

Leaders and experts examine the challenges as well as benefits for the Islamic economy from transformative emerging technologies

By YANG HAN in Kuching, Malaysia
kelly@chinadailyapac.com

Disruptive change brought about by technology presents challenges for the development of the Islamic economy, but responding with the right measures will bring opportunities. This was the overriding message at the 13th World Islamic Economic Forum (WIEF).

"It is incumbent on us to ensure that as we change, and as our economies grow, these transformations are conducted in an inclusive way," said Malaysian Prime Minister Najib Razak, speaking to more than 2,500 participants.

Held from Nov 21 to 23 in Kuching, Malaysia, the WIEF saw government officials, industry leaders and academic experts gather to discuss ways to deal with disruptive change in industry, technology and politics for a sustainable business outcome. The forum's theme was Disruptive Change: Impact and Challenges.

According to the *State of the Global Islamic Economy Report 2016/17* by Thomson Reuters and research firm DinarStandard, as the world Muslim population grows at around twice the rate of the non-Muslim population, 29 percent of the world's youth will be Muslims by 2030.

Najib said that governments must respond to disruptive change. "In the 21st century, governments and countries cannot just stand still and carry on doing things the old way," he said. "Responsible governments must change policies as circumstances change for the well-being of the people."

According to Najib, Malaysia's Economic Transformation Program introduced in 2010 has brought 2.26 million new jobs, raised gross national income by nearly 50 percent and put the country on track to reducing its deficit from 6.7 percent in 2009 to 3 percent this year.

The Islamic economy — which includes halal food, Islamic finance, halal travel, modest fashion, and halal pharmaceuticals and cosmetics — is projected to reach a massive \$3 trillion by 2021, said Najib, citing the Thomson Reuters and DinarStandard report.

Among the 73 countries covered in the report, Malaysia ranked first in the Global Islamic Economy Indicator with a score 50 percent higher than the second-placed United Arab Emirates.

Najib said Malaysia is ready for disruptive change due to long-term planning and its drive to enter the world's top 20 economies by 2050.

In one recent example, Malaysia



A total of 16 memorandums of understanding amounting to an estimated value of \$2.5 billion were sealed at the forum. PROVIDED TO CHINA DAILY ASIA WEEKLY

Tackling disruptive change

this year launched the world's first digital free trade zone outside of China, which aims to help small and medium-sized enterprises capitalize on the growth of the Internet economy and cross-border e-commerce. Chinese Internet giant Alibaba is one of the project's main supporters.

Najib also urged governments to focus on quality education to ensure young people have professional skills and a creative mind-set in the Fourth Industrial Revolution, also known as Industry 4.0.

Alexander Boehmer, head of the Southeast Asia division at the Organisation for Economic Co-operation and Development, said the digital economy allows small and medium-sized enterprises to grow internationally, while more trade is needed to promote dynamic and sustainable economic growth.

Halal products

Boehmer pointed to trade protectionism where trade barriers, investment security issues and legal uncertainties are major issues that regional governments should address. He also urged industry players to use free trade agreements, as the current participation rate of private companies in such deals can be as low as 10 to 15 percent, he said.

"The global interest in halal products and services is getting stronger," said Faridah Mohd Ali, a senior manager of branding and promotion at the Halal Industry Development Corporation, an agency under the Malaysian Ministry of International Trade and Industry.

She said the halal industry has

expanded beyond religious aspects toward driving economic and social benefits, and Malaysia, as a gateway to access the Muslim market in the Association of Southeast Asian Nations, has the potential to link the global halal supply chain.

The Halal Industry Development Corporation will be involved in a memorandum of cooperation to be signed between Malaysia and Japan early next year, which aims to promote trade and investment of halal products and services and help develop Japan's halal supply chain and eco-system.

China will be a key market for halal products and services because of its huge population, said Jovina Yong Yee Mun, senior manager of marketing business development at the Malaysian conglomerate Sime Darby.

Yong said the company now operates a seaport of around 3 square kilometers in Weifang, in East China's Shandong province, which includes an area specifically designed for halal trading.

Yap Wei Keat, senior manager of strategy and investment at Sime Darby, said China's non-Muslim population is opening up opportunities for the halal market. "A lot of non-Muslim people in China also like to buy halal-certified food like lamb, mutton and beef ... so we think the trade (volume) is going to be huge."

A total of 16 memorandums of understanding (MoU) amounting to an estimated value of \$2.5 billion were sealed at the forum, of which nine were with international organizations.

Over the past five years, the forum has facilitated trade deals from industry sectors among both Muslim and non-Muslim nations amounting to some \$13 billion, according to the WIEF.

The Shaanxi Halal Food Chamber of Commerce and Malaysia-Shaanxi Business Council signed an MoU to promote halal-related business activities in China and Malaysia through business forums, roundtable discussions and by establishing a long-term cooperation network.

Joseph Kow, chairman of the Malaysia-Shaanxi Business Council, noted that China is one of the world's fastest-growing markets with a halal market valued at \$21 billion and an annual growth rate of 10 percent.

High demand

"Malaysian companies are interested to do business in China due to the high demand for halal products and services like food products, cosmetics and skin care, pharmaceuticals and logistics," said Kow.

Shaanxi province in Northwest China has a large Muslim population. The Hui nationality, which occupies an important place among Chinese Muslims, accounts for more than 60 percent of the minority population in its capital Xi'an, according to the Xi'an government.

Tie Qun Ping, president of the Shaanxi Halal Food Chamber of Commerce, said halal food from Xi'an is famous around the world. "Xi'an produces halal products for consumers in other parts of China, and some are even exported to other countries," said Tie.

Tie and Kow said they are planning for a roundtable discussion in Shaanxi in January, and more than 50 industry players from Malaysia are expected to join the trip.

Both parties agree that Xi'an as a meeting location will also help enhance the economic and trade ties between the two sides since it is the starting point of China's ancient Silk Road.

Kow is optimistic about the cooperation, especially under the Belt and Road Initiative — the China-led plan to build a trade and infrastructure network reviving the Silk Road. He said trade ties will benefit from their collaboration as Malaysia is part of the Belt and Road route.

Brian W Tang, managing director of Asia Capital Markets Institute, said that it is important to highlight the similarities between the Islamic economy and other economies in order to promote trade and understanding.

Tang said the Belt and Road Initiative can help countries better understand each other's cultures and boost trade.

"More importantly, a better relationship can be developed between countries when everybody focuses on commonalities rather than differences.

"It is wonderful to see more of these exchanges of different cultures where ethical trade and finance are promoted," Tang said. "And I think that fintech can be a great equalizer to reach and include many people of different regions that might otherwise not get access to finance for their business growth or to improve their quality of life."