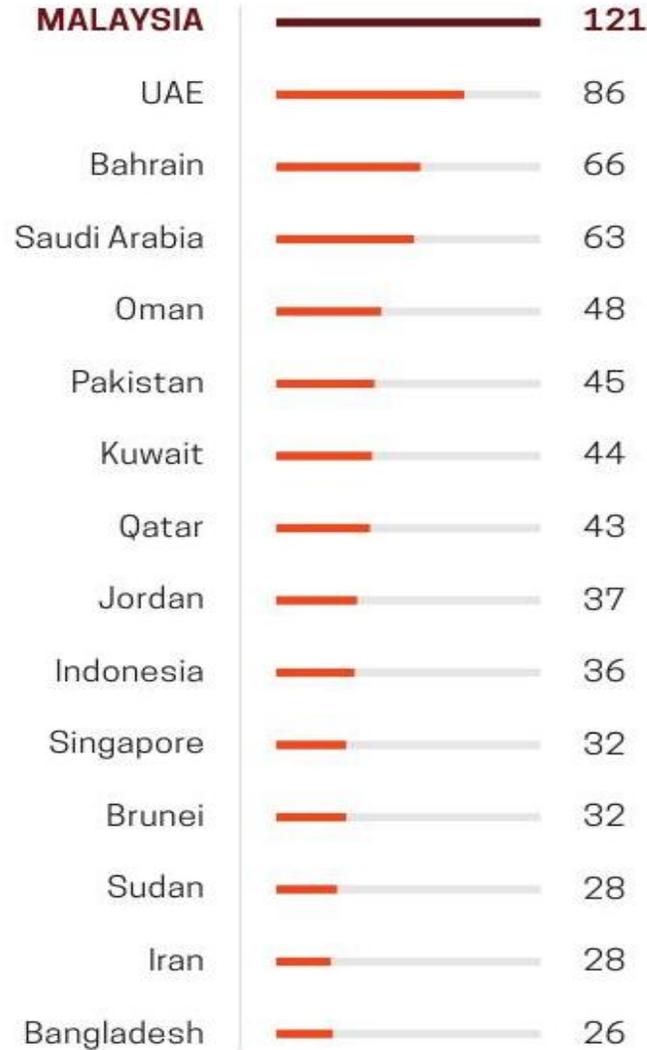
ASEAN MEMBER STATE IMPORT IN GOODS BY ORIGIN, 2015



SUMMARIZED OF HALAL RANK IN THE WORLD 2016/17



TOP 15 COUNTRIES GIE Indicator Score



TOP 10 Halal Food

- 1 UAE
- 2 Australia
- 3 Pakistan
- 4 Brazil
- 5 Malaysia
- 6 Oman
- 7 Somalia
- 8 Saudi Arabia
- 9 Bahrain
- 10 Qatar



TOP 10 Modest Fashion

- 1 UAE
- 2 Turkey
- 3 China
- 4 India
- 5 Italy
- 6 Sri Lanka
- 7 Bahrain
- 8 France
- 9 Singapore
- 10 Togo



TOP 10 Islamic Finance

- 1 MALAYSIA
- 2 UAE
- 3 Bahrain
- 4 Saudi Arabia
- 5 Oman
- 6 Kuwait
- 7 Pakistan
- 8 Qatar
- 9 Indonesia
- 10 Jordan



TOP 10 Halal Media and Recreation

- 1 UAE
- 2 Singapore
- 3 Bahrain
- 4 Lebanon
- 5 United Kingdom
- 6 Qatar
- 7 France
- 8 Germany
- 9 Kuwait
- 10 Australia



TOP 10 Halal Travel

- 1 UAE
- 2 Malaysia
- 3 Turkey
- 4 Singapore
- 5 Jordan
- 6 Maldives
- 7 Iran
- 8 Lebanon
- 9 Oman
- 10 Saudi Arabia



TOP 10 Halal Pharmaceuticals and Cosmetics

- 1 UAE
- 2 Malaysia
- 3 Singapore
- 4 Egypt
- 5 Pakistan
- 6 Jordan
- 7 Saudi Arabia
- 8 Indonesia
- 9 Oman
- 10 Brunei

SUMMARIZED OF HALAL RANK IN THE WORLD 2016/17

Top 15 Countries	GIE Indicator Score	Islamic Finance	Halal Food	Halal Travel	Modest Fashion	Halal Media and Recreation	Halal Pharmaceuticals & Cosmetics
Malaysia	121	189	55	70	25	38	61
United Arab Emirates	86	92	75	81	67	137	78
Bahrain	66	90	45	30	26	58	36
Saudi Arabia	63	83	50	35	17	33	48
Oman	48	51	54	36	16	40	40
Pakistan	45	47	56	11	19	8	52
Kuwait	44	51	43	29	13	45	29
Qatar	43	47	45	35	15	46	32
Jordan	37	35	45	39	19	31	49
Indonesia	36	38	40	35	21	9	41
Singapore	32	22	39	44	26	75	56
Brunei	32	27	45	22	12	30	39
Sudan	28	30	33	23	5	17	23
Iran	28	30	29	36	10	20	27
Bangladesh	26	31	26	10	25	3	25

GROWTH ESTIMATE GLOBAL ISLAMIC ECONOMIC

(Dinar Standard, 2016/17)



Halal Food



Halal Travel



Modest Fashion





Halal Media & Recreation

\$189 Bn

2015 Muslim Spend on Recreation and Culture

\$262 Bn

5.6% CAGR Growth (2015-21)

\$3,690 Bn

2015 Total Global Spend on Recreation and Culture



Halal Pharmaceuticals

\$78 Bn

2015 Muslim Spend on Pharmaceuticals products

\$132 Bn

9.3% CAGR Growth (2015-21)

\$1,172 Bn

2015 Total Global Spend on Pharmaceuticals



Halal Cosmetics

\$56 Bn

2015 Muslim Spend on Cosmetics Products

\$81 Bn

6.5% CAGR Growth (2015-21)

\$750 Bn

2015 Total Global Spend on Cosmetics



Islamic Finance

Islamic Banking Assets

\$1,451 Bn

0.9% of Total Global Market

\$2,716 Bn

11% CAGR Growth (2015-21)

Islamic Finance Assets

\$2,004 Bn

\$3,461 Bn

9.5% CAGR Growth (2015-21)

\$ 162,000 Bn

Total Global Commercial Banking Assets

Existing Muslim Market* (2015, US\$ Bn)

Potential Market Size (2021, US\$ Bn)

Economic Policy Packages

1. The President of Indonesia has issued 16 packages of economic policy. The packages aim to increase national economic performance and to increase welfare of society.
2. However, in general, its packages still not specific to set about of Islamic economic development and Islamic finance. With exception of the fifth policy package that alludes to the deregulation of Islamic banking.
3. The existence of packages for Islamic economic development and Islamic finance is very important. So, the package of halal industry can become its entrance.

The Reason for Halal Industry Policy

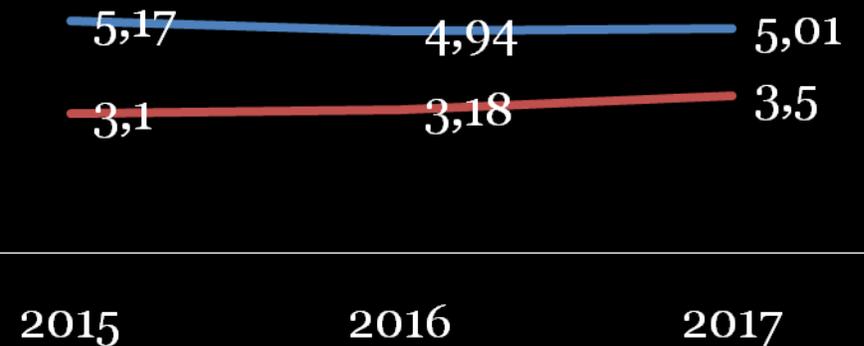
The reasons that the Halal industry deserves to be a separate policy package :

1

The potential of halal Industry in Indonesia is enormous. The average economic growth of Indonesia is above the average of economic growth in general.

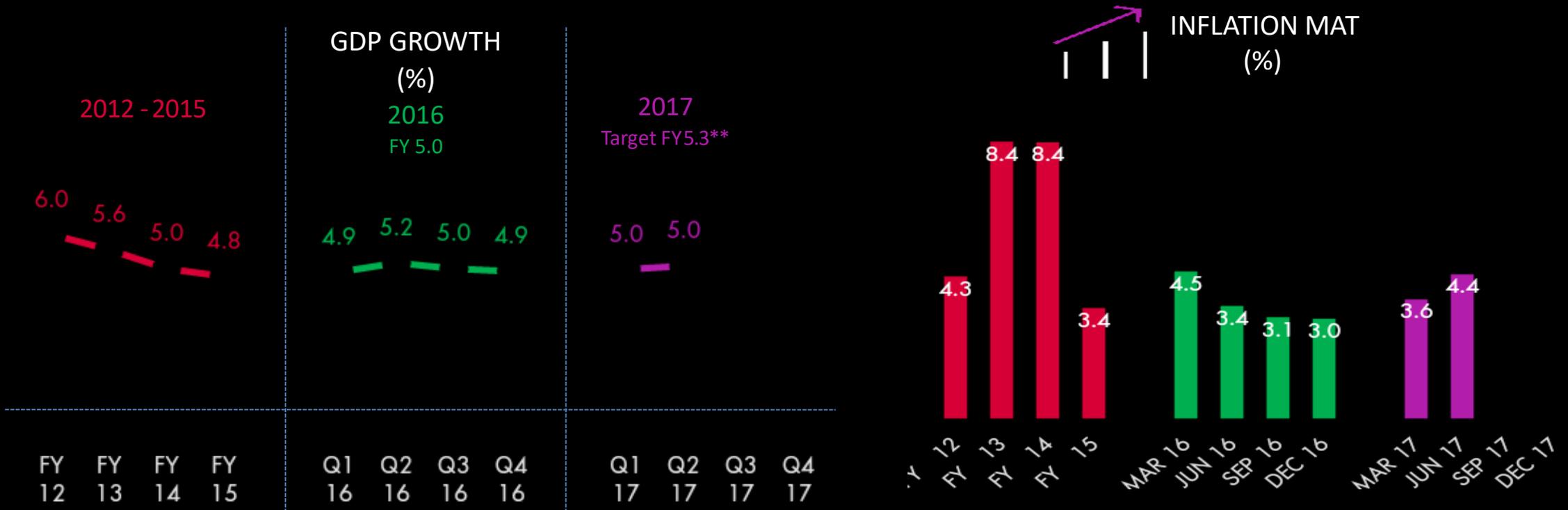
Comparison Growth of Economy 2017 (Quartal II)

—Indonesia —World



INDONESIA MACROECONOMY INDICATOR

The Q2 GDP growth is slightly increasing from the previous quarter, yet still behind the last year' and quite far from Government's target for this full year. Annual Inflation is picking up slightly at recent quarter but still around the government expectation (4% +/- 1%).



TOP 10 CONSUMER HALAL INDUSTRY (Reason 2)



2

The Global Islamic Economy Indicator 2017 summarizes that Indonesia has entered into the top 10 countries with the largest halal industrial consumers in the world.



HALAL FOOD



ISLAMIC FASHION



HALAL TOURISM



DRUGS AND PHARMACEUTICAL



HALAL COSMETICS

PRODUCER HALAL INDUSTRY



Global Islamic Indicator 2017 reveals that Indonesia is still not to enter into the world's top 10 halal producer groups, except:



DRUGS, PHARMACEUTICAL , AND
COSMETICS HALAL



ISLAMIC FINANCE

ASSET OF ISLAMIC BANKING AND ISLAMIC FINANCE (Reason 3)

3

The fact shows that the position of Islamic banking assets only reached 5.3% and the position of its asset is relatively stagnant at 5 - 6%.



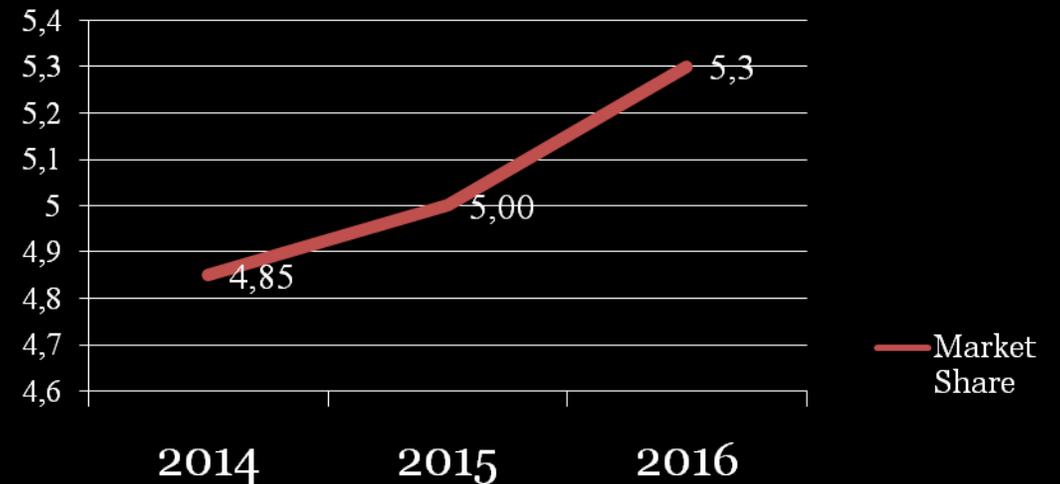
**372,28 Trillion
Rupiah** (April, 2016)



Growth 22,69% (April, 2016)

BUS 23,39%
UUS 21,98%
BPRS 16,42%

Share of Islamic Banking in Indonesia



POLITICAL WILL

This is where the importance of strengthening the halal industry as the spearhead of strengthening demand for Islamic financial products. The condition is there is a process of strengthening the halal industry as well as a solid integration with Islamic banking. Thus, the development of halal industry can stimulate the development of Islamic banking.

Based on the above argument, the existence of special package of development of halal industry becomes very important and urgent. This is the form of political will of the government which is a clear proof of the state's partisanship of sharia economy. This political will shows that sharia economy is part of the national interest that deserves to be fought and deserves to be implemented appropriately and effectively.

REGULATIONS FOR HALAL INDONESIA



- Law Number of 33 Year of 2014 about of Halal Product Warranty (JPH)
- Law Number of. 7 Year 1996 about of Food, Law Number of 8 Year 1999 about Consumer Protection
- Decree of Minister Religion Affairs of Indonesia Number of. 519 Year 2001 on about Implementing Institution of Halal Food Inspection
- Others

GENERAL GUIDELINES
OF
HALAL ASSURANCE SYSTEM
LPPOM MUI



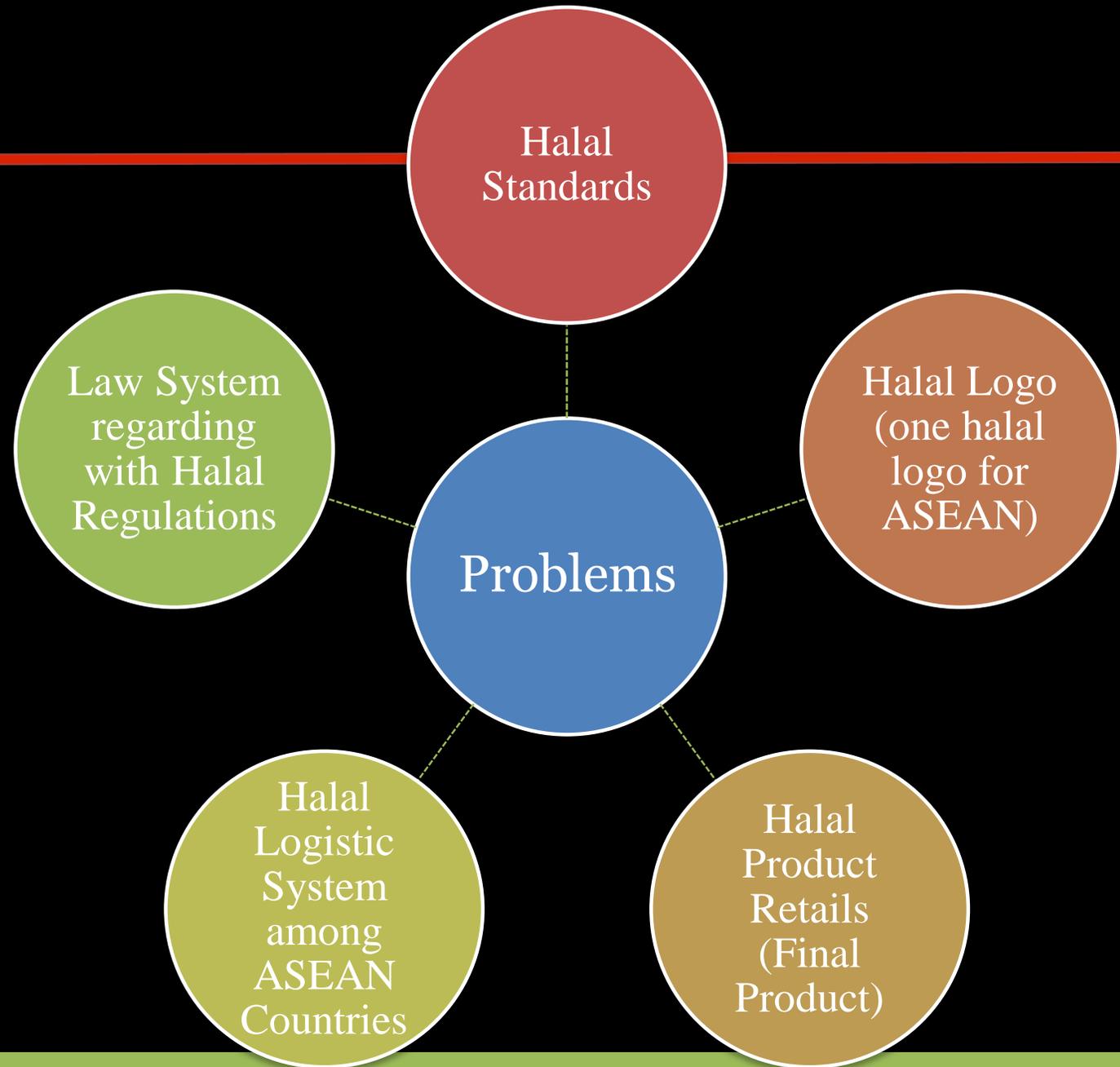
LEMBAGA PENKALIAN PANGAN, OBAT-OBATAN DAN KOSMETIKA
MAJELIS ULAMA INDONESIA (LPPOM MUI)
THE ASSESSMENT INSTITUTE FOR FOODS, DRUGS AND COSMETICS
INDONESIAN COUNCIL OF ULAMA (LPPOM MUI)
2008

THE OBLIGATION OF HALAL CERTIFICATION

This is where the importance of strengthening the halal industry as the spearhead of strengthening demand for Islamic financial products. The condition is there is a process of strengthening the halal industry as well as a solid integration with Islamic banking. Thus, the development of halal industry can stimulate the development of Islamic banking.

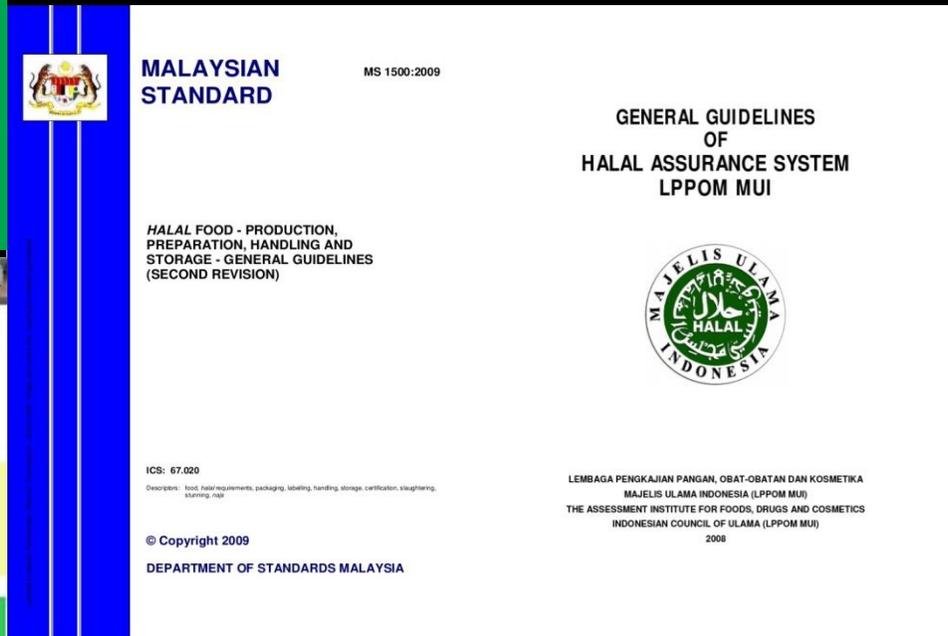
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ASEAN HALAL GLOBAL



STANDARD HALAL

Even if halal standard ASEAN has compiled, but every state still used halal standard of each country



ONE HALAL LOGO FOR ASEAN

One Halal logo
for ASEAN
is still not exists.





COST EXPENSE



NATIONAL
HALAL LOGO

COUNTRY NAME

ACCREDITATION NUMBER OF PRODUCT

Economic cost is still
a constraints in halal certification
process



If the halal standards which owned by each country are different then there will be mutual auditing process. The differences in audit methods will affect to mutual recognition. As a result, the cost which to be issued by the company for halal certification will be greater.



LAW SYSTEM

Country	Mandatory	Voluntary	Notes
Indonesia		V	1. Transition Period. In 2020 will be implementing mandatory 2. International advocacy
Malaysia		V	
Singapore		V	
Thailand		V	
Brunei Darussalam	V		
Philippines		V	
Vietnam		V	
Cambodia		V	

LEGAL ISSUES

INDONESIA	SINGAPORE
<ul style="list-style-type: none">• Law Number of 33 Year of 2014 about Halal Product Warranty (JPH)• Law Number of. 7 Year 1996 on about Food, Law Number of 8 Year 1999 on about Consumer Protection• Decree of Minister Religion Affairs of Indonesia Number of. 519 Year 2001 on about Implementing Institution of Halal Food Inspection	<p>Halal certification is controlled under AMLA, Section 88</p> <ul style="list-style-type: none">a. AMLA section 88A (1)b. AMLA section 88A (5)
MALAYSIA	BRUNEI DARUSSALAM
<ol style="list-style-type: none">1. The Trade Act (Akta Perihal Dagangan or APD) 2011,2. Manual Procedure of Malaysia Halal Certification,3. The Food Act 1983, Animal Act 1962 1953 (Review 2006),4. Rule of Animals 1962, Slaughter House Act 19935. Progression of State Livestock Act 19836. Customs Act 1967 (Prohibition of Import 1988)7. Local Government Act 1976 (Akta 171)8. The Local Laws of Enforcement Authorities9. The Administration Act of Islamic State and Trade Mark Act 1976.	<ul style="list-style-type: none">• Regulation in Halal Certificate and Halal Order: 2005• Brunei Darussalam Standard for Halal Food, PBD 24: 2007

ISSUER AND AUDIT REMARKS FOR HALAL CERTIFICATION

Country	Issuer	Audit Remarks
Indonesia	LP POM -MUI	Not Government mechanism, but, after UU. Number of 33 Year of 2014, the halal Certification will occur a transition period from LP MUI to Ministry of Religious Affairs .
Singapore	MUIS	Auditor Certified by Muis
Malaysia	JAKIM	Auditor Certified by Jakim
Brunei Darussalam	Ministry of Religious Affairs	Department of Sharia Affairs, Halal Food Control Division direct audit applied entities

The Table shows that the issuer of halal certification in Indonesia, Singapore, Malaysia, and Brunei Darussalam. The issuance of halal certificates in Singapore, Malaysia and Brunei Darussalam is done by the government directly. Although in terms of filing their certification there countries have different approaches. Halal certification in Indonesia, Singapore and Malaysia is still volunteer approaches. Meanwhile halal certification in Brunei Darussalam is mandatory approach.

FINAL PRODUCT

Halal provisions on the final product there are differences in the audit process. This subject is due to the *madzhab* differences held by the state. Furthermore, the differences in this school will affect to the determination of opinion between Islamic scholars' (*fatwa*) of each country.

For example: Alcohol

1. Indonesia : Alcohol is allowed for used to final product but with a certain dose
2. Brunei Darussalam : Not allowed.
3. Malaysia : Alcohol is allowed for used to final product but with a certain dose
4. Singapore :Alcohol is allowed for used to final product but with a certain dose

HALAL LOGISTIC SYSTEM

Ingredient (raw materials, additives, relief materials)

Tolls

Packing and labeling

Storage/Wherehouse

Processing

Transportation

Workers

Sanitation system and cleanliness

Waste management

Outlets and Retails

MUI and Ministry of Religious Affairs

There are some important issues that have not completed by ministry of religious affairs and Indonesia Council of Ulama (MUI)

Accreditation of Halal Assessment Institution or LPH (Lembaga Penyelia Halal)

Accreditation standards for certification of halal auditors

Standards of International advocaties

S-W-O-T

COUNTRY	S	W	O	T
Indonesia	<ol style="list-style-type: none"> 1. Natural Resources 2. Halal certification system of Indonesia has complete check list in the world 	<ol style="list-style-type: none"> 1. Transition Periods 2. International and Local Advocacies 3. Competitiveness of product quality 	<ol style="list-style-type: none"> 1. ASEAN Trade Area (MEA) 2020 2. Muslim Population in the world which show increased population 	<ol style="list-style-type: none"> 1. The differences determination of fatwa in many countries. 2. The burden of expenses which incurred by the company will be greater
Singapore	Legal Issue Technology			
Malaysia	Legal Issue Technology	Registration for Malaysia Halal Certificate has a long - terms		
Brunei Darussalam	Mandatory Approach			

Conclusion



- ✓ One logo for ASEAN Standard is more important to accelerate among trading ASEAN countries. The absence of one halal logo will have an impact on the cost expense of a company.
- ✓ Potential development of the halal industry is the time to be a State priority.
- ✓ Ongoing public education. The goal is that awareness to develop the halal industry can be stronger so that it will accelerate the development of the halal industry in the country.

THANK YOU



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