

Evaluating Transparency in Halal Trade Facilitation

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Abstract

Trade facilitation has been known as a significant approach to ease and improve business transaction for movement of goods between stakeholders at international trade especially for cross-border trade. Transparency is labeled as one of the critical pillars in trade facilitation that demonstrates specific, clear, and accessible information to all stakeholders involved in the border activities. While trade facilitation promotes enabling environment for trade to take place, halal products are noted as one of the many goods that are being transshipped through cross-border. All things considered, the idea of Halal isn't simply restricted to safety and quality of the products, however it likewise involves the procedure control, packaging, storage, and delivery of the products. Arguments in maintaining the halal integrity of products along the chain activities are increasing throughout the year, demanding its activities to be more transparent to reduce the risk of contamination and to keep the intents of Halal. Along these lines, this paper means to survey transparency with regards to Halal trade facilitation. Extensive literature reviews on trade facilitation and a Halal concept were conducted and adopted in this paper. The concept addressed in this paper may provide a perceptive fundamental for future studies and to understand the concept of transparency in the practice of Halal trade facilitation.

Keywords: transparency, trade facilitation, halal, halal trade facilitation, and halal integrity.

1.0 Introduction

As halal products entering the international market, the integrity of its halal status is being questioned by consumers or by the industry players themselves, along with the transmission of halal products. In addition, according to Abdul and Hashim (2016), since halal is extended towards supply chain, the coordination of halal items are concerning halal food industry as well as the logistics industry player itself, leads to the action of certifying the logistics operations according to halal assurances. The switching of stakeholders such as from the origin carrier to

the end carrier within the transshipment enables the possibility of Halal products to be exposed to cross-contamination. With regard to the assurance of integrity of Halal goods in international trading, the industry itself calls for more accessible and transparent operation for Halal goods especially at the cross-border environment.

While trade facilitation has its own agenda in easing and aiding the international trading to become more appealing, it also highlights transparency as one of the instruments for facilitating trade notably at cross border setting. Nevertheless, the agenda of trade facilitation does not compose of Halal generally. It is focusing more on conventional perspectives while the idea of transparency in Muslim context is confined towards assuring Halal integrity of products features such as food safety, liability reduction, and a mean for communication tool. In Halal context, transparency is accompanied with traceability. Traceability enables the operation of Halal to be more transparent thus reducing any possible liabilities that may violate the integrity of Halal products especially when the chain covers more parties such as the cross-border trade setting that involves more than one country. With transparency in mind, it is aiding the whole operation along the chain to be more reliable in delivering Halal products as it may reduce and trace any liabilities that may occur along the chain.

To our knowledge there are only a few studies concerned with transparency in Halal trade facilitation. Previous studies have considered the term transparency more into conventional context but less in Halal context where traceability is rarely noticed. Accordingly, this paper means to examine on how the idea of transparency in Halal trade facilitation assumes a vital part in trade particularly in guaranteeing the trustworthiness of Halal products. Therefore, this paper will began with some background on transparency as general, transparency in trade facilitation context, next transparency in the context of halal, and last but not least the method, discussion, and conclusion of this paper.

2.0 Transparency

Broadly, transparency is often associated with openness and visibility in an organization or country of in giving adequate information to the respective stakeholders involved. Throughout the years, the term transparency has merged, focusing not only on the information and documentation but also leading towards operations, demanding flow of operations to be more transparent especially when involving a consumable output. Early interpretation said that the term transparency is distressed about the nature of being clear, evident and justifiable without uncertainty or vulnerability. Past every basic definition, the correct significance of transparency relies upon the setting in which it is utilized and the function that it is expected to fulfill (Karageorgou Lecturer in European Administrative law & Environmental Law, 2012).

Likewise in supply chain, transparency is mentioned as the degree to which all the system's partners have a common comprehension of, and access to, product and process related data that they ask for, with no misfortune, commotion, postponement and bending (Beulens et al., 2005). It has been perceived that there is an increasing need for information being transparent guaranteeing the quality of the entire food chain through tracking and tracing approach (Trienekens & Beulens, 2001). As Beulens et al., (2005) rightly points out that high quality food, integrity and associated services and information ought to be ensured through the entire operation accordingly lined up with consumers' appeal for food which can be completely trusted, safety guaranteed and bear information with integrity in assuring their consumption.

3.0 Transparency in Trade Facilitation

Trade facilitation is the concept or approach in eliminating or reducing trade barrier that is hindering a trade to take place especially at cross border setting. Its idea is consequently coordinated towards enhancing the efficiency and in addition lessening the complexities and costs of trade transaction processes. Its focus and program prescriptions are very much centered on the more operational

issues in the day-to-day movement of goods across borders and the interface among business and government (Grainger, 2007). According to Batista (2012), the United Nations Centre for Trade Facilitation and Electronic Business defines trade facilitation as the “simplification, standardization and harmonization of procedures and related information streams required to move goods from seller to buyer and to make payment”. Together with “transparency”, they frame the crucial standards of trade facilitation (National Board of Trade, 2008). These standards are the building squares of trade and transport facilitation rationally and considered as the basis for the development of workable initiatives in the related area.

Batista (2012) makes clear that transparency in trade facilitation should be actualized through clear, particular and effortlessly open data, requirements, and procedures for crossing borders. This is understandable as technical requirements should be prepared, adopted and applied in a clear manner. This include the initial purchase negotiations that leads to contract between buyers and sellers, the transport arrangement that leads 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 conveyed through transparent publications (Hornok & Koren, 2015; Hassan, 2014). Transparency is crucial in making domestic regulations and administrative practices more efficient and in upgrading their trustworthiness. This is achieved by revealing the costs and benefits of policy decisions and regulatory practices and guaranteeing that their purpose is clear and appropriately implemented (OECD, 2003). Besides, transparency can likewise help remove economic distortions that might undermine domestic policy objectives as it gives visibility and exposure on how the structure works thus later increases assurance in the public’s practice and at regulatory system.

4.0 Transparency in Halal Context

4.1 Halal

In general, Halal can be defined as clean, safe, purify from any harmful substance that is lawful and permissible to be consumed by human in accordance with Islamic context. Furthers, Halalness aspect or can be called, halal integrity is one of the main properties and unique feature of halal products that is important to abide. This concept requires products to meet the critical elements of toyyib and halal that is of high quality for human consumption. Indeed, Halal integrity promises products with Halal status are remained intact along the chain, from any possible contamination that may violate the Halal status either intentionally or unintentionally.

In Halal too there is Halal logistics that is very much particular on the operational transparency. As in accordance to Tieman (2013), Halal logistics is labeled as the process of handling the purchase, transfer, storage, and control of material parts, livestock, partially finished or finished inventory of consumable and non-consumable, related data and certification flows through the supply chain in accordance with the general doctrines of Shariah. Reference Zulfakar et al., (2011) claim that Halal logistics applies the similar principles as conventional logistics, but with a different exception on the type of products handled. This shows that Halal logistics is an enabler in the Halal supply chain that allocates Halal products from source to consumption without breaking the chain thus for halal trade facilitation to take place is crucial.

The subject of product integrity is comparable to the issue of products safety because according to Beulens et al., (2005), food safety is currently regarded as an significant issue for all stakeholders especially in the food production, food quality, integrity and related services. According to Fadzlillah et al., (2011), as more food are accessible in the market, the validity of halal food has raised concerns among Muslim consumers worldwide. Consumers demand is not only for the halal products but the halal activity too (Bonne & Verbeke, 2008). Jaafar et al., (2011) makes clear that, they are not only alarmed about food

ingredients whether it is halal or not, but also want to know about all the activities involved in the supply chain whether the products they buy are really halal all the way. The question is whether the integrity of Halal food products can be guaranteed and may remain Halal throughout the entire supply chain process in the trade scenario. The integrity of the halal products must be monitored so that consumers can be content with the authenticity of halal products they purchase. It does not take into account only the end product, but it is accountable along the chain to make sure the intact of Halal products remain.

4.2 Traceability

Traceability is defined as the facility to trace the history, application or location of what is under consideration according to the International Organization for Standardization (ISO) and also traceability is a series of recorded identifications. Some papers define traceability as the ability to follow and document the origin and history of a food product that is from main genetics to the dinner plate. Tracing comprises identifying all procedures and practices that have obstructed the life of a given product, and is recognized and available for purchaser or any other supply chain participant to see. In Halal context, traceability demonstrates tracking and tracing of shipment throughout the supply chain, from origin to the edge of consumption assuring the Halal products are free from any possible contamination that can occur along the chain and retains the Halal integrity of the products.

According to Meuwissen et al., (2003), traceability aims to find the history of the product, for instance to provide a source of cross contamination. On the other hand, tracking is the ability to monitor the path set by the unit and/or group of downstream products through the supply chain as it moves amongst trading partners. Specifically, Halal traceability can be established with one goal in mind which is to improve transparency in the production chain. More Halal transparency may increase consumer trust in food Halalness because of increased information in, among other things, production processes, control of food safety etc., would

also increase the actual level of food Halalness as a result of good information flow along the chain (Zailani et al., 2010).

Besides, Meuwissen et al., (2003) argue that being transparent along the supply chain can reduce any potential of product recalls including liability claims towards the producers and so on. This is understandable as Pettitt (2001) concludes that, traceability is used to reduce the threat of liability claims (response liability claims and to retrieve claims from other participants in production chain) and to improve recall efficiency (the quality of recalls that reduce the cost and improve the image of production chain). Furthermore Regattieri et al., (2007) also believed that, traceability is becoming a method of delivering safer food supplies and of linking producers and consumers. Other than that, traceability is also considered as a communication and tracking instrument to guarantee information is accessible along the supply chain (Zailani et al., 2010). On this basis, it is clearly identified that traceability explains transparency in Halal which contributes to food safety, reduce liability, and as a communication tools with the bottom line to assure the integrity of Halal products.

In particular, no study, to our knowledge, has considered traceability in trade facilitation whereas it represents transparency. Studies on transparency in trade facilitation do not cover traceability while referencing to halal studies, transparency is indicated by traceability. In order for halal trade facilitation to take place, the term traceability must first be considered in the context. Therefore, in this study, we highlight traceability in transparency for halal trade facilitation.

5.0 Method

The foundation of this paper is extracted from the literature reviews. The search for related publications available was mainly conducted through online databases. Major databases such as databases provided by Emerald, Elsevier, Springer, and Wiley were used to search related articles. Google Scholar was also used as a tool to help finding the related articles. This study was based on the two main agendas which were trade facilitation and Halal in the context of

transparency, thus related keywords such as Halal, Halal logistics, Halal integrity, transparency, traceability, and trade facilitation also international trade were used in the search for the articles. Literature from these areas was used as the main references in this paper. Predominantly, the literature was reviewed within the range of eight years from 2010 to 2018 to get the latest ideas and issues regarding the study area. There were approximately 44 published articles reviewed (refer Table 1), thus formed the framework for this paper.

Table 1: Number of literature reviewed in the context of transparency

Literature Area	Number of Papers
Halal	20
Trade Facilitation	24
TOTAL	44

6.0 Discussion

Indeed, above all, past studies have shown that studies on transparency for both trade facilitation and Halalness generally indicate for all to be transparent in every aspect crucially in communication and the flow of operations in the organizations especially when dealing with Halal required products. Although the term transparency is used in both areas, the term generates marginally in different context. In particular, transparency in trade facilitation refers to specific, clear, and accessible information to all stakeholders involved, while transparency in the context of Halal particularly points out tracking and tracing as traceability for more transparent and accessible information in the transshipment of Halal products. These includes ensuring the food safety in such manner as halal integrity of Halal products, minimizing liability in operation and act as a communication tool for stakeholders involved in the operation as all related information is being apparent and accessible. Transparency is a actual valuable instrument with which to reduce uncertainty, and unpredictability in the universal logistic trade chain, which allows then on behalf of the reduction of costs and risks in global trade

(Turnes & Ernst, 2015).

In halal context the term traceability plays an important role in ensuring Halal integrity is not compromised. This traceability system enables recalling the history of a outcome, for example, to allocate the cause of contamination (Zailani et al., 2010). It also involves the tracing and tracking of a product throughout the supply chain, thus also directly enhances the product safety as information flows along the chain is being more transparent which warns any parties involved to not breach anything in the operation, for example in terms of trademark, logo, etc. on the packaging and such. With the control to track and trace, and when the information and operation become more transparent, it increases the consumers' trust in their purchase and may reduce any possible doubts regarding Halal products' authenticity. On the other hand, transparency should not only prepare an adequate information flows across the chain, it can be extended towards assisting parties in term of tracing any liability involved. It will help to reduce any harmful possibility that may occur throughout the chain.

In other words, the Halal concept is very particular especially in the movement of goods, while in the conventional practices it is less applicable as the concept of traceability is less emphasized. Assurance for halal trade facilitation transparency is indicated by traceability.

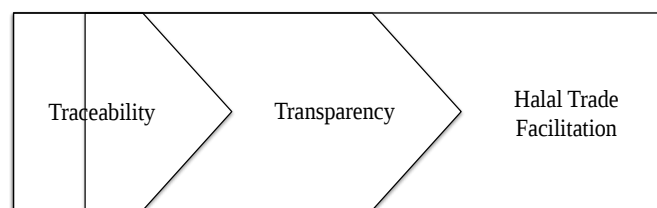


Figure 1: Distribution of Transparency and Traceability within Halal Trade Facilitation context.

Source: Authors, (2018)

7.0 Conclusion

Halal is not just another requirement used in order to market the products

of Muslims' industry, it is more than that. Halal itself needs precise measurement to manage in order to keep the integrity of the Halal status. As Karia and Asaari (2014) point out, Halal logistics is not just adding the value and support to supply chain activities, but it is about the halal aspects of conduct, activities and procedures that need to be looked at. On this basis it may be inferred that transparency in trade facilitation based on halal logistics highlights the addition of traceability concept into the transparency formed Halal trade facilitation. Halal trade facilitation covers the conventional and respective agenda in international trading as the Halal concern is involved in international trading. In this manner, this paper has taken a broad look at transparency in the context of Halal and trade facilitation and issues pertaining Halal integrity indirectly. This study also established a conceptualization distribution on traceability and transparency within Halal trade facilitation. To further establish the framework, future work on an exploratory study might improve this framework by taking a closer look at the other factors that can influence transparency in Halal trade facilitation especially at cross border setting.

Acknowledgement

The authors gratefully acknowledge the help of Malaysia Institute of Transport (MITRANS), Universiti Teknologi MARA (UiTM) in providing the greatest support in completing this paper and inmost appreciation to the Ministry of Education Malaysia for the provision of the research grant.

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