

## **Reinvigorating the economy with halal business linkages**

THE State of Global Islamic Economy Report 2020/21 shows that Malaysia has again achieved the highest ranking in the overall Global Islamic Economy Indicator (GIEI) for the eighth consecutive year.

This indicator covers 81 countries. The report also gives the highest score to Malaysia in halal food, Islamic finance, Muslim-friendly travel, pharmaceuticals and cosmetics.

Malaysia achieved the second highest ranking in modest fashion, and media & recreation. While this is laudable, we must not be self-satisfied. We can do better.

We used the Malaysia Input-Output Table 2015 (2015-IO, compiled by the **Department of Statistics**) in our analysis of halal and non-halal activities. The 2015-IO comprises 124 sectors.

We have selected 27 halal sectors, based on goods and services that are vitally essential to the healthy lifestyles in the post-Covid era.

In 2015, the final domestic demand of the selected sectors totalled RM266.3 billion while halal exports was RM133.6 billion. These show halal businesses have contributed considerably to final domestic demand and exports.

Our findings show there are four key halal sectors based on 2015 statistics — vegetables & animal oils and fats, prepared animal feeds, other chemicals products, and food and beverages — that have as much strong links with suppliers as with customers.

Although updated statistics were not available, the same links will likely hold true today.

These links are significant, especially in the backward links to suppliers as they exert an inducement (multiplier) effect across supply chains, further enhancing the impact on investments made in the sector. To highlight the effect, we assumed RM8.2 billion and RM61.4 billion to domestic final private consumption and foreign inward investments, respectively, were added to final domestic demand.

The inducement effect for domestic production caused by the additional RM8.2 billion in domestic private consumption is about RM1.420 trillion and RM2,890 billion, respectively in the non-halal sectors and the 27 halal sectors.

The total inducement effect for exports is RM1,052 billion and RM4,130 billion, respectively, in the non-halal sectors and the 27 halal sectors.

In addition, the total inducement effect for domestic production by an additional RM61.4 billion foreign investments is RM3.3 trillion and RM9,882 billion, respectively, in non-halal sectors and the 27 halal sectors.

At the same time, our estimated results show the total inducement effect for domestic production caused by imports is RM1,053 billion in the non-halal sectors, and RM1,377 billion in the 27 halal sectors.

Furthermore, the production of goods for exports being induced by imports is RM8.3 trillion and RM9,797 billion, respectively, in non-halal sectors and the 27 halal sectors.

Increased economic activity will logically lead to increased employment and spending power.

The analytical results confirm that while Malaysia is strong in production, consumption and exports of halal products and related goods and services, that strength can be further optimised through directed domestic and foreign investments leveraging on Malaysia's gold standard halal certification.

We found that domestic demand and exports indeed mutually reinforce foreign inward investments in the halal sectors. Imports also equally induce increased domestic production for the domestic and international marketplace.

In this regard, we urge the Ministry of International Trade and Industry and Halal Development Corporation Berhad to undertake policy responses in incentivising the production of halal goods and services to expand and solidify their marketplaces inside and outside Malaysia.

The immediate measures would be optimising the existing Halal Parks (HALMAS) by creating wearing apparels, pharmaceuticals and cosmetics, and health as the new anchors around which smaller supporting industries can cluster to create a platform for realising the inducement effect.

These anchors will spearhead the production, transaction and exchanges of halal goods and services in Malaysia.

They will become the new frontiers for halal industrial development as much as the key for luring crucial foreign inward investments from industrialised countries such as Japanese multinational corporations in 2022 and beyond.

Therefore, we strongly urge small and medium-sized companies to become the growth engine of halal business.

With that new but strong commitment and optimism, our country can surely transform her huge potential to realise everyone's wellbeing to a higher plateau of shared prosperity in and outside the national border.

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