


ASEAN Towards a Global Halal Logistics Through the Digitally Enabled Community

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ABSTRACT

The Association of Southeast Asian Nations (ASEAN) is leading the development of global halal trade and has the opportunity to become a leader in the global halal supply chain, especially in global halal logistics. Given the push towards digital transformation in creating a halal ecosystem and regarding the agenda of ASEAN towards a digitally enabled economy, this study wants to examine whether ASEAN digitally enabled community is correlated with ASEAN's chances of becoming a global halal logistics. Through a correlation test, it is found that there is a statistically significant relationship between ASEAN digitally enabled community, as measured in internet subscribers/users per 100 persons and cellular/mobile phone per 100 persons, and the opportunity for ASEAN to become a global halal logistics, measured in ASEAN GDP, total air cargo, total trade in goods, and international air passenger traffic. This is probably the first study that preliminarily confirms digitally enabled community is very important to strengthen ASEAN's opportunities to become the global halal logistics leader.

KEYWORDS

ASEAN, Digital Economy, Digitally Enabled Community, Halal Ecosystem, Halal Industry, Halal Logistics, Halal Supply Chain

INTRODUCTION

The Association of Southeast Asian Nations (ASEAN) region is one of the fastest growing economies in the world. In August 2020, ASEAN Secretariat notes its concatenated gross domestic product (GDP) of US \$3.166 million in 2019 grew by 28.2% from 2015 figure that stood at US \$2.469 million. Nowadays, this communion is the seventh-largest economy in the world and is projected to become the fourth-largest by 2050. If Asia is home to 65% of the world's Muslims, the ASEAN region is home to 25% of the world's Muslims and more than 42% of Southeast Asia's Muslims. Today, the number of population in ASEAN has reached more than 650 million people.

ASEAN is leading the development of global halal trade. Some ASEAN member states are known as leading countries in the world that drive the global halal industry. Malaysia, Indonesia, Singapore, and Thailand are the top 15 countries in the Global Islamic Economy Indicators (GIEI) in the last seven years. Referring to State of the Global Islamic Economy Report 2020/2021, the four

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countries are also top 10 countries in Halal Food and Halal Media & Recreation sectors. Malaysia, Thailand, Indonesia, Singapore are the top 10 countries in Muslim Friendly-Travel/Halal Travel. Malaysia and Indonesia are the top 10 countries in Islamic Finance, Halal Modest Fashion, and Halal Pharmaceutical & Cosmetics sectors (DinardStandard, 2020).

Based on its leadership in global halal trade, ASEAN also has the opportunity to become a leader in the halal supply chain, especially in halal logistics. Given the push towards digital transformation in creating a halal ecosystem, this study wants to examine whether ASEAN digitally-enabled community is correlated with ASEAN's chances of becoming a global halal logistics or not. The ASEAN digitally-enabled community in this study is represented by the number of internet users and cellular/mobile phone users. Meanwhile, the opportunity for ASEAN to become a global halal logistics is represented by the ASEAN GDP, ASEAN total air cargo, ASEAN total trade in goods, and ASEAN international air passenger traffic.

Tieman (2011, 2013), Tieman, van der Vorst, & Ghazali (2012), Tieman & Ghazali (2014), Talib, Hamid, & Zulfakar (2015), Azzam & Abdullah (2020), Abdullah & Azzam (2020), Kadir (2020), Zaroni & Musari (In Press) stated that the logistics in the halal industry plays an important role in the country's economic growth especially to fulfill halal products demand from both domestic and global markets. Halal industry which includes pharmaceutical, cosmetics, health care, finance, manufacturing, tourism, and food and beverage products, continues to show positive growth in both demand and value. Halal products and services are increasingly recognized globally as an indicator of a new level for safety and quality assurance.

Azzam & Abdullah (2020) highlighted that the integrity of the entire halal supply chain is a very important component for the halal industry to maintain effective control of the halal supply chain which is more complex than traditional logistics operations. Certain Muslim markets around the world require different taste, packaging, distribution, and certification. Thus, adopting halal requirements in all aspects of the supply chain of this halal ecosystem becomes a necessity and offers new market opportunities. Therefore, countries around the world, including ASEAN, are emerging as market players competing with each other in the halal industry.

The main focus of this study is to describe the existence of ASEAN as a halal community and the commitment to developing the digital economy. This study will also describe an opportunity for ASEAN to become a global halal logistics as part of the global halal value chain. Regarding the agenda of ASEAN towards a digitally-enabled economy that is secure, sustainable, and transformative in order to enable an innovative, inclusive, and integrated ASEAN Community, this study will do a correlation test as a bivariate analysis that measures the strength of association and the direction of the relationship between ASEAN digitally-enabled community and chances of becoming a global halal logistics.

ASEAN, A Halal Community

Referring to State of the Global Islamic Economy Report, there are four ASEAN member states which are in Top 15 Countries in the Global Islamic Economy Indicators (GIEI) at least in the last seven years. They are Malaysia, Indonesia, Brunei, and Singapore. Malaysia has always been in the top ranking and has not been overtaken. In GIEI 2020, Indonesia ranks the fourth for the first time after previously stay in ranks the tenth, eleventh and just already in the GIEI 2019 ranks the fifth. However, there is also another ASEAN country namely Thailand which, although is not in the Top 15 Countries of GIEI, it is in the Top 10 Countries for Muslim Friendly-Travel sector.

Actually, attention to the halal industry is not only available in the above four ASEAN countries. Other ASEAN countries are also concerned about the halal industry, particularly for halal food. With a significant population of Muslims, ASEAN as a region has been aware of the urgency and importance of chasing collaboration on halal food. Therefore, in order to escalate collaboration and put ASEAN in a strategic position on global halal food, the ASEAN General Guidelines in the Preparation and

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