



Halal for health: Scaling up halal pharmaceuticals

It has been more than 20 years since a handful of Malaysian companies started producing medicines that comply with halal standards, but the halal pharmaceuticals sector worldwide is still at a nascent stage. Large institutional purchases of halal medicines, as well as the wider adoption of halal labelling, could stoke future demand. In addition, mutual recognition by certification bodies and harmonisation of halal-conformity assessments in different countries may ease the challenges facing suppliers and support the industry's expansion.

Halal governs lifestyle choices for 1.9bn Muslims around the world.¹ But spending on halal products accounted for just 7% of global consumer spending on pharmaceuticals in 2018, compared with 17% of global spending on food.² Moreover, predictions of growth have disappointed. The sector was expected to expand from US\$92bn in 2018 to US\$132bn in 2022, but that has now been pushed back to 2024.³

One reason for this is a lack of awareness. In contrast to pharmaceuticals, halal food is part of everyday life worldwide, and many people, Muslim or not, can name some of its rules—the prohibitions on pork- and alcohol-based products, for example. By contrast, halal requirements for pharmaceutical preparation can be confusing due to the complexity of its ingredients and processes (see box).

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¹ Pew-Templeton Global Religious Futures Project: Muslims. <http://www.globalreligiousfutures.org/religions/muslims>

² DinarStandard, *State of the Global Islamic Economy Report 2019/20*.

³ *Ibid.*, *State of the Global Islamic Economy Reports 2019/20 and 2017/18*.

Defining halal pharmaceuticals⁴

Pharmaceuticals are halal if:

1. Ingredients are safe and free from ethanol, blood, pork, parts of carnivorous and omnivorous animals, and human parts.
2. Maximum hygiene and minimum contamination with any potential *toxic*, *najis* (ritually unclean) or *khabith* (impure) ingredients are applied.
3. The process of cultivation, manufacture, preparation, packaging, storage and distribution are ensured to be clean, pure and compliant with Sharia.
4. Every element of halal production is physically separated from non-halal production.
5. Any potential cross-contamination between halal and non-halal ingredients and products is avoided.

Perhaps most importantly, Islamic law allows for the consumption of non-halal products in life-threatening situations. As many medications are arguably meant to prevent the occurrence of life-threatening situations, the halal question is often seen as irrelevant when it comes to drugs. As a result, halal pharmaceuticals have largely been unexplored by Muslims.⁵

But there are aspects of pharmaceuticals that may be of concern to halal-conscious consumers. Some medicines and vaccines contain animal material, including cell lines (such as *E. coli*, yeast and animal cells) and recombinant genes, as well as animal- or alcohol-derived ingredients, according to James Noh, president of the Korea Institute of Halal Industry (KIHI), a halal product promotion organisation that works with South Korean producers. Raising awareness of these elements may create a broader ethical consumer base for halal pharmaceuticals.

Hotspot for halal health: South-east Asia

In the absence of strong demand for halal pharmaceuticals, it has fallen to governments—mainly those of Muslim-majority countries—to raise awareness. As far back as 1999, the Malaysian government recognised the need for halal requirements in drug production, leading to the development of the world's first halal standard for pharmaceuticals. Neighbouring countries followed suit, establishing national regulators and encouraging local producers, which in turn stoked domestic demand.

National champions soon emerged. Malaysia's Duopharma Biotech Berhad started producing halal-certified vitamins and healthcare supplements in the 1990s, and the company's prescription medicines were the first to be certified halal in 2017. Duopharma's products are halal by default, according to Seri Azalina Binti Mohd Ghazalli, an executive at the company, meaning that all of its facilities and

⁴ Jawad Alzeer and Khaled Abou Hadeed, *Halal Certification of Food, Nutraceuticals and Pharmaceuticals in the Arab World*, 2020.

⁵ Ernawati Ernawati, *The Global Competitiveness Study of Halal Pharmaceuticals and Cosmetics Industry*, Mega Aktiva, 2019.

ingredients are halal-compliant. This avoids the cost of having separate production lines for halal products.

South Korean drug and cosmetic manufacturers have also invested heavily in halal production, with encouragement from the authorities in Seoul. The government, which sees the sector as an avenue for increasing exports to countries with large Muslim populations⁶, provides free halal training sessions. Today, 11 South Korean drug and cosmetic manufacturers have dedicated production lines for halal-certified products.

Indonesia—home to the largest number of Muslims in the world—is a target for South-east Asia's exporters. Three South Korean companies, Daewoong, Chong Kun Dang and Donga ST, recently established a joint venture to enter the Indonesian market. Another, Aekyung, has had its brand certified by the Indonesian Ulema Council (MUI), the country's Muslim clerical body. "Indonesia is recognised as a strategically important market for Korean pharmaceutical companies," says Mr Noh. He argues that Indonesia is not only a fast-growing market for pharmaceuticals but can also serve as a hub for the export of halal-certified pharmaceuticals to other Islamic countries.

But the industry has so far remained regional, focused on South-east and East Asia. Malaysia's Duopharma, for example, has significant sales volumes in neighbouring Indonesia as well as in the Philippines and Brunei, but has made few inroads in the Middle East. South-east and East Asia's 300m Muslims⁷ (who provide a broad consumer base for halal pharmaceutical

companies) may be the primary reason for this, but there are signs that demand is growing in regions other than Asia.

Beyond South-east Asia

At conferences and workshops over the past five years, Rozi Osman, a halal consultant to the government and the pharmaceutical industry in Malaysia, has detected a shift towards a "halal for everything" mentality among Middle Eastern delegates. Previously, she says, halal was primarily associated with food. Duopharma's Ms Ghazalli says that the company is seriously considering entering the Middle Eastern market, with an eye to tapping demand among wealthy consumers in the Gulf states.

Crucially, governments in the Gulf are playing a part, mirroring the early moves made by Malaysia and other Asian countries in the 1990s. National standard-setting bodies for halal products of all kinds have proliferated in the region. Saudi Arabia plans to build domestic halal industries as part of the country's ambitious economic development plans.⁸ AJ Pharma, a Saudi Arabian and Malaysian joint venture, is focusing on developing halal vaccines.

But the fragmented and uneven nature of halal demand means that it remains a niche market in global terms and is not attractive to the multinationals that dominate the pharmaceutical industry. While giants like Cargill and Unilever have embraced halal food, pharmaceutical behemoths such as Roche

⁶ Korea Halal Export Association. <http://www.kohea.org/eng/company/history.php>

⁷ Pew-Templeton Global Religious Futures Project: Muslims. <http://www.globalreligiousfutures.org/religions/muslims>

⁸ "Saudi Arabia eager to tap into \$2.1 trillion global market for halal products", *Arab News*, April 4th 2019.



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manager, Duopharma Biotech*

and AstraZeneca have been slower to engage with the halal market. Ms Osman describes a workshop she gave last year to companies looking to grow sales in Association of South-East Asian Nations (ASEAN) countries: “Multinationals were there, but I didn’t feel their interest [in halal]”—and that in a region where the halal pharmaceutical industry is most developed.

Creating demand, expanding supply

To address the underlying challenges of weak demand and the complexities facing suppliers, experts point to vital steps that governments and manufacturers must take.

On the demand side, the first step is approving halal labelling. Without labels, it will be hard to raise awareness of the difference between halal and non-halal products and demand is unlikely to grow. “Our branding is always next to the halal logo,” says Ms Ghazalli, “and in Malaysia [the regulatory agency] allows the halal logo to be on product labels for over-the-counter medicines, so that helps a lot in enabling people to make an informed decision.”

But when Indonesia proposed mandatory halal labels on pharmaceutical products last year, the International Pharmaceutical Manufacturing Group (IPMG, the global industry body) pushed back, warning that essential medicines would disappear from the country. In an interview, the IPMG’s head, Parulian Simanjuntak, said that Indonesia’s market was too small for the companies he represents to make the investment required to manufacture halal products.⁹ The Indonesian government eventually relented, and the proposed changes have been postponed. Introducing halal labels, while essential to raise awareness and grow demand, may be an uphill battle for policymakers.

Another significant step in terms of increasing demand for halal pharmaceuticals, according to halal consultant Ms Osman, would be for institutional buyers—such as public healthcare bodies and major drug buyers like the World Health Organisation and the Bill and Melinda Gates Foundation—to consider halal when making purchases. Their sheer market power could drive up demand.

⁹ “Indonesia to postpone halal label deadline amid industry concerns”, Reuters, February 25th 2019.

On the supply side, the proliferation of standard-setting and certification bodies is creating a complex environment for halal pharmaceutical companies to operate in.¹⁰ As Gulf states add their own standard-setting regimes to those that already exist in ASEAN countries, this is further complicating the situation. In addition, this year a report identified limitations in Malaysia's certification process—one of the world's most well-established—including a lack of skills and knowledge of halal pharmaceuticals among auditors.¹¹

With the halal pharmaceutical sector still in its infancy, halal authorities must learn from the mistakes of more established halal industries (such as food) and harmonise regulation as they are being developed. These efforts are under way. In Dubai, the International Halal Accreditation Forum has been set up to harmonise halal accreditation practices among

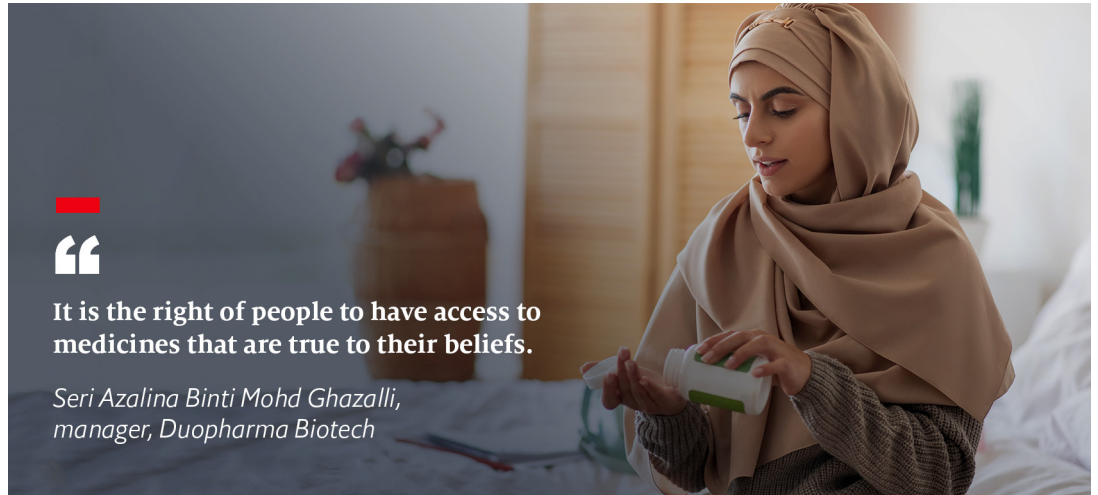
members and generate global consensus among the authorities. Pharmaceutical companies, together with the national standard-setting bodies of the OIC member countries, are participating in the development of standards, although this initiative is now on hold due to Covid-19. "We are looking forward to this global standard so there is clarity and consistency on how we interpret halal pharma," says Duopharma's Ms Ghazalli.

For KIHl's Mr Noh, the problem is not so much different standards—most countries' rules are similar, he says—but the lack of mutual recognition between different bodies. "If this problem is not solved, the smooth trade of halal products is restricted and it is Muslim consumers who are ultimately affected." An agreement has been proposed between the Malaysian government's Department of Islamic Development (JAKIM) and Indonesia's Halal Product Assurance Organising Agency



¹⁰ Sa'adan Man and Norhidayah Pauzi, "The Implication of Differences in Halal Standard of Malaysia, Indonesia, Brunei and Singapore", in *Journal of Muamalat and Islamic Finance Research*, 2017. https://www.researchgate.net/publication/325268802_The_Implication_of_Differences_in_Halal_Standard_of_Malaysia_Indonesia_Brunei_and_Singapore

¹¹ Muhammad, M.A., Elistina, A.B. and Ahmad, S., "The challenges faced by halal certification authorities in managing the halal certification process in Malaysia", in *Food Research*, 2020.



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(BPJPH) that would allow products certified by either body to be sold in both countries. This would go some way towards reducing the bureaucratic burden on pharmaceutical companies.

Beyond the issue of standards, pharmaceutical companies must focus on product innovation. For now, they mainly develop halal alternatives to existing medicines. Thinking “halal first” and

developing products for the Muslim consumer will be critical to future growth. “It is the right of people to have access to medicines that are true to their beliefs,” states Ms Ghazalli. The efforts of Asian players in harmonising standards and driving innovation indicate that a global expansion of halal pharmaceuticals will have to be led not by Western brands but by Asian incumbents.

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