

# The Role of Halal Trade on the Saudi Economy

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## Abstract

In light of the economic development witnessed by the Kingdom of Saudi Arabia, which focuses on its non-oil resources, the importance of the halal sector in general and halal trade in particular is evident in supporting this economic development, especially with the expansion and diversification of the global halal market, which requires the Kingdom of high religious standing to keep pace with this development, the research presents the reality of halal trade in the Kingdom, referring to the countries and their competing commodities, based on previous documents, studies and research, and based on the qualitative analytical approach, The importance of this study is that it enriches the scientific library with research aimed at supporting halal trade and its success. It also has a practical benefit in employing halal trade in supporting the Saudi economy, the research problem was presented in the Kingdom's dependence on non-oil resources after a long time after its economy depended on oil imports, therefore, growth and development existed, but slowly, the reality of halal trade in the Kingdom was presented in numbers and statistics, the impact it can provide to the Saudi economy was highlighted, some problems encountered in halal import and export, and suggest some programs and solutions that can push the halal trade forward, such as setting up and attending halal exhibitions and conferences, and direct communication with foreign markets and importing companies, enact more legislation that facilitates halal trade and other proposals that can push halal trade to become stronger and more effective in the Saudi economy, in order to achieve the success of the process of economic development.

**Keywords:** *Halal, Development, trade, communication, exhibitions, conferences.*

## 1. Introduction

The Saudi economy continues to have remarkable growth rates, despite what the global economy is witnessing a decline in the same rates. This growth includes several developments in various fields of the economy, including the increase in oil revenues, but the 2030 vision for the Kingdom aims to bring out the non-oil strengths that the Kingdom enjoys to be a unique economic development stage that is going Towards a prosperous national

economy, and this can be achieved from several economic fields, especially in the field of halal industry and trade. The preferences and lifestyle of people in the present era are affected by science and technology, and technology has conveyed to most people what science has proven of the reliability, usefulness and safety of halal products, and because the nature of human beings is based on the desire to live a good life, the demand for halal products has increased recently (El-Serrag,2016)

In addition, non-Muslims, in addition to Muslims, became interested in obtaining these products in Islamic and non-Islamic countries, even there are many halal-exporting Islamic countries where not all products are available due to a lack of halal raw materials or halal-specific competencies, thus, the need to exchange halal products arose.

Halal trade is the import and export of halal products and services that a Muslim may use or exploit because they comply with the conditions of Islamic Sharia

Halal products are those that do not include pork, alcohol or impurity in their composition, are not genetically modified, and slaughtered in an Islamic way (Kerajan, 2009).

The concept of halal has traditionally been applied to food. But it now appears to expand to the extent that virtually all goods and services including cosmetics, clothings, pharmaceuticals, financial services and even tour packages can be certified halal, 142 billion were spent in 2014 on Hajj and Umrah projects, an increase of 6% over the previous year's projects (Thomson, 2015)

Halal food market according to Nurrachmi (2016) is one of the largest consumer markets in the world as reported by the Stated of The Global Islamic Economy, Moslems spent 16.6 percent of the total global food expenditure which eventually cause the Halal food market as one of the largest food markets in the world, The growth of global Moslem population will experience a 35 percent increment from 1.6 billion in 2010 to 2.2 billion people in 2030

The concept of halal according to Meshari and Awfy (2005) has traditionally been applied to food. But it now appears to expand to the extent that virtually all goods and services including cosmetics, clothings, pharmaceuticals, financial services and even tour packages can be certified halal.

## 2. Background of the Study

Saudi Arabia is the largest exporter of oil in the world, whose economy is estimated at about one trillion dollars, and it always seeks to separate its economy from fluctuations in oil prices, which achieves many economic gains for the non-oil economy, the Kingdom has a lot of untapped oil potential, in addition to facing stiff competition.

The halal market is growing relatively due to the expansion of the Muslim population everywhere in the world.

The halal food supply for Saudi Arabia comes from local production and import Local production is well supported

by the developed agricultural sector who has the kingdom Which made it self-sufficient in many foodstuffs such as agriculture and fishing, Halal products and services are not a problem for Saudi consumers because they are confident that all products entering Saudi Arabia are halal and protected by the government.

The Kingdom of Saudi Arabia is the home of Islam and has the two holy Qiblas for Muslims, i.e. Mecca and Medina within its territory, which makes Islamic Sharia greatly respected Therefore, all consumers are sure that all foods available in the market are halal However, the application of halal in Saudi Arabia is still limited to food and Especially those referred to as meat, chicken and fish products, as well as dates, corn, rice and some fruits and vegetables.

The Saudi halal food market is estimated to be worth \$5 billion 63% annually, so, Saudi Arabia is the largest market for food and beverage products in the Gulf of all countries in the region account for imports, the Saudi halal food market is estimated to be worth \$5 billion annually.

## 3. Research Problem

According to the Saudi Arabian Monetary Agency, Saudi halal trade has begun to affect Saudi economic growth by stimulating exports during the last three years, but it is still at a weak level due to the focus of trade in the Kingdom on oil products.

Although the Kingdom of Saudi Arabia continues its struggle to achieve self-sufficiency in halal products, population growth exceeds its consumer supplies, making it dependent on halal imports.

Saudi Arabia according to Meshary and Awfy (2005) imports food products from countries including Australia, the United States, Brazil, France, Germany, New Zealand and Thailand.

The USA remains a leading agricultural exporter to Saudi Arabia of coarse grains, rice, sugars, honey, vegetables, soups and corn flakes.

Despite the decline in halal imports to the Kingdom, the decline is slight and present

Agricultural imports from America in 2011 were estimated at 429 dollars, to become 343 dollars in 2012, to decline in 2013 to 331.

The Kingdom of Saudi Arabia imposes very strict conditions on the import and export of halal products. In 2013, the Kingdom began to set up trade barriers, where the exporting company must pay a registration fee of \$ 5,000 before exporting, in addition to strict preventive measures for the safety of exporting halal products (Dube and Yang, 2016)

Therefore, the research problem lies in how to enable the halal sector, facilitate halal trade, and support it to become leaders to be remarkably effective and influential in the

Saudi economy in light of its interest at the present time on non-oil resources.

#### 4. Research Question

What can halal trade do for the Saudi economy?

In other words, how can halal trade contribute to the development of the Saudi Economy?

#### 5. Research Objective

Revealing the reality of halal trade in the Kingdom of Saudi Arabia

Explore what halal trade can offer to the Saudi economy

Submitting proposals for the success of Saudi halal trade

#### 6. Importance of the Study

- Practical importance: The importance of the study lies in clarifying the importance of halal trade and its ability to develop the Saudi economy. The importance of this study also lies in the fact that it covers an important aspect of the economy, which is the role of the halal sector in economic development, while highlighting the future direction of this sector related to progress and prosperity as a necessary necessity according to the requirements of this Time, the development and innovation of the most prominent advantages of this era.

- Theoretical importance: The importance of this study comes from the importance of the use and dissemination of halal products and their impact on the material and spiritual life of Muslims and what they can provide to the Saudi economy, its development and support by looking at previous studies and research related to the subject.

-Spiritual importance: The importance of this study lies in the importance of the spiritual position of the Kingdom of Saudi Arabia as a center for Muslims from all over the world and a reliable reference for the halal industry of all kinds and its economic position as the largest manufacturer of halal products.

- Scientific importance: Enriching the Arab and international Islamic library with studies and research related to the halal sector in general and halal trade in particular and its role in the Saudi economy and its development, evaluating halal trade and its role from the research side, and providing a deep understanding of halal trade in general and in the Kingdom of Saudi Arabia in particular.

#### 7. Literature Review

- Nurrachmi, 2016: Islam has become the fastest growing religion in the world. The population of Moslem among the OIC (Organization Islamic Committee) members comprises of Asia (805 million), Africa (300 million) and Middle East (210 million) with the growth of Halal food in

the global market, the statistic indicates that the largest Moslem nations are located in Asian countries with 63.3% of the total Halal market.

- Afanah and Omar, 2013: Saudi Arabia has a 100% Muslim population, 90% of whom are Arabs, and the remaining 10% are Afro-Asian. It has a population of 22.7 million and is growing on average nearly 3% annually; moreover, Saudi Arabia remains the largest single market for foodstuffs and beverage products in the Gulf, accounting for 63 percent of the imports of all countries in the region.

- Mshary and Awfy, 2005: The Halal market is growing relatively to the expansion of Muslim population all over the world. Two huge halal food markets are Southeast Asia and the Middle East, which represent more than 400 million Muslim consumers. Worldwide, the Muslim consumer base is estimated to be 1.8 billion and is spread over 112 countries. Saudi Arabia has a 100% Muslim population of which, 90% are Arabs, and remaining 10% are Afro-Asians. Its population is 22.7 million, grows on average of nearly 3% annually.

#### 8. Methodology

- The qualitative method is applied in this study.

- The approach is based on observation in the business environment of the online halal industry.

Research papers from economic journals and review previous studies related to the halal economy and analyze ideas from researchers in developing and developed countries for a period of three months, From January to March 2022.

#### 9. Recommendations

- Focusing on the non-oil economy and the halal sector is one of the most important areas of this economy, especially halal trade, including import and export of halal products and services.

- Developing legislation and laws for the halal economy in order to facilitate the procedures for importing and exporting halal products and supporting local companies from expanding in the local and foreign markets.

- Creating a plan to attract and localize the halal industry in Saudi Arabia by establishing a halal academy to support human capabilities in this sector.

- Holding halal exhibitions outside the Kingdom and displaying Saudi companies for their products and services in order to increase and diversify exports to Islamic and non-Islamic countries.

- Direct contact between Saudi companies and the foreign market, where traders are advised to visit the countries' markets in person to make deals because this communication is a very important key to penetrating the global market.

- Instead of importing raw materials for the halal industry or importing some halal products, work on importing expertise and imparting it to the local workforce.

## 10. Conclusion

- Through Vision 2030, the Kingdom seeks to achieve a prosperous and at the same time different economy by developing non-oil revenues
- Increasing lawsuits in the Kingdom about the importance of halal trade and its role in raising the rate of economic growth
- The halal market in the Kingdom is wide, diversified and competitive, whether in imported or exported products
- Most companies rely on the internal market for halal products, with limited export activity
- Restrictions on halal trade are necessary to ensure the safety of halal products
- There are still many areas that Saudi halal products have not reached, and which the rest of the markets need.

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