

## Facilitation for Halal Product Supply Chain: A Conceptual Trade Review

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### ABSTRACT

International trade is generally an exchange of goods from one country to one another to fulfill the supply and demand between nations which evolve broader supply chain activities. The international supply chain certainly entwined with border crossing regulations that make trade facilitation important agenda for the purpose of seamless cross border movement. Despite the importance of trade facilitation and its wide adoption around the world for time and cost saving, the emerging demand for halal supply chain in the recent years increase arguments on the halal product cross border trading practice. Obligation to maintain the 'goodness' of international halal products, especially towards Muslims consumers are equally important in managing at-the-border process and procedures to maintain the integrity along the chain. Extensive literature reviews from the existing halal supply chain and halal logistics were adopted in this paper, particularly from the year 2010 to 2015. This concept derived in this paper is then developed as fundamental for future studies.

**KEYWORDS:** Trade Facilitation, Halal Cross Border, Halal Supply Chain, Halalan Toyyiban Trade Facilitation Supply Chain (HTTFsc).

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### INTRODUCTION

Trade facilitation is a pertinent trade policy tool in the global trade environment that mainly aim for reduction of tariff barriers i.e. imports tariff and quotas. This reduction has become a motivation and big time success in the trading world [2, 5, 11, 25]. The saving achievement for both import tariffs and quotas were then extended to the alteration of unnecessary non-tariff barriers that occurs along the supply chain, which mainly leads to increasing trade transaction cost. The implementations of trade facilitation are consist of affirmative measures have been determined by World Trade Organization Doha round agenda [1, 2].

Nevertheless, the executions of these agendas are limited according to each country's initiatives depending to their commitment elucidate in their national policy or in a bigger participation over regional plan [6, 7]. Trade facilitation is a concept specially developed to simplify trade processes along the supply chain mainly aiming for minimization of trade operational cost involving international trade, which at the same time retaining effective regulation from the government stakeholders. Although, trade facilitation carries big agenda for international trade but the implementation are varies across products, type of choose modes, routing option that in the end affecting the total indirect cost associate with certain trade.

Halal product is one classification product that available in international trade consist of food products, pharmaceutical, cosmetics and personal care. Halal refers to 'permissible' or 'lawful' according with sharia'h principles derived from the Islamic religious. Furthermore, Halal is a

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lucrative and rich industry driven by the Muslim religious compulsion but promotion has gone across faith [22].

Halal trade industry is a huge and lucrative industry that is increasingly popular to the consumer especially as an alternative to the existing conventional market. Demand for Halal product around the world in the recent years is tremendously increase [18]. Currently, Muslims make up a quarter of the world population and many sources have revealed that 30% of the world population would consist Muslims by 2025 [12]. The contributing factors are including growing numbers of Muslim population and the non-Muslim awareness towards Halal product characteristics. The Halal product fulfils the necessity for the Muslims and is becoming popular among the non-Muslim community. The supply for the Halal products not only comes from the domestic sources, but also from the international suppliers and manufacturers, thus leading to the supply chain for the halal product becomes a greater concern especially when it involves longer and complex chain [22]. Thus, halal trade facilitation is becoming significant to facilitate halal product trade with the halal assurance pipeline.

## METHODOLOGY

The framework proposed in this paper was derived from the review of the literature. There are two study main streams namely trade facilitation stream and halal supply chain literatures that generally adopted as the main references for this conceptual paper. Literatures from the year of 2010 to 2015 were reviewed in order to ensure that the most recent ideas and issues within the research area are clearly identified. The review years are involves the 5 years range from the year of 2010 to 2015. A total number of 156 published articles were reviewed (refer Table 1) and they formed the foundation of conceptual framework for this study.

Table 1: Numbers of literatures reviewed for conceptual framework

Literatures Field	Number of Papers
Trade Facilitation	74
Halal Supply chain	82

## DEVELOPING CONCEPTUAL FRAMEWORK

### Trade Facilitation

The current trade facilitation framework is purely based on the conventional philosophy, in which the main aim for trade facilitation is to withdraw the possible hurdle during data and information submission at the border while reducing delays for physical cargo movement that finally meet the efficient and effective border management [16]. As shown in Figure 1, an overview of trade facilitation concept and Halal supply chain principle are combined in order to achieve a pragmatic approach of 'Halalan Toyyiban Trade Facilitation Framework' for Cross border environment. There are 4 main steps involved at international facilitation that plays vital roles as a fundamental of a good practice.

#### a) Simplification

Generally, the fundamental of simplification focus to represent a process of elimination all unnecessary elements and duplications in formalities, processes and procedures during the border clearance process [42]. Regulatory procedures are compulsory technical practices that need to be adhered for incoming or outgoing trade to complete the necessary operation with applicable laws and regulations [43]. It involves authorized agencies for product control and security measures. This layer of agencies has caused a duplication of works and procedures that create hurdles for submission of information and documents to the related agencies [15].

**b) Harmonization**

Another pertinent step in making import and export process more predictable is by having alignment of national procedures, operation and documents with international conventions, standards and practices [41]. The interaction with international conventions is to ensure that every national authorized agency are working with equal level of understanding and referring to the same regulatory compliance to minimize dispute that will contribute to risk of delay during declaration process [23]. Common scenario for international trader is when they faced myriad formalities and documentation from national agencies that are only known at the local trading communities, which is not even with the international requirements [29, 19].

**c) Standardization**

On the other hand, standardization from the border facilitation perspective is a process of developing internationally agreed formats for practices and procedures, documentation and information [41]. This implies when traders often facing cumbersome procedures impose by certain countries to protect their domestics' product which create difficulties to have a general rules and regulation across the globe [27].

**d) Transparency**

Technical requirements should be prepared, adopted and applied in a clear manner. This include the initial purchase negotiations that lead to contract between buyers and sellers, the transport arrangement that lead to the liability of buyers and sellers including the potential cross border liability. Principle in simplification, harmonization and the standardizations practice need to be established and convey through transparent publications. This include providing proper channel for countries trading information's to disseminate latest information of any development done or medium for communications for any enquiries [13, 17, 20].

**Border clearance Procedures**

A fundamental element of any cross border shipment regardless of any modes is the traders (exporters and exporters), the exporting forwarders, the respective authorities governs for export products at the exporting countries, the customs department and the shipping line. Similar entities along the chain also involve in the importing country depending to each country's rules and regulation. These products ruling are set up in based on the World Trade Organization (WTO) Agreement but the details ruling will be determined by the exporting and importing countries [8]. The purpose of product ruling is strictly to protect the local industries from external producers [27]. The basic principles that are applied at every national cross border procedures are documents, data and trade procedures that are intertwined with the physical cargo movement [2]. These three factors are the main subject matter for every international cargo trade management that requires for proper planning on trade facilitation process [3, 9, 10].

**Halal Supply Chain**

There is an inspiring effort by [44], where they highlight 7 pertinent factors from the extensive literature in the previous respectable works appropriately to maintain halal assurance in the supply chain. Among the highlighted factors that was vastly discuss by the former researchers are Halal certification, the Halal standard, Halal dedicated assets, trust among supply chain members, commitment of supply chain members and the role of government [44] that mainly focusing on protecting the halal assurance of supply chain as the main agenda.

**1. Halal Integrity**

Halal integrity become to the centre of attraction when there are an urgent concern to maintain the 'Halalness' of the food supply chain [44]. The necessary process and procedures that has been adhered by the food manufacturer need to be maintained when it is under the third party custody [4]. Thus, the shari'ah compliance for halal food should be monitored at every phase throughout the

supply chain to ensure effective halal supply chain management. This would finally ensure the quality of the end product [24]. Integrity is about keeping away the halal from non-permissible item [34].

## **2. Certificate authenticity**

Certification plays a vital role as halal product identification as well as evidence that prove the Halal products have been produced according to the Halal principles [14, 36]. Within the context of international trading of halal product, the certification represent the product status that is able to assist the local authority to acknowledge halal product which have been produce in the other country but recognized by their authorized counterparts [28]. Certification also built halal brand image and increase trustworthiness among users [26].

## **3. Lawful practice**

There are several guidelines in the logistics management that controls the halal practice [30-32]. For Halal cargo physical handling practically, the principle of segregating the Halal with the haram (forbidden) cargo or sources are essential [34]. Therefore, for international cargo handling the fundamental is still applicable to maintain the halal traceability in the market [35].

## **4. Wholesomeness**

In Halal supply chain management, Halal is the ultimate concern to ensure that there is no mixture between halal and forbidden product (haram and hazardous) as according to Muslim diet [34, 35, 39, 40]. Apart from Halal, there is also Toyyiban (wholesomeness) that concern in the safety, cleanliness, nutritious and quality. Some aspects in Toyyiban also play significant contributors towards food safety. But for logistics, the concept is sustained throughout logistics and supply chain activities as a fundamental of good practices.

## **5. Trustworthiness**

Trust among the consumers developed reputable perception towards end product [38]. The trust also helps to developed high demand from the consumers that lead to the commitment towards Halal logistics service [36].

## **6. Dedicated assets**

One of the highly discussed is dedicated assets in Halal supply chain. It highlights the needs for adequate and specific infrastructure to support the Halal products [33, 37]

## **7. Commitment**

Commitment within the context of Halal supply chain is the willingness for the consumer to pay for the end product due to the offered quality assurance [21]. The strongest pushing factors for commitment towards Halal practice are from the end consumer. Nevertheless, the logistics service providers also must show their interest in order to provide a Halal quality assurance services [36].

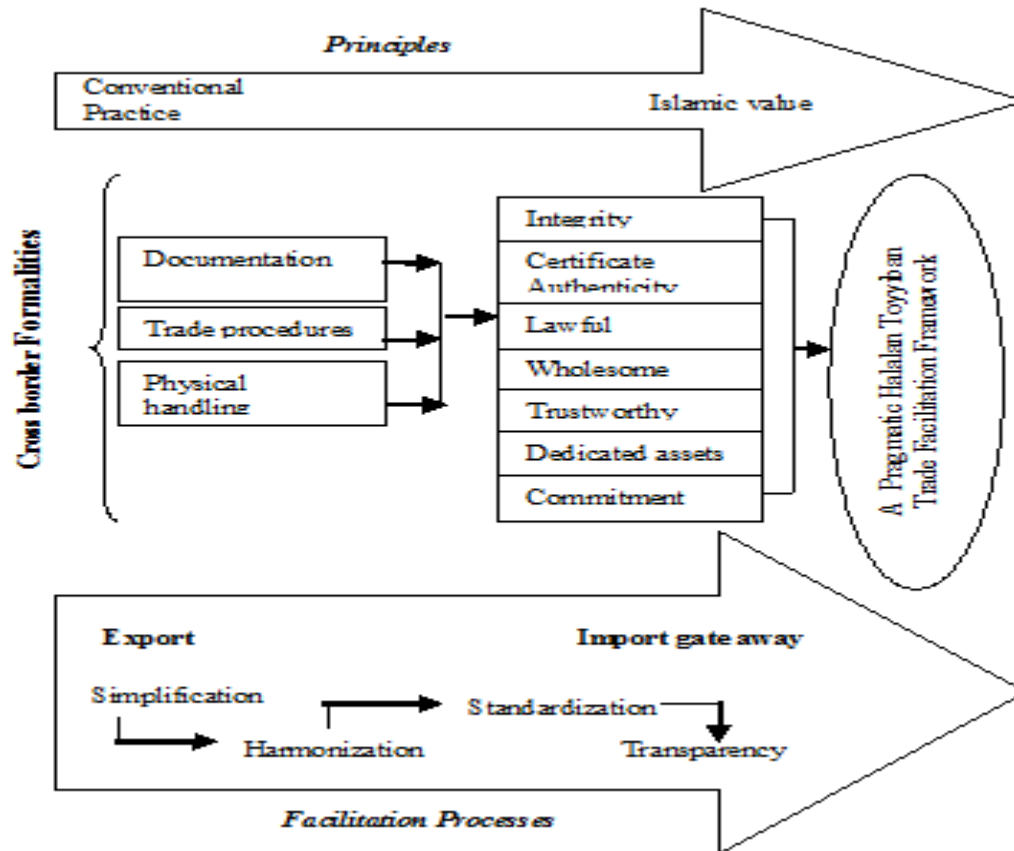


Figure 1: Conceptual framework for Halalan Toyyiban trade facilitation

### CONCLUSION

International trade is definitely a complex environment that involves supply chain process through country's national border. The border crossing process in the other hand involves compulsory regulatory procedures, documentation and physical movement that change hand from the exporting countries to the importing countries. It is essential to draw the critical factors during the border clearance, especially dealing with Halal cargo consignment. The facilitation not only ensuring the cargo are handle by ensuring the continuity of Halal-required measures based on the certain supply chain principles, but also by reducing barriers to trade. As such, a conceptual framework has been proposed which incorporated factors such as standardization, simplification, harmonization, transparency, documentation, regulatory framework and physical handling which has been derived from trade facilitation related literature. The framework also embedded the critical factors from the Halal supply chain practice including Halal integrity, certificate authenticity, lawful, wholesome, trustworthy, dedicated assets and commitment into the agenda. To further establish the framework, an exploratory research will be conducted in the next stage of this research.

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