



**ISTANA ISKANDARIAH
KUALA KANGSAR**

**KEYNOTE ADDRESS
BY
HIS ROYAL HIGHNESS
SULTAN NAZRIN MUIZZUDDIN SHAH**

**AT THE
WORLD HALAL CONFERENCE 2018**

**DATE: THURSDAY, 5 APRIL 2018; TIME: 10.00AM
VENUE: MANDARIN ORIENTAL, KUALA LUMPUR**

*Fostering a True Halal Economy:
Global Integration and Ethical Practice*

Bismillahir-Rahmanir-Rahim.

AssalamualaikumWarahmatullahiWabarakatuh.

Good morning, distinguished guests, ladies and gentlemen:

1. It is my great pleasure to be here at such a prestigious international event to discuss crucial questions about the future of the Islamic economy. Embedded within this economy is the concept of *halal*. As those of you gathered here today will know, *halal* refers to that which is permissible or lawful according to Islamic law. As such, the concept and practice of *halal* should be omnipresent in the end-to-end ecosystem of both production and consumption within the Islamic tradition. The *halal* industry has therefore always been of paramount importance to Malaysia as a Muslim-majority country. Indeed, I would like to take this



opportunity to encourage the ongoing work of the Halal Industry Development Corporation (or HDC) in Malaysia, which has implemented various initiatives since its foundation in 2006, with the aim not only of furthering the development of the *halal* industry locally, but also, I hope, of fostering its ecosystem beyond Malaysia.

Ladies and gentlemen:

2. There are approximately 1.84 billion Muslims in the world today, making up around 24.4% of the world's population, or just under one quarter of humankind. By 2030, this number is expected to increase to 2.2 billion. It is important to recognize, however, that although Islam is one religion, the Muslim community is not one homogenous group. The worldwide Islamic community is spread over 200 countries, with an estimated one fifth of the world's Muslim population living in non-Muslim-majority countries.¹ Muslims throughout the globe are citizens of their respective countries, but they also have a sense of belonging to the *ummah*, the worldwide Muslim community.

3. The growing Muslim population worldwide translates into a rising international demand for *halal* products. *Halal* is now a truly global industry, and this ever-increasing globalization represents an exciting opportunity for the Islamic economy, to grow more prominent within the world economy as a whole. However, it also presents a number of challenges, to do with

¹ "The World in Muslim Populations: Every Country Listed", *The Guardian Datablog*, (accessed 28 March 2018): <https://www.theguardian.com/news/datablog/2009/oct/08/muslim-population-islam-religion>



international attitudes and rapid technological change; and it entails important responsibilities concerning the ethical governance of the *halal* industry and its proper regulation worldwide. I will be considering these aspects of the burgeoning global *halal* industry in my speech today.

4. These are, indeed, exciting times for the global *halal* economy. The value of the *halal* industry is growing at a remarkable rate: from approximately USD 2.3 trillion in 2012, the *halal* sector is expected to almost triple, to USD 6.4 trillion by this year. This is an astonishing growth within a period of just six years, and represents a major success for the global *halal* industry. In Malaysia, there have been a number of concerted efforts and programmes, most notably, the formulation of the Halal Industry Blueprint for 2008-2020, to propel the international growth of the industry, and to make Malaysia a global leader in innovation and production.

5. While *halal* is perhaps most often associated with food and drink, there are in fact a wide range of *halal* products and services which can be offered, including healthcare and pharmaceuticals, personal care and cosmetics, travel and tourism, and financial services. According to Reuters, by the end of 2018, the *halal* food industry alone will be worth USD 1.6 trillion, the *halal* cosmetics industry will be worth USD 39 billion, and the *halal* pharmaceuticals industry will be worth USD 97 billion. It is projected that the *halal* food and drink sector may be worth as much as USD 2.1 trillion by 2030.²

² "How Halal Meat Became Big Business", *The Guardian* (24 June 2017).



6. This vast and widespread growth is due to the increasing demand for *halal* alternatives across a variety of retail sectors, particularly in parts of the world with a rapidly growing Muslim population. The *halal* market is not only thriving in Muslim-majority countries, but also in major non-Muslim-majority economies, including China, Japan, the US and the UK.³ In the UK, for instance, food production companies are increasingly recognizing the importance of the Muslim market, with around 20% of sheep meat in England being consumed by the Muslim population.⁴ More and more companies are therefore catering to the Muslim market by producing *halal* food items.⁵ Indeed, one of Malaysia's Department for Halal Industries has been collaborating with local councils in the North East of England to develop a business hub for producing *halal* meat.⁶ This is an excellent example of the way in which building bridges and establishing global links can help to foster the development of the *halal* industry worldwide.

7. There is also an increasing international awareness of the importance of *halal* tourism, with travel agents offering *halal* holiday packages.⁷ *Halal* tourism is thriving across Europe, to the extent that Spain even hosted the inaugural Halal Tourism Conference in 2014, and will also be hosting the Halal Expo conference, on food, tourism and lifestyle, later this year.

³Izham Shah Arif Shah, "Growth of the Halal Industry", *The Malay Mail* (3 November 2016).

⁴James Ridler, "Halal Food a 'Bigger Market than China'", *Food Manufacture* (15 March 2017).

⁵"How Halal Meat Became Big Business", *loc cit.*

⁶MIFC, *The Halal Economy: Huge Potential for Islamic Finance* (30 September 2014), p. 6.

⁷"The Birth of Halal Holidays", *The Guardian* (28 August 2010).



8. As these facts and figures attest, recent years have witnessed the rapid international growth of the *halal* industry across a variety of sectors, and this growth is predicted to continue. Countries are increasingly catering to Muslims at home, as well as appealing to Islamic tourists and holidaymakers overseas. There is a growing realization, it seems, that *halal* is a way of life, and that businesses need to meet the needs and demands of Muslim consumers. In this way, the *halal* industry is propelling the growth of the Islamic economy on an international level.

9. Despite these success stories, however, the industry must address some significant challenges if this encouraging trend is to continue.

10. First and foremost, we must acknowledge that *halal* continues to face some opposition in non-Muslim-majority countries. While many non-Muslims are also choosing *halal* products for their business and personal needs, recent years have witnessed the rise of what we might call “*halal phobia*” in certain countries. In December 2017, for instance, a French supermarket supplying *halal* products was ordered to close for not selling pork or alcohol.⁸ This kind of reactionary behaviour could potentially damage the globalization of the *halal* industry.

⁸ “France: Court Orders Halal Supermarket in Paris to Close Because It Does Not Sell Pork or Wine”, *The Independent* (5 December 2017).



11. I spoke several years ago at the Saïd Business School in Oxford University, about the role and importance of branding in relation to *halal* products.⁹ While we should be proud of the proliferation of Islamic brands in global markets, we must also ask ourselves to what extent we want to segment markets along identity and religious lines. Pushing Islamic brands too aggressively may affect the marketability of products in non-Muslim communities, and will almost inevitably invite reactions from other religious groups. There is, it seems, a delicate balancing act to be performed, between ensuring the availability of *halal* products and services to Muslims worldwide, and encouraging non-Muslims to see *halal* products as viable options for themselves as well.

12. Another potential challenge to the internationalization of the *halal* industry is the so-called “Fourth Industrial Revolution”, or Industry 4.0. Rapid and unprecedented technological advances are currently transforming economies, jobs, and even civilization itself. We must recognize that the world is changing. Billions of people are now instantly connected to each other via countless portable machines. Huge increases in processing power and storage capacity mean that data is being collected and harnessed like never before. Along with the incredible benefits of such developments come substantial risks, as evidenced by big data scandals such as the one high-profile case unfolding in the news at the moment.

⁹Raja Nazrin Shah, “Religion, Culture and Branding: The Importance of Understanding and the Challenges of Engaging A Global Multicultural World”, Keynote Address at the Inaugural Oxford Global Islamic Branding and Marketing Forum, Saïd Business School, Oxford (27 July 2010).



ISTANA ISKANDARIAH
KUALA KANGSAR

13. Past industrial revolutions have shown us that if companies and industries do not adapt with new technology, they can struggle or even fail. The change brought about by the Fourth Industrial Revolution will be inevitable, not optional, in my view, and the *halal* industry must therefore adapt to the new technologies available, in order to discover the benefits they offer. For I strongly believe that the technological innovations we are witnessing today have the potential to strengthen and improve not only the economy, but also the world as a whole. The possible rewards of Industry 4.0 are staggering: heightened standards of living; enhanced safety and security; and greatly increased human capacity. Rather than falling behind, the *halal* industry must tap into these potential benefits if it is to continue to grow on an international level.

14. We must harness new technologies in order to contribute to the global spread of the *halal* sector. The Malaysian International Halal Showcase (MIHAS) 2017, meanwhile, provided a platform for companies from across the world to share their experiences in using technology to capture the *halal* market, for instance, in the areas of imports and exports, as well as in improvements in *halal* product packaging. Again, we see how international collaborations and the sharing of ideas can benefit the *halal* industry on a global scale. Although the Fourth Industrial Revolution presents a challenge to businesses and industries worldwide, therefore, it also presents an opportunity to expand and



ISTANA ISKANDARIAH
KUALA KANGSAR

improve, and to strengthen international links, for those companies willing to think creatively and modernize with the times.

Ladies and Gentlemen:

15. I wish now to turn to an equally important, related topic: that of responsibility, and regulation. For it is not sufficient to pursue the global spread of *halal* products and services, without reflecting on the way the *halal* industry is run and regulated. The concept, and indeed, the *philosophy* of *halal* goes beyond the preparation of food – beyond, even, the habits and beliefs governing consumption, behaviour and lifestyle. It is also, crucially, I believe, about an ethical and wholesome way of doing business.

16. To that end, the regulation and governance of the Halal industry is going to be key, especially if it requires strategic collaboration across the whole of the Halal ecosystem involving numerous government ministries, agencies and business stakeholders. The latest initiative by the Government of Malaysia in setting up the Malaysia Halal Council to coordinate this effort is both timely and welcome. In this country, where the final authority on matters relating to Islam rests with Their Royal Highnesses The Malay Rulers, I am pleased that the establishment of this Council has the consent and support of the Conference of Rulers.



17. Ultimately, supporting the establishment of an international standard for *halal* products conforms to Islam’s philosophy of the Adamic man’s mandate as God’s *khalifah* and stewards on earth. With this God-given honour, we are entrusted also with a grave responsibility: that of ensuring ethics and integrity in business. We must work to establish what the Malaysia International Islamic Finance Centre, or MIFC, has called “a holistic end-to-end *Shariah* compliance” in the *halal* industry, ensuring not only the production of *halal* goods and services, but also a *Shariah*-compliant business and finance model in its value chain and ecosystem.¹⁰

18. We need, in other words, to pursue the continued development of a “*halal* economy”, in the fullest sense of that phrase. The concept of the “*halal* economy” was in fact brought to prominence at this very conference in 2011, to describe the integration of the *halal* industry with Islamic finance.¹¹ This is a testament to the vital role that the World Halal Conference plays, in promoting the importance of the philosophy of *halal* and its strong relationship with the spiritual life of Muslims, and facilitating discussions about how to take the *halal* industry forward in an ethical way.

19. According to a 2014 report by the MIFC, the global *halal* industry represents a major opportunity for the growth of Islamic finance models on an international level. The report describes these sectors as “natural economic partners”: the successes of the *halal* industry could help to promote Islamic

¹⁰MIFC, *The Halal Economy*, pp. 12-13.

¹¹“Malaysia: 6th World Halal Forum 2011: ‘Towards a Halal Economy’”, *Halal Focus* (2 March 2011).



finance, while the increased use of Islamic finance models and mechanisms could, in turn, help to ensure “end-to-end *Shariah* compliance”, making sure that the global *halal* industry is run in both a successful and an ethical manner.¹² These two key facets of the Islamic economy need to exist in a symbiotic relationship if we are to witness the continued international expansion of a truly *halal* economy, which is both successful and responsible.

20. At the heart of Islamic finance is the aim to foster inclusive growth, and to support the livelihoods and aspirations of humankind worldwide. Islamic finance has been practiced for centuries around the world, but it has increased in prominence in recent years. Today, over USD 260 billion is invested in Islamic funds in over 300 global Islamic institutions active around the world. By 2020, the Islamic finance sector is forecasted by some to grow to over USD 6.7 trillion.

21. We have witnessed significant successes in Islamic finance in recent years, but there is still potential for expansion. In particular, it is striking that *Shariah-compliant trade* finance, specifically, represents only a very small proportion of global trade finance – in fact, approximately 1.5%, as of 2016. As the *halal* industry continues its rapid expansion, therefore, *halal* industry players, together with the Islamic financial institutions, regulators and other market participants, should aspire to do more to nurture a *halal* ecosystem through the use of *Shariah-compliant trade* facilities. This would facilitate the

¹²MIFC, *The Halal Economy*, pp. 7-8.



growth of Islamic finance within the global trade economy, and would help to promote the sought-after “end to end” compliance for the *halal* industry.

22. At the same time, moreover, the *halal* industry could actually benefit greatly from the capital that can be generated via Islamic finance mechanisms, such as *sukuk* and *takaful*. Indeed, some *halal* companies are already pursuing these funding methods, such that, as of 2014, USD 5 billion had been raised through *sukuk* by 40 issuers from the *halal* industry. In spite of this, according to the MIFC, however, “the potential of *sukuk* financing in support of *halal* businesses is yet to be realised”.¹³

23. We have seen in Malaysia in recent years the potential of corporate *sukuk* financing. 2016 was a record year for corporate *sukuk* issuance: corporate issuers dominated the market with USD47.3 billion of issuance, representing a market share of 63.2%. This is in contrast to historical trends, where issuance was driven largely by sovereigns. This is, I believe, a positive indicator, hinting at the huge global potential of *sukuk* funding for the *halal* industry, to raise funds and finance business in a fully *Shariah*-compliant way, with the aim of achieving that desired goal of “end-to-end” compliance in its ecosystem.

Ladies and Gentleman:

¹³MIFC, *The Halal Economy*, p. 10.



24. It seems no exaggeration to suggest that the core principles underlying Islamic finance – in promoting inclusion, equity, property rights and ethics – are, fundamentally, “universal values”. Islamic finance has much to offer the world’s economy, and there is a natural connection between Islamic finance principles, responsible finance, and the UN’s Sustainable Development Goals or SDGs. Indeed, in a recent speech, I suggested that *Shariah* and SDG compliance are, in many ways, one and the same.¹⁴ I would like to reiterate that point today. The UN’s 17 Sustainable Development Goals were set out in 2015 with the ultimate aim to “end poverty, protect the planet, and ensure prosperity for all”. In promoting risk-sharing and ethical investment, as well as charitable giving through *zakat* and *waqf*, Islamic finance has the potential to play a major role in the achievement of these aims.

25. For the global *halal* industry, what this means is striving to provide goods and services in a way which is not only *halal*, but which is also *tayyib*. As those of you gathered here will no doubt be aware, the term “*at-tayyib*” is used in the Qur’an and the Sunna to describe something that is good and wholesome. In reference to food, for instance, the Qur’an calls on humankind to consume food that is both lawful and wholesome. The famous verse is when Allah *subhanahuwa-ta’ala* says:

¹⁴Sultan Nazrin Shah, “Realizing the Sustainable Development Goals through Islamic Finance”, Address at the Dinner to Celebrate the 20th Anniversary of Bank Negara Malaysia’s Shariah Advisory Council (12 December 2017).



O humankind! Consume from the earth what is *halal* and *tayyib*, and follow not the footsteps of the devil!¹⁵

We should not be content, therefore, with simply achieving something that is *halal*, but instead should strive for something that is also *tayyib*, namely good, ethical and wholesome.

26. In the context of the global *halal* industry, this means working to supply products that are sustainable, not damaging to the planet, and pursuing business models that are ethical, responsible, and not exploitative. I have spoken already about the importance of integrating the *halal* industry with Islamic finance, and this, truly, is why: because the ethical and responsible mechanisms of Islamic finance can produce a business model for companies supplying *halal* goods and services, which is not simply *halal*, but which is also *tayyib*. Indeed, I would say that all the players within the *halal* ecosystem should strive to make their end-to-end transactions *tayyib* and wholesome.

27. Allow me briefly to give an example of how I envisage this wholesome or *tayyib* business and supply chain working in action. Imagine a company that supplied *halal* chicken. First and foremost, the company should be funded in a fully *Shariah*-compliant way, perhaps with the help of *sukuk* bonds and/or *Shariah*-compliant trade financing contracts, and financed by an Islamic bank. It should pay and treat all of its employees fairly, with the kindness and respect that are central to the teachings of Islam. Then the chicken should be farmed in

¹⁵ *Surah al-Baqarah*, 2:168.



ISTANA ISKANDARIAH
KUALA KANGSAR

a sustainable, environmentally-friendly, and ethical manner, and ensured a good quality of life in fulfilment of our responsibility to act as *khalifah* and stewards of the planet. It should, of course, be slaughtered according to the proper *halal* ritual, transported with consideration of the damaging carbon emissions generated by certain kinds of fuel, and even packaged in sustainable and recyclable packaging wherever possible. Finally, it should be sold to retailers and consumers at prices that are fair for all involved in the transaction. This, I believe, represents a wholesome and *tayyib* value chain, producing goods which are *halal*, and which are also sustainable and financed in a *Shariah*-compliant manner. It is in this way – in striving for *tayyib* as well as *halal* in this industry's ecosystem – that I believe the Islamic economy can realize its full potential within the wider global economy.

28. Consumers worldwide, both Muslims and non-Muslims, are increasingly seeking ethical and sustainable options, with the aim of safeguarding the future of humanity, and of our planet. As the *halal* industry continues to globalize due to rising international demand, it must harness the socially responsible funding mechanisms of Islamic finance, and strive to produce goods and services which are both *halal* and *tayyib*. By capitalising on the synergies between Islamic finance principles and the United Nation's SDGs, we can demonstrate that the Islamic economy has a vital role to play on a global level, and that it is, ultimately, beneficial to Muslims and non-Muslims alike.



ISTANA ISKANDARIAH
KUALA KANGSAR

29. After all, Allah *subhanahuwa-ta'ala* reminds us of our God-given honour in the Qur'an that "We appointed you as stewards (*khalifah*) in the earth...so that We might see how you behave!"¹⁶

30. So, ladies and gentlemen: I hope we can behave by striving to make the world a better place for the entire human race, thereby realizing our full potential and mandate as the Adamic man and woman. We can make a start by understanding that the true philosophy of *halal* is one that embraces *tayyibin* all of our end-to-end dealings in this world. Let us take this realization forward in continuing to foster a truly *halal* economy, an economy in which the sum of its parts is not only in full legal compliance, but is also in divine concord.

Thank you.

¹⁶*Surah Yunus*, 10:14.