Research on the Factors Influencing Halal Food Industry Internationalization: A Case Study of Ningxia (China)

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Abstract. Halal food industry is one of the most important and potential industries in China under the construction of the Silk Road Economic Belt and the development of China-Arab cooperation. However, the halal food exports in China actually have been just hovering at $100 million in recent years, accounting for only about 0.5‰ of the total amount of global trade, and so its internationalization level is still very low. The question of what factors hindered the internationalization process of halal food industry remains unclear. The purpose of the present paper is to identify the main influence factors of halal food industry internationalization by taking the Ningxia Hui Autonomous Region in China as an example. Based on an in-depth interview survey and qualitative data collected during a wide-scale field research of 36 halal food enterprises and 4 related government agencies, using thematic analysis methodology, it was found out that the critical influence factors of halal food industry internationalization are the halal certification, halal logistics, trade barriers, and language obstacles. This finding will give the relevant government agencies, halal authorities, and enterprises a strong insight about the ways which can help and support the internationalization process of halal food industries.

Introduction

The word halal is translated from the Arabic “حلال”, which means lawful, legitimate, sharia-compliant or permitted. Muslims adhere to strict dietary laws and are allowed only to consume halal food [1]. The halal food industry refers to the way we produce and deliver goods and services in a manner that is consistent with Islamic law, or sharia, thus avoiding the use of practices and products prohibited (Haram) by the precepts of Islam. Nowadays, the global increase in the Muslim population and the growing awareness of consuming halal food has created an increased demand for new and differentiated halal food [2]. According to the Carnegie Endowment for International Peace Estimation, the world Muslim population nowadays is nearly 1.8 billion, accounting for 28.26% of the total population. It has been projected that in the next two decades, the world’s Muslim population will increase tremendously, rising from 1.6 billion in 2010 to 2.2 billion by 2030 [3]. Halal food sector is no longer merely an industry that complies with religious requirements, it is becoming an economic force in its own right domestically and globally. Many countries, although having Muslim as minority but depend on food exports as their country’s income generator are seeing the necessity to be aware about halal and be involved [2].

China is a multi-ethnic country, with more than 20 million people and 10 ethnic minorities having the Islam as a faith. In recent years, with the development of construction of the Silk Road Economic Belt and development of the China-Arab cooperation, the halal food industry has developed rapidly, the trade volume also annually increased at 10%. However, when compared to the international market, the volume of international trade is very small, just accounting for about 0.5‰ of the total amount of global trade, and the international market competition is still very low. The problem of what hindered the internationalization development of Ningxia halal food industry...
is becoming more and more urgent to be solved. The main purpose of this study is to find out the factors making a significant influence on the internationalization process of halal food industry in China. By taking Ningxia Hui Autonomous Region as an example, based on a field research and in-depth interviews, the findings of present study will serve as a useful reference to related government agencies and firms to accelerate the internationalization process of the halal food industry.

**Current Situation of Halal Food Industrial in Ningxia**

Ningxia Hui Autonomous Region, as one of the major Muslim communities in China, has a unique national and scale advantages of developing halal food industry. Ningxia is an important node of the Ancient Silk Road and the permanent host place of China-Arab Expo. As the first Economic Pilot Area of Inland Opening Development, Ningxia mainly focus on strengthening the communication and cooperation with the Arab countries and Muslim regions, as well as the other countries in the world [4]. In recent years, the local government has played a leading and central role in encouraging the development of the halal food industry, especially through various export promotion policies aimed at promoting firm internationalization. In 2008, Ningxia took the leading in setting up the international halal food certification center, and issued the *General principles of halal food certification in Ningxia Hui Autonomous Region*, by which the international certification of halal food in China and abroad has been fully carried out. So far, there are 20 institutions in 16 foreign countries and regions that have signed a mutual recognition agreement on halal food standards with Ningxia, such as Malaysia, Australia, New Zealand, etc. Meanwhile, a local alliance standard was reached by four domestic provinces and Ningxia. More and more halal productions, such as halal beef and mutton, dehydrated vegetables, dairy, sauces, and health care products, etc., have been successfully entered into the Middle East, Europe and the United States markets (Fig.1).

![Figure 1. Main halal products exported from Ningxia.](attachment:image)

Meanwhile, the export proportion of the halal products in Ningxia is increasing year by year [5]. The halal beef and mutton are exported at a volume of more than 1200 tons, and the total trade volume has exceeded $10 million at present. Furthermore, the halal food exports have risen from $10000 in 2000 to $349000 in 2013 only for Arab countries [6]. However, the overall exports of the halal food in Ningxia is still very small in contrast, only accounts for 0.057% of the food industry exports, and totally around 1% of the agricultural product exports to Arab countries.

**Methodology**

The results presented below are based on an in-depth interview survey and qualitative data, collected during a wide-scale field research conducted in the Wuzhong Halal industrial park, Desheng Halal industrial park, and related government agencies in Ningxia, between November 2015 and April 2016. In total, 36 halal food companies and four related government agencies were interviewed on site. In more than half of the cases, researchers had the opportunity to visit facilities, review products and certificates, and assess firsthand the degree of internationalization of halal food companies. The qualitative data were analyzed by thematic analysis, which was suggested to be the most rigorous approach for qualitative data analysis [7,8].
Results and Analysis

During the interview survey, many influence factors were revealed, such as “lower recognition of foreign market”, “the lack of suitable and reliable overseas partners”, “high costs of halal logistics channel”, “rigorous entry terms”, “difficulties in establishing production and marketing activities abroad”, “serious shortage of translation and business talents”, “difficulties in communication”, “product competitiveness” and so forth. However, four themes emerged after a data combining and analysis which include halal certification (94%), halal logistics (74%), trade barriers (81%), and language barriers (69%). The detailed analysis is as follows.

Halal certification

Halal certification has been widely recognized as a core factor in the international expansion of halal food firms by many authors [1,9]. Indeed, halal food, as a kind of special food with strictly taboo and religious, has strict requirements for exports, only obtain the official halal certification admitted by the target country, can the products enter into its market successfully [10]. As mentioned above, Ningxia has signed a mutual recognition agreement of halal food standards with 16 countries. However, due to the lack of unified standard of halal food certification in China, the qualification certification standards of halal food production is different in the provinces/regions, which put a big obstacle for the halal food industry in obtaining generally recognized by the international market, and also seriously hindered the halal food exports in Ningxia. The interviews show that obtaining a halal certification in Ningxia is not very difficult for firms, but the effect of it on the export of products is unsatisfied. The survey result shows that companies have to apply for halal certification abroad because of lacking of standard mutual recognition, which virtually not only increased the operating costs, but also, more important, made the authentication process long and complex. Otherwise, understanding the foreign requirements, filling in the relevant formalities, and receiving the foreign certification test interview are also the greater challenges for the enterprises to face.

Halal logistics

Halal does not only concerns about food products during point of purchasing or consumption, but also involves the overall supply chain network right from the origin to final consumption, from farm-to-fork [11]. As halal is extending throughout the supply chain, the logistics of halal products is being questioned by the food industry as well as the logistics industry itself, leading to initiatives to certify logistics operations according to halal standards [12]. The halal logistic activities range from transportation, warehousing, material handling, procurement. According to Tieman (2013), the conventional logistics handling of halal products does not provide sufficient assurance for the Muslim consumer in both Muslim and non-Muslim countries [13]. For Muslim countries, halal logistics is based on avoiding direct contact with haram, addressing the risk of contamination, and perception of the Muslim consumer. Ningxia is an inland and undeveloped region in China. Limited by transportation and logistics infrastructure, it inevitably has a high logistic cost in the process of preservation and cold storage. According to the field research, there are around 1500 enterprises in Ningxia at present engaged in the halal logistics, but only 156 of which are of average size or higher (in the registered capital of RMB5 million above), and mainly focus on the normal temperature and traditional logistics, but not cold-chain logistics. Meanwhile, the costs of the halal logistics are quiet high for the small size of business scale, the imperfect logistics system, as well as the inconvenient traffic, which badly restricted the internationalization process of the halal food industries [6].

Trade barriers

As an important part of the food industry, the halal food exports meet very strict trade barriers [14]. In 2013, the Saudi Arabia regulated that the companies produced the meat and poultry products must pay a registration fee of $50000 before exporting to Saudi Arabia. In addition, the extreme preventive measures of the GCC on food safety also increase the risk of the halal food exports. It regulated that as long as there was a company who disregarded the food exporting rules
and standard of GCC, causing any consumer complaints, the meat exports of this company will be forbidden [14]. During the interviews, many respondents responded that the food safety monitoring, especially for halal meat products are particularly strict in some Arab countries, the safety monitoring usually runs through the whole supply chain, including slaughtering, processing, storage and packaging, as well as transportation, which increased the difficulties of halal food export in some extent. According to the analysis of public official in Halal Food Certification Center, recently, more and more countries put the halal certification as trade barriers by requiring the companies in China obtain halal certification in the designated countries, to prevent the Chinese halal companies to enter the global market.

**Language barrier**

The language is also a big barrier to restrict the international development of the halal food industry in Ningxia. According to the companies’ respond, the serious lack of the translation talents (especially for Arab language translation) is a common problem, especially for some small and medium-sized enterprises, which creates some difficulties in daily correspondence and interaction with foreign potential partners. Because of the difficulties in recruiting professional Arabic translation, the companies have to rely on the translation intermediary agent to contact and negotiate with their partners, and sometimes refer to packaging translation service; it tends to bring two difficulties for the enterprise. On the one hand, it is unable to communicate and interchange with partners timely and accurately, so as to delay the trading process, and affect the establishment of long-term friendly relations between both sides; On the other hand, as most private or external translation company is not familiar with the professional vocabularies and halal rules, it will inevitably produce a certain error in the process of translation for product packaging and instructions, which will serious damage to the customer's trust in the product, and sometimes leads to a serious consequences.

**Conclusion and Limitations**

Therefore, it can be concluded that there are four critical factors significantly affect the internationalization process of halal food industries (Fig.2). These significant results give the local government agencies, halal authorities, and enterprises a strong insight about the ways which can help and support the internationalization process of halal food industries. Of course, a successful process of halal food industries internationalization is not only influenced by these four factors, many internal factors also play a fundamental role, such as the integrity of the industrial chain, the technology and marketing abilities of enterprises themselves, the international eyes and strategies of entrepreneurs and so forth [6,15]. However, the improvement of the external environment and policy support are also the important guarantees of industry international development. It is obviously that a highly influential and reliable halal certification system, a perfect and powerful halal logistics system, and high quality and sufficient translation and business talents can help firms overcome obstacles that are inherent in a transition towards international markets.

![Figure 2. Critical factors influencing halal food industry internationalization.](image-url)
the reason why the Malaysian halal food is nationwide recognised is mainly due to its nationwide unified halal certification standards and reliable system [2]. In Malaysia, the government controls the halal certification system which is in charged by JAKIM, and JAKIM is the only institution responsible for the halal certification. It provides a unified and reliable authentication framework for firms, checks and issues the halal certificate for halal standard firms. Otherwise, the government agencies also provide a strong support of infrastructure construction, such as halal industry financial services, halal logistic and packaging, halal marketing as well as halal training, all of which makes a significant competitive advantage for Malaysian industries in the international arena. So, the important recommendations the study presents are to formulate the nationwide unified influential halal certification standards in China as quickly as possible; to strongly support the construction of export-related logistics channel; and to strengthen the personnel training and introduction, improve the development ability of firms themselves, so as to increase their products competitiveness.

Although the research managed to uncover the critical influence factors in halal food industries internationalization, there are some limitations need to be addressed. The study was mainly based on interview survey, and did not involve questionnaire survey, which might led to some internal influence factors of firms themselves were not revealed. So, more empirical evidences are required to establish stronger findings. The future study should concentrate more efforts on conducting extensive empirical research to collect both qualitative and quantitative data among firms, government agencies, and consumers to yield greater findings. Otherwise, this study just takes Ningxia (China) for example, and the respondents are mainly in Ningxia, so the conclusion based on it may not be suitable for other regions. Researches on a wider range of investigations are needed to have greater views of the issues faced in halal industry internationalization.

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References


