

The Challenges of Developing the Halal Industry

18.1 Introduction

It would be no exaggeration to say that Europe today faces enormous upheavals. Not a day goes by in the power-centers of Berlin, Paris and London without new anxieties emerging around indebted states and urgently-needed plans for yet more rescue packages. What is at stake is the future role of nation-states in the European Union, and of course the prosperity of a whole continent. The biggest financial and debt crisis in human history has reached the heart of European societies, and it has made them deeply insecure.

After a decade of the so-called war against terror it is once again clear that we live in an age dominated by economic issues. Economic power has knocked politics off the pedestal of its primacy and the possibility of acquiring vast quantities of capital dominates the political landscape. It is not extremists, however regrettable their existence may be, who are undermining and endangering our democracies, it is economic conditions.

In all of this there are two areas in which the elites of Europe remain dangerously uninformed. For many years they have failed to notice the relentless pressure exerted by the instruments of modern financial technology, and the dangers these instruments bring. Until recently only a very few specialists inside European politics knew what a derivative was. Parliamentarians complain publicly that they fundamentally do not understand the things being done to save the euro.

Secondly, aside from a sprinkling of catchphrases, Islam in Europe remains an unknown quantity. Discussion about Muslims in Europe usually deals only with the various manifestations of political Islam. Islamic financial law, which is essential to any deep understanding of Islamic society, is familiar only to a few insiders. And only slowly are the Muslims themselves correcting the many

misunderstandings that exist about their life-practice.

This crisis across Europe offers a historic opportunity for Muslims living there. There have been numerous reports about the Muslims' position, vis-à-vis economic issues, and what the Shari'a says about it, and this has created a certain degree of interest. For the first time, Islam has been able to show itself in this area as part of a solution rather than part of a problem. Examined more closely, the basic economic principles of Islam are in fact highly reasonable.

The worship of capitalism which established itself across the continent after the fall of communism is now giving way to an atmosphere of serious doubt and a search for alternatives. The philosopher Walter Benjamin criticised the quasi-religious aspect of capitalism, noting that capitalism serves to "assuage the same anxieties, agonies and unease which so-called religions once gave answer to." In other words, the Enlightenment had finally reached the Western economic model.

It was perhaps the Italian intellectual, Loretta Napoleoni, who first recognised the new situation, and seeing something positive in Islam. In the 1990s, following the reunification of Germany, she wrote a book called "Rogue Economics" which explained the devastating effects of capitalism now that it had broken out of all limits. In this book the journalist recognises Islam as an inspiring form of moderated economic activity.

Although Napoleoni has actually been known as a critic of Islam, some years later in the newspaper, "Osservatore Romano," she stated respectfully about Islamic economic law: "We believe that Islamic finance can contribute to the establishment of new rules for Western finance... Shari'a-compliant investment forms prevent the artificial generation of money." It was an important point she had raised.

18.2 Opportunities

The presence of more than 54 million Muslims in Europe has of course meant that many non-Muslim Europeans have come to know about some aspects of Islamic practice. Most Europeans know that Muslims do not eat pork or drink alcohol, and that they consider this to be part of a divinely ordained way of life. People also know that certain things may be allowed and other things forbidden in a religion, but that such rules might play a decisive role in everyday economic transactions remains hidden from people of other religions or no religion at all. This is despite the fact that Christianity and Judaism for much of their history forbade the taking of interest just as Islam does.

The foremost principle which we Muslims must now convey is that the Shari'a, far from being some kind of irrational system of coercion, intends above all to prevent what is harmful and encourage what is beneficial to human beings. Since the Creator placed everything on this earth at the disposal of people, one of the basic principles of Islam is that all things are permitted except if they are explicitly forbidden by the Shari'a. This means that Islam is a life-practice which makes things easier, establishing a middle-way rather than extremes. This is also why the Quran warns specifically against forbidding things which are allowed.

In this context it is often forgotten that as well as a food having to be "halal", it should also be "tayyib", which means "good." So what is at issue is not only how something is slaughtered, but also that food – and of course animals – are handled well and sensibly. Furthermore, as well as Muslims expecting their foods to be permitted, they also want them to have been fairly traded and properly paid for. The Quranic injunction to trade "by mutual agreement" today translates quite simply as "fair trade."

Because we believe that the rules of Islam make sense today as they did in the past, we Muslims must participate confidently in the public discussion on an economically viable system of supply. There are great opportunities here for the Muslims of Europe to position themselves advantageously. Globally, more than 2.1 billion Muslims are potentially networked in a halal market, and they represent enormous spending power and economic potential.

World Muslim consumers, according to surveys, cannot be properly categorised as either liberal or conservative. Instead they are motivated and ambitious, globally thinking, educated and optimistic, and open to technical innovations. But they are also upholders of family traditions, pro-community, preservers of their cultures – and, not least, they enjoy practicing Islam. This applies in Asia and America just as it does in Europe. It may be those Muslims in Europe, who have studied European philosophy and its critique of technology, are less apt to believe wholeheartedly in that technology than those who have not.

Islam's economic position and the growing market for halal products and services did not really become a topic of any importance in Europe until relatively recently. This is somewhat surprising given that most of the major

legal books devote hundreds of pages to contracts, market laws and fundamental economic rulings. The Quran mentions not only the prayer but also the taking of zakat, which is an obligatory, if moderate, wealth tax. There is no doubt that this is a most intriguing aspect of Islam.

The theme of "Islam and economics" deserves much more attention for several reasons. The millions of Muslims who live in Europe, in other words the masses of native and immigrant Muslim consumers, represent a growing economic force. Fourteen million Muslims live in the European Union, 4.3 and 5.4 million of which live in the economically strongest nations of Germany and France respectively. All of these people invest, buy and save, and – this being the next aspect – they do so observing particular economic rulings.

Islamic economic law, of which the regulations of the halal market are but a part, represents a web of rules, standards and prohibitions which in its totality deserves recognition as an alternative economy. It involves much more than just stipulations about the production of food. In Islam, business life must be built around a free market, fair trade and free trade routes; without this framework, many of Islam's rules do not make any sense.

The combination of economic power and knowledge which the Muslims have therefore represents an enormous potential, since with some intelligence they can demonstrate new ways of doing things and propose important alternatives, enabling Muslims to be perceived in Europe as the pioneers of a complete alternative economy. Only as business people and producers, only as fair traders and upright suppliers will the Muslims present in Europe be received positively by the non-Muslim majority societies. This will bring with it an urgently needed makeover of the Muslim image.

Global demand for halal food is rising, with some estimating that demand will increase by a rate of 20% each year from now until 2025. The importance of the European market is also growing steadily. The European market for halal food products currently has a volume of approximately USD66 billion, and the markets of Germany and France have a particularly large untapped potential. The Canadian Global Pathfinder Report on Halal Food Trends reported in 2009-2010 on more than 40 newly launched halal products in Germany and France alone.

The question is how to convert these encouraging facts into positive outcomes for Muslims, and who in the end will actually profit from the economic potential of this market. There are certain problems which need to be recognised and discussed openly.

18.3 Problems

There are of course many difficulties surrounding what is in itself the positive scenario of the Muslims' purchasing power. Muslims are far from united when it comes to the halal business. They argue about how legal rulings ought to be applied, and they remain divided into national camps, and torn between differing religious interests. As a result, Muslim representatives have neither a common strategy nor an agreed-upon marketing concept.

Nor are people very aware that the halal market, aside from food, also encompasses many other principles and areas of business. There are of course efforts directed towards opening a market in financial products and insurance, but often these involve simply copying other institutions and giving them a religious tone by appending the "Islamic" before the product or service. Few people have actually considered setting up a genuine Islamic market, or reviving some of tried-and-tested financial instruments. Not only is there a lack of Islamic infrastructure, there is also a need for an up-to-date, convincing portrayal of the entirety of Islamic economic concepts, starting from the type and role of money, market regulations, and the products which are acceptable for purchase.

It is important that Muslims do not simply adopt seemingly successful sales strategies without understanding the negative effects these mechanisms can have. Supermarkets are a case in point. One must bear in mind that the Prophet himself established in Medina a mosque and a market, both of which were public institutions and both of which offered equal access to everyone. For many centuries it was unthinkable that just a few suppliers would dominate a market. The traditional Islamic market was open to thousands of suppliers. In Germany, the food market is dominated by just a few discounters, and the idea of free trade has long fallen by the wayside. The owner of the largest food chain in Germany is regularly at the top of the list of the country's richest people. It may well be that even these discounters one day introduce "halal departments," but would that really satisfy the principles of fair trade in Islam?

It is certainly essential that people become more aware of the diversity and complexity of Islamic trade activities. Contributing towards such a growth in awareness are not only the Islamic media, but also large-scale exhibitions such as the Eurohalmarket in Brussels and the Paris Halal Expo in Paris. These events quickly demonstrate that Muslims are active not only locally but also within a broader context. They show that the Muslims are internationally networked, and they are also a door for European manufacturers who wish to supply the global Muslim market. Only if the significance of halal regulations within an overall economy is made clear can we avoid creating the impression that Muslims have nothing more than a narrow expertise in the food area.

The halal market in Europe still bears the stigma of exotic slaughtering practices for some Europeans. A fierce conflict of beliefs has also erupted between animal welfare activists on the one hand and Muslims and Jews on the other. Conservative groupings in Europe, some of which are Islamophobic, have attempted to vilify Islam and Judaism as being backwards in regard to animal welfare, and a love of animals is often only a pretext to fight. These are groupings that have used the growing fear of Islam among Europeans skillfully to their own ends. One of the challenges now facing Muslims is to conduct intelligently a dialogue clarifying the relation between Islam and animal welfare, and to make plain the worries many Muslims have about animals being kept and slaughtered in an inappropriate way.

At the same time Muslims have to take a position in the

general discussion about industrial food production. The issues that arise are very clear for all to see. For example, can mass animal rearing really be compatible with Divine legislation?

Another major problem facing the young halal market is the ferocious power struggle taking place around the subject of certification. As in other regions, Europe has seen an increase in the number of cases in which certified meat has in fact not been slaughtered correctly at all. Cases of certification abuse may be isolated but they still need to be taken seriously. And many "Islamic" certifying bodies, plenty of which are active only on the Internet, are of dubious legitimacy. They have been cases of retailers that have utilised an invented halal logo, that has not been approved by a authoritative halal body, to sell meat as it was easier to distribute in certain countries.

In some Muslim countries the legitimisation of certifiers is government regulated on a national level, whereas in Europe, certification tends to be in the hands of a bewildering number of private entities. That is why Muslims in Europe are also discussing whether centralised certification would improve things. There is however good cause for scepticism here, since centralisation is liable to remain a utopia for many reasons. The complicated division and subdivision of Muslims in Europe along ethical and religious lines makes it unlikely that any such authority will emerge in the foreseeable future.

Serious certifiers may well share much common ground, but there are of course differences between the legal schools, as is evidenced by the ongoing debate about anaesthesia. Looking to Muslims countries for certification also brings difficulties: why should consumers in Europe defer to authorities abroad?

There is another serious problem with the torrent of certification, which we shall touch upon only briefly. People often point out that centralised certification only really strengthens the big multinationals and weakens small suppliers, even if they are operating correctly as Muslims, because it encourages expensive overregulation and promotes a distrust of non-certified products. It is hard to dismiss this argument entirely.

And today it is indeed Western food corporations who dominate the global food market. One good example is the company Nestlé. This Swiss firm has been offering halal products as far back as 1980. Of the Group's 443 factories, no less than 85 are halal certified. The Group's strategists process the international market from offices in Malaysia. Their products for the Islamic world are worth more than 5 billion Swiss francs and constitute 5% of annual turnover. Experts like Dr Paul Temporal may bemoan the lack of Western companies' market expertise when it comes to halal products, but he surely cannot be referring to these Swiss operators. This all means of course a growing influence on the certification institutions by a small number of big players. In the long term it cannot be in Muslims' interest that only a few monopolists dominate the food market.

18.4 Challenges

One of the things Muslims in Europe have so far failed to do is to properly realise their own potential. There is to date no central body able to provide sound information about the economic strength of the Muslims. It is almost impossible to obtain accurate figures, statistics and market analyses.

Nor have the opportunities which the internet holds for the European halal market been exhausted by any stretch of the imagination. However, there are glimmers of change. The Salamworld¹ initiative hopes to build up a social network similar to Facebook. If the project is successful then this will have positive consequences for the halal market, given its 50 million hoped-for users. It is time for there to be a virtual marketplace on the Internet, and for Islamic contract models to be offered, and even an alternative payment system. But the Internet will make an exclusively European strategy almost impossible.

Given the relentless march of globalisation, it is of course important for Muslims to firm up their legal convictions in the face of ever mightier market forces. So far Muslims have been relatively uncritical of food corporations, supermarkets and banks in comparison with other European citizens. The Islamic world has remained strangely quiet about the configuration of money, monopolies and banks. European society has been discussing such relationships openly for a long time. A critical review is long overdue now that we have reached the 21st century, especially a review of what people refer to as Islamic financial instruments.

It is well known that in the second Sura of Qur'an, trade is allowed and *riba* is forbidden, which means from a Muslim's point of view that monopolistic distribution by a small number of large chains is as unacceptable as the circumvention of a prohibition on interest by crafty banks. Attempts to distort the law are especially rife in the world of finance. The big Islamic banks and insurance companies view Europe as a large market, quite naturally. The Islamic Bank of Britain already had 8 branches and 42,000 clients by the year 2007, and held investments amounting to more than 135 million pounds.

The first ever purely Islamic bank from Turkey aims to set up shop in Germany in 2013. Muslims in Germany alone are estimated to possess assets worth more than 25 billion euros, but this money is threatened by rising inflation rates. Just because a bank titles itself "Islamic" it does not automatically mean that it operates in harmony with Islamic financial laws.

In Germany, Islamic banks are trying to operate in the property market by means of contracts that circumvent the prohibition on interest by combining two consecutive sales agreements in one, but this arrangement, ironically, has so stumbled on German tax laws. Imam Malik, among others, expressly forbade this kind of obviously double-sale transaction.

Germany's banking supervisory body BaFin has praised Islamic banks for coming out of the financial crisis relatively unharmed, and because they stay more or less away from risky transactions, but despite this they

remain in essence normal banks like any other. They have long been intermeshed with the non-Islamic banking system through speculation and complex business relationships. In Germany, the Central Muslim Council has certified what it says is a halal product issued by WestLB, a bank which only recently had to be rescued from collapse using millions of euros of taxpayers' money.

Muslim jurists will not be able to escape the lessons of the banking crisis and the growing doubt people have in the relationship between banks and the creation of money. There is now a broad and fundamental discussion going on in Europe between Muslims, Christians and Jews: "Is it legitimate for banks to create money practically out of nothing?"

A growing number of Europeans are doubting this legitimacy regardless of their confession, and even German Bundestag members such as FDP politician Franz Schäffler are demanding the legalisation of private currencies. "Only then," argues this politician, "will nation-states be prevented from printing more and more false money."

Muslims are well positioned to consider the legal possibilities of reintroducing their coinage into circulation, meaning Dinars and Dirhams, which are 100% gold and silver backed and which have been part of the Islamic economy for centuries. Considering the crisis among European insurers, gold-backed savings accounts – known as *wadiya* – would be a secure option for Muslims and non-Muslims alike. But the Muslims have not quite grasped these opportunities in the financial market as yet.

Perhaps the greatest challenge facing the future halal market will be to learn from the current crisis and to place more trust once again in the soundness of our own financial instruments. After the experience of communism and financial capitalism, the task is to find a third way, which is the middle way. Owning property and intending to make profits are both honourable intentions in Islam, but the law must prevent monopolies and guarantee fair competition.

¹ <http://www.salamworld.com>. Abu Bakr Rieger is a legal advisor for this project