

Analysis of the Impact of Sharia Regulations on Halal Trade in Southeast Asia

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ABSTRACT

This study aims to uncover the underlying narrative behind Sharia regulations, namely that regulations never stand alone but are always the result of a complex interplay between political, economic, religious, and social interests. Using library research and an interdisciplinary approach, this study makes a significant contribution to formulating a halal regulation model that can overcome the challenges of standard harmonisation, small business empowerment, consumer protection, and opening up opportunities for fairer regional and global cooperation. The results show that Sharia regulations in halal trade in Southeast Asia have created complex dynamics. On the one hand, these regulations offer significant potential for economic growth, innovation, and the strengthening of regional identity; on the other hand, they cause fragmentation, exclusion, and challenges to fairness in practice. To avoid being trapped in the logic of protectionism or narrow identity politics, countries in the region are required to reformulate the halal governance paradigm to be more collaborative, inclusive, and transparent, prioritising standard harmonisation and equal access for all business actors across religions and countries. Only through such constructive measures can Southeast Asia's halal industry develop into a global force that is not only economically beneficial but also promotes solidarity, justice, and exemplary social integration amid its diverse population.

INTRODUCTION

The impact of Sharia regulations on halal trade in Southeast Asia lies not only in economic aspects, but also in the formation of identity and power relations that develop within society. Halal certification, on the one hand, has become a symbol of religious legitimacy and collective identity for Muslims (Anwar & Husen, 2025). However, on the other hand, halal certification can be a tool for exclusion and social control, especially if it is applied rigidly without considering the diversity of religious practices and the socio-economic realities of society (UtrizaYakin et al., 2021). A centralised certification process dominated by certain religious institutions can trigger resistance, both from small businesses that feel marginalised and from non-Muslim communities who fear marginalisation. For example, the polemic surrounding mandatory halal certification for all food and beverage products in Indonesia has sparked prolonged controversy, particularly regarding the potential for additional costs, bureaucratic complexity, and concerns about discrimination against minority producers and small businesses.

Sharia regulations also have strategic implications for Southeast Asia's bargaining position in global halal trade. Amid increasingly fierce international competition, harmonising halal standards is key to strengthening the competitiveness of halal products from the region. However, to date, these harmonisation efforts still face various technical, political, and cultural challenges. Differences in halal standards between Indonesia, Malaysia, Brunei, and other countries, for example, often create trade barriers (non-tariff barriers) that slow down the process of exporting and importing halal products (Azalie, 2025). On the other hand, countries outside the region, such as Australia, Brazil, and European countries, have been able to utilise international halal standards as an opportunity to penetrate the Southeast Asian market. This confirms that without serious harmonisation efforts and effective regional collaboration, Southeast Asia has the potential to become a "halal consumer market" rather than a "major halal producer and exporter" at the global level.

The dynamics of Sharia regulation and halal trade in Southeast Asia cannot be separated from geopolitical developments and the transformation of global economic diplomacy. China's growing role as a significant trading partner, investment flows from the Middle East, and competition with other halal centres, such as those in the Middle East, Pakistan, and Turkey, place Southeast Asia in a strategic position but also make it vulnerable to external dynamics. In many cases, Sharia regulation can be an effective tool for economic diplomacy (Shakar et al., 2025). Still, if not managed wisely, it can also trigger resistance from trading partners with different legal systems and religious traditions. Therefore, the primary challenge ahead is to establish a Sharia regulatory ecosystem that is inclusive, adaptable, and responsive to global market needs, while remaining rooted in the values of social justice and the diversity of Southeast Asian society.

In addition to the challenge of harmonisation, there are also fundamental issues related to epistemology and the authority of knowledge in setting halal standards. Debates regarding the authority of religious scholars, the state, and scientists in the process of issuing fatwas, interpreting religious arguments, and laboratory testing show that Sharia regulation in the field of halal trade is not only a matter of administrative procedures, but also a battle of knowledge and scientific authority. In many cases, decisions regarding the halal status of a product are based not only on religious texts but also on scientific research and evolving international standards (Azam & Abdullah, 2021). This phenomenon has given rise to the need for interdisciplinary dialogue between religious scholars, scientists, and industry players, so

that halal products can genuinely meet the needs of the times, without being trapped in exclusivity or dogmatism that hinders innovation.

A review of previous studies confirms the importance of critically examining the relationship between Sharia regulations and halal trade in Southeast Asia, as the findings and perspectives generated reveal various dynamics, challenges, and opportunities (Karimullah & Rozi, 2023; Raimi et al., 2025; Sari et al., 2024). Several previous studies have also clearly shown that research on the impact of Sharia regulations on halal trade in Southeast Asia is highly relevant and strategic, as it can map various aspects, ranging from political-legal to economic, socio-cultural, and technological innovation dynamics (Ab Halim et al., 2022; Civelek et al., 2024; Syakirunn'iam et al., 2025).

Based on the results of previous studies, the main objective of this study is to comprehensively analyse how Sharia regulations in the halal sector have shaped trade governance, both at the national and regional levels in Southeast Asia, as well as to identify challenges, opportunities, and their impact on market integration, economic growth, business empowerment, and global economic diplomacy. In addition, this study also aims to critique existing regulatory models, while offering a more adaptive and inclusive conceptual framework for the complexities of multicultural and multi-ethnic societies in Southeast Asia. Essentially, this study provides a basis for critical and reflective analysis of the power relations between the state, religion, and the market in halal trade governance.

METHOD

This study utilises library research as its primary approach, given the complexity of Sharia regulations and halal trade issues in Southeast Asia, which are greatly influenced by theoretical frameworks, previous research findings, policy documents, and implementation dynamics in various countries. Relying on credible primary and secondary sources, such as academic books, scientific journals, international agency reports, government policy documents, and official publications from halal certification agencies, this study thoroughly analyses various forms of sharia regulations, policy narratives, and implementation practices in the region. Library research is highly relevant in the context of this study, as it enables the mapping of discourse development, tracking of conceptual and empirical debates, and comparison of variations in regulation and its impact over time and across countries. In addition, this method enables the critical synthesis of various literature, the identification of interconnection patterns, and the detection of research gaps that remain open for further analysis.

In its implementation, this study is conceptually integrated with several relevant theories, including institutional theory, which explains how institutions, whether state, religious, or market, mutually shape and are influenced by Sharia regulations in the field of halal trade (Karbhari et al., 2021). This theory helps to understand the dynamics of legitimacy, compliance, and resistance to halal policies implemented in various Southeast Asian countries. In addition, a governance theory approach is used to analyse the interactions between state actors, religious institutions, industry players, and civil society in the process of drafting, implementing, and monitoring halal regulations (Alam et al., 2021). The use of these theories provides a comprehensive and incisive analytical framework for unravelling the power relations, negotiation practices, and economic and social impacts of Sharia policies in the field of halal trade. Thus, library research integrated with this theoretical approach can provide a comprehensive, critical, and reflective understanding of the strategic issues faced by the Southeast Asian region in the context of halal trade.

RESULTS AND DISCUSSION

Sharia Regulation: Economic Protection Tool or Religious Instrument?

One fundamental issue that often arises is whether halal regulation in Southeast Asia is primarily used as a tool to protect domestic products from global competition, or whether it truly represents the religious commitment of countries to guarantee the rights of Muslim consumers. Indeed, in the official narrative of the government and religious institutions, halal regulations are always claimed to be a form of moral and constitutional responsibility to protect Muslims from consuming haram or syubhat products. However, behind these normative arguments, there is a reality that the implementation and strengthening of Sharia regulations often coincide with increased international trade competition, the globalisation of the food and beverage industry, and the entry of multinational players into the domestic market.

In Indonesia, as the country with the largest Muslim population in the world, the passing of the Halal Product Guarantee Law (UU JPH) in 2014 marked a new chapter in the management of the national halal industry (Supriyadi et al., 2024). With the enactment of halal certification requirements for all food, beverages, medicines, cosmetics, and certain consumer goods, the state officially assumed the authority for halal certification from non-governmental institutions. It integrated it into the state's bureaucratic mechanism.

Theoretically, this regulation can indeed be seen as a form of protection for Muslim consumers and an effort to strengthen the competitiveness of Indonesian products in the global market. However, in practice, the JPH Law is also perceived as an obstacle for imported products and multinational companies, which must adapt to the complexity of Indonesian halal requirements, including the need to repeat the certification process even though they already hold international halal certificates. This process not only incurs additional costs and the risk of distribution delays, but also becomes a political bargaining chip in trade negotiations between countries.

The implications of this regulation are most severe for small and medium-sized enterprises (SMEs), which are often burdened by certification costs, lack of access to information, and complex bureaucracy, resulting in structural exclusion that contradicts the narrative of economic empowerment. Meanwhile, in Malaysia, halal regulations have long been a cornerstone of the country's economic policy and an integral part of Malaysia's strategy to establish itself as a global hub for the halal industry (Saima & Firdaus, 2024). Through the central role of JAKIM (Jabatan Kemajuan Islam Malaysia), the government has integrated halal certification into almost all industrial sectors, from food, beverages, pharmaceuticals, logistics, to tourism. Malaysian halal standards are recognised as among the most comprehensive and widely accepted in many Muslim and non-Muslim countries.

However, behind this reputation, it cannot be denied that protectionist motives are intertwined with national industrial policy. Malaysian halal certification is often considered more friendly to local businesses than foreign businesses, and its implementation usually serves as a protective barrier against imported products under the pretext of consumer protection. Thailand presents a different but equally interesting case. Although the Muslim population in Thailand is relatively small, the government has successfully developed a progressive halal certification system to increase exports of food and agricultural products to Muslim countries (Sarisaie et al., 2023).

The Centre for Halal Science at Chulalongkorn University leads research and innovation in halal technology. At the same time, the government actively promotes Thailand Kitchen of the World as a global brand that meets the needs of the international halal market. In many

ways, Thailand's halal regulations are more oriented towards its export strategy and economic diplomacy than a reflection of the country's domestic religious commitment. Thailand's success in utilising halal certification as a tool for expanding its domestic products into global Muslim markets demonstrates how the halal label has been transformed into an economic asset and a national branding tool.

Competition among Southeast Asian countries in the halal industry has consequences for the harmonisation of standards and the recognition of certificates between countries. Instead of moving towards regional integration, there has been a fragmentation of halal standards, with each country seeking to highlight its uniqueness and even questioning the validity of other countries' certification authorities. The policy of "mutual recognition agreements" (MRAs) among ASEAN member states, which promised to encourage the smooth flow of halal trade, often stalled at the implementation level due to economic nationalism, differences in fiqh interpretation, and concerns about losing control of the domestic market. The politicisation of halal labelling becomes even more apparent when the process of cross-border certification recognition is used as a bargaining chip in trade negotiations or even as a form of unofficial sanction against competing countries.

In public discourse, halal regulations are often interpreted as a manifestation of the state's religious commitment to protecting the rights of Muslim consumers; however, the reality on the ground reveals an intense politicisation surrounding halal labelling (Suryawan et al., 2022). In political years, the issue of halal certification is often used as an electoral commodity to gain support from Muslims, build the image of a leader who cares about Sharia law, and even as a weapon of identity politics. In some cases, decisions regarding the issuance or rejection of halal certificates are influenced by political pressure, patronage relationships, and even battles between religious organisations (Makiah et al., 2022).

Public oversight of the transparency and accountability of the certification process remains a significant concern, as halal certification bodies in some countries have broad authority but minimal independent control. This situation presents opportunities for rent-seeking, bureaucratic monopolies, and even corruption that harm businesses and consumers. Small and medium-sized enterprises are the groups most affected by the ambiguity between Sharia regulations as a means of economic protection or religious commitment.

On the one hand, they are encouraged to enter the global halal market to expand economic access and strengthen the competitiveness of local products. However, on the other hand, they are often hindered by expensive certification costs, complex administrative processes, and a lack of technical support. This burden is even heavier for micro-enterprises, women, or non-Muslim minority communities who want to market their products to Muslim consumers.

On the other hand, multinational players face different challenges: although they have the resources to meet diverse halal standards in each country, fragmented regulations and overlapping certifications result in duplication of costs, time, and legal uncertainty risks. Ironically, the narrative of protecting Muslim consumers sometimes obscures the reality of structural injustice experienced by vulnerable groups.

When the halal certification process becomes overly politicised and protected, consumers ultimately lose choices and face price increases as certification costs are passed on to the selling price. On the other hand, religious minorities in some countries face indirect discrimination as their products are systematically prevented from penetrating the majority market. In this situation, Sharia regulations change their function from ensuring justice and protection to becoming a tool for maintaining new injustices in the form of identity-based economic exclusivity. The debate over the function of halal regulations in Southeast Asia cannot be

separated from the context of global changes, such as industrial digitalisation, e-commerce growth, and supply chain technology transformation.

Many countries are now promoting the digitisation of halal certification processes to cut bureaucracy and increase transparency, but digital access is uneven and often creates new barriers for traditional businesses. Amid efforts to harmonise global halal standards, Southeast Asian countries still face the dilemma of whether to open their markets as widely as possible for economic growth or to protect their domestic markets by tightening local halal regulations. The implications of this policy are felt in trade relations with major raw material supplier countries (such as Australia and Brazil), whose halal products do not always comply with local Sharia interpretations.

Another issue is the emergence of halal labels that are not accompanied by adequate consumer education. Amidst the rapid flow of information, Muslim consumers are often the target of persuasion without the critical space to verify the halal process of products independently. The state and certification bodies take on the role of “final arbiters” of what is halal and what is haram. At the same time, the involvement of civil society and industry players in the policy-making process remains limited. As a result, a trust deficit can arise, especially when scandals or disputes related to halal-certified products occur that do not meet the promised standards.

On the other hand, there is a phenomenon whereby Shariah regulations, particularly through halal certification, are used as a tool to expand the state's influence in the private sphere and everyday cultural space. The state, through its bureaucratic system, has the right to intervene in almost all aspects of the community's supply chain and consumption from raw materials and production processes to distribution and marketing. In the context of contemporary politics, the expansion of state authority in the halal sector is often driven by a desire to strengthen religious nationalism and expand state control over the community's economy. Paradoxically, as the role of the state as the protector of Sharia law is emphasised, the space for community and business participation in policy design and oversight is narrowing.

It is undeniable that halal certification contributes to industrial growth and expands product access to the growing global Muslim market. However, these economic benefits tend to be enjoyed more by large businesses and groups that can navigate the complexities of bureaucracy. In contrast, small businesses and marginalised communities often fall victim to a system designed to benefit large capital actors. In the context of global competition, Southeast Asian countries are racing to position themselves as the world's halal hub. However, without serious efforts towards harmonising standards, collaborating on research, and enforcing principles of social justice, concerns arise that these ambitions will remain empty slogans.

In the context of inter-state relations, halal certification has become a highly effective tool of economic diplomacy. Indonesia and Malaysia, for example, are fiercely competing for the status of “primary reference” for global halal standards, with various initiatives to develop international standards, train halal auditors, and even export certification bodies to Muslim-minority countries in Europe and Africa. However, these global expansion efforts sometimes clash with resistance from recipient countries that are reluctant to submit to foreign authority and choose to develop their own halal systems. This competition has opened up a new political space, in which Southeast Asian countries are not only competing in economic matters but also in claiming religious authority at the global level.

Fragmentation of Halal Standards and Its Impact on ASEAN Economic Integration

The diversity of halal standards among ASEAN countries is not only a matter of differences in religious interpretation or the sophistication of testing laboratories, but rather a reflection of national policies that are heavily influenced by history, domestic politics, and efforts to strengthen state legitimacy. Indonesia, as the country with the largest Muslim population in the world, implements a highly centralised approach to halal certification with strict government supervision through the Halal Product Guarantee Agency (BPJPH). The certification process in Indonesia prioritises the fatwa of the Indonesian Ulema Council (MUI) as the primary basis for determining halal standards.

Every product, both local and imported, that enters the Indonesian market must undergo a certification process in accordance with national regulations (Nuriskandar et al., 2025; Nurizka et al., 2025). On the other hand, Malaysia, which was earlier in building a halal industry ecosystem and has ambitions to become a global halal centre, has a certification approach that is also very strong institutionally through the Malaysian Islamic Development Department (JAKIM). Malaysian halal standards are widely adopted internationally, but still emphasise national authority in the assessment and recognition of foreign certification bodies.

Thailand, Singapore, Brunei, and the Philippines, on the other hand, have each developed halal certification and supervision models tailored in their demographic realities, export priorities, and foreign policy influences. This fragmentation ultimately has real consequences on the ground, especially in the context of halal product exports and imports between ASEAN countries. Each member state applies a different halal certificate recognition system, often questioning the credibility and authority of neighbouring countries' certification bodies. Indonesia, for example, did not officially recognise halal certificates for products originating in Malaysia until recently, and vice versa. As a result, companies had to undergo a costly and time-consuming recertification process every time they wanted to export or import products between the two countries.

This situation clearly hinders supply chain efficiency, increases the final price of halal products in the consumer market, and, in turn, reduces the competitiveness of ASEAN products in the global market. Furthermore, the fragmentation of halal standards also creates legal uncertainty and additional administrative burdens for businesses, including small and medium-sized enterprises, which urgently need regional markets to expand their access and drive business growth.

The impact of fragmentation is not only felt in trade in goods, but also in investment and business mobility. ASEAN countries that want to attract foreign investment in the halal industry, for example, must compete not only in terms of fiscal incentives or ease of licensing, but also in adjusting national halal standards, which are often very rigid and differ from international standards. Investors from the Middle East, Europe, or non-Muslim countries who wish to establish halal production facilities in ASEAN usually face demands for recertification, multi-agency audits, and double scrutiny from both state authorities and religious institutions (Najla & Fatwa, 2025). As a result, the potential for significant investments in the halal sector cannot be optimised. It may even shift to countries outside ASEAN that offer simpler and more integrated halal certification systems.

It is not uncommon for multinational companies to choose to build factories in Australia or New Zealand for export to ASEAN, as the halal certification process in these countries is more efficient and inter-country recognition is more flexible, even though neither country is a member of ASEAN and does not have a Muslim majority population. This situation highlights that the fragmentation of halal standards poses a significant obstacle to regional economic

integration. Instead of strengthening ASEAN's position as a global halal industry powerhouse, regulatory differences have created new non-tariff barriers that run counter to the spirit of free trade. Although ASEAN has established a free trade area (AFTA) and promotes regional market integration, the reality is that unharmonised halal standards and certification have become a latent barrier that is often overlooked in policy negotiations.

In fact, at high-level ASEAN meetings, the issue of harmonising halal standards is more often a normative agenda item than a concrete target with measurable results. This fragmentation cannot be separated from the national interests of each member country. Each government seeks to maintain sovereignty over religious and economic authority in its territory, including in matters of halal.

On the one hand, countries have an interest in protecting Muslim consumers through strict standards that comply with local fatwas. On the other hand, countries also seek to use halal regulations as a tool to protect domestic products from a flood of imports. In practice, halal policies are often used as bargaining chips in trade negotiations and regional economic diplomacy. This has caused mutual recognition agreements (MRAs) between the halal certification bodies of ASEAN countries to progress very slowly and with great suspicion, as each country fears losing control of its domestic market or compromising its religious standards, which are considered higher than those of its neighbours. In addition, domestic political dynamics, especially in election years, often exacerbate the issue of halal as a symbol of religious nationalism, thereby strengthening resistance to standard harmonisation.

These national interests are also reflected in the way ASEAN member states project the halal industry as a tool of global economic diplomacy. Indonesia and Malaysia, for example, are fiercely competing to claim themselves as the world's halal centre. Not only are they investing heavily in halal infrastructure and research, but they are also racing to establish international certification networks in countries with Muslim minorities in Europe, Africa, and the Americas. However, this competition has actually widened fragmentation in the region, as each country seeks to establish its own halal standards as the primary reference, rather than promoting regional integration and harmonisation. This situation is exacerbated by the tendency of other countries, such as Thailand and the Philippines, to develop halal standards based on export needs and domestic realities, thereby adding to the complexity of regulations at the ASEAN level.

The tangible implication of halal standard fragmentation is a barrier to the growth of halal product exports within ASEAN and to global markets. Data shows that the value of halal product trade between ASEAN countries is still far from its potential, given the large Muslim population in the region and the rapid growth of the Muslim middle class. Most halal products are exported to countries in the Middle East, Africa, and even Europe, rather than to other ASEAN countries.

One of the leading causes is the incompatibility of standards and the complexity of the recertification process, which increases logistical and administrative costs. As a result, businesses, especially MSMEs, prefer to focus on domestic markets or seek export opportunities to non-ASEAN countries with more accommodating halal standards. The impact on investment is also significant. Many foreign investors acknowledge that the diversity of halal standards in ASEAN is one of the factors hindering investment decisions. Uncertainty regarding the recognition of halal certificates between countries means that investors must recalculate the costs, time, and risk of failure in penetrating regional markets. On the other hand, this fragmentation also hinders the flow of halal technology and

innovation, as product research and development must be tailored to meet the different requirements in each country.

The potential for cross-border halal research cooperation in ASEAN cannot be optimised due to uncertainty over standards and concerns over the loss of national sovereignty in religious and economic matters. The mobility of business actors, whether in the form of halal experts, auditors, or entrepreneurs, has also been affected by this fragmentation. Halal experts who are recognised in one country are not always recognised in neighbouring countries, so the exchange of halal professionals throughout ASEAN is minimal. Similarly, entrepreneurs who have obtained halal certification in their home countries must undergo the same verification process in their destination countries, adding to the burden of time and cost.

As a result, ASEAN economic integration in the context of the halal industry, which should serve as a model for other regions, is hindered and falls short of expectations. The fragmentation of halal standards also has equally essential social and cultural implications. When halal standards are used as a symbol of national superiority and a means of distinguishing identity, the potential for exclusivity and discrimination among ASEAN citizens increases.

The discourse on halal, which should be universal and inclusive, has turned into a tool of political identity that reinforces national boundaries, both symbolically and practically. In the long term, this condition can erode the sense of ASEAN unity and hinder the growth of trust between countries, which is actually the primary foundation of regional economic integration. Parallel to this, the issue of halal standard fragmentation is becoming increasingly prominent in the era of digitalisation and the 4.0 industrial revolution. The development of halal digital platforms, blockchain for halal supply chains, and cross-border e-commerce requires integrated and mutually recognised standards. Without harmonisation, technological innovations developed by one country will be challenging to adopt in other countries, thereby hampering efficiency and market expansion.

The fragmentation of halal standards also raises doubts among global consumers, as there is no guarantee that halal products from one ASEAN country actually meet halal standards in other ASEAN countries. This situation runs counter to ASEAN's ambition to become a significant force in the global halal industry. Upon further investigation, efforts to harmonise halal standards in ASEAN have actually begun through various forums and agreements, such as the ASEAN Working Group on Halal Food and plans to establish an ASEAN Halal Certification Council. However, to date, the concrete results of these efforts have been minimal.

The harmonisation process has been hindered by disputes over the minimum standards to be adopted, competition among certification bodies, and concerns that one country may dominate others. In some countries, resistance has come from religious groups that reject regional standards on the grounds of preserving the purity of Sharia law or the autonomy of local fatwas. Conflicts of interest between countries, religious institutions, and industry players also often cause deadlocks in the halal standard negotiation process.

This situation not only affects economic efficiency but also the legitimacy of ASEAN as a region capable of adapting to global dynamics. While countries outside ASEAN have established best practices in cross-border halal certification recognition networks, such as in Australia, Brazil, and several Middle Eastern countries, ASEAN countries are caught in a tug-of-war between domestic interests that hinder market expansion. As a result, the enormous potential of the ASEAN halal industry has never been fully utilised to strengthen the region's

bargaining position in the global market. Instead, this has become a market share for halal products from outside the area that are more competitive in terms of cost and standards.

The fragmentation of halal standards also impacts the region's economic resilience during crises. When global supply chains are disrupted due to pandemics or geopolitical crises, the integration of the ASEAN halal market should provide solutions for the region's halal raw material and product needs. However, differences in standards and certification actually hinder the rapid distribution of products between countries, thereby weakening food security and the regional economy.

In this situation, the need for harmonisation of halal standards is becoming increasingly urgent, not only for economic efficiency, but also for the security and independence of the region. One solution that can be pursued is to establish a mutually binding mutual recognition agreement (MRA) mechanism based on the principle of mutual trust between member countries.

This MRA must be supported by mutually agreed minimum standards, a transparent audit process, and equal institutional recognition. In addition, a collective ASEAN halal research and innovation centre needs to be established so that technology development, consumer education, and halal expert training can be carried out jointly and without fragmentation. The success of this model will determine whether ASEAN can escape the trap of fragmentation and move towards substantial and sustainable integration.

ASEAN economic integration in the context of the halal industry is not only a matter of technical harmonisation, but also a matter of building mutual trust, respecting diversity, and prioritising common interests. The continuing fragmentation of halal standards is not only a significant obstacle to trade and investment, but also has the potential to erode the social, cultural, and political foundations that have been ASEAN's strength. Suppose the region wants to become a genuine global hub for the halal industry. In that case, it is time for member countries to abandon national egoism and open up space for inclusive and visionary collaboration to achieve a better economic and civilisational future for ASEAN.

The Impact of Sharia Regulations on Socio-Economic Inclusion and Exclusion

The construction of sharia regulations in Southeast Asia has had two missions from the outset: as a means of protection for Muslim consumers and as a political tool of identity that reinforces the moral superiority of the majority group. In Indonesia, the halal certification policy, especially after the enactment of the Halal Product Guarantee Law, formally protects Muslims from the risk of consuming haram or syubhat products.

However, its implementation in the field often contradicts the reality of Indonesia's social and economic plurality (Al Hamid et al., 2025; Latif et al., 2025; Muttaqin et al., 2025). Many non-Muslim businesses, especially traditional Chinese food producers, imported beverage companies, or minority restaurants, have to deal with complicated bureaucracy, high certification costs, and uncertainty about the status of their products in the domestic market. Not infrequently, regulations intended for protection become tools of exclusion, eliminating small non-Muslim businesses from market competition or forcing them to resort to informal mechanisms, such as paying additional fees to obtain halal labels. This phenomenon creates a great irony: that in an effort to build an inclusive and trustworthy halal market, the state has instead produced new forms of exclusion and marginalisation within its own territory.

A similar situation occurs in Malaysia, the country with the most mature halal system in Southeast Asia (Fischer & Nisa, 2025). JAKIM halal certification has become the gold standard, adopted in many countries, and serves as the primary guarantee for exporting products to

Muslim markets. However, the superiority of this system also has an impact on non-Muslim businesses, both local and foreign. Domestically, several non-Muslim entrepreneurs claim to be blocked from entering the mainstream market due to strict halal certification requirements and highly bureaucratic audit processes. These procedures, although technical in principle, often give rise to identity tensions and create social segmentation in the business world in practice.

Many Chinese restaurants, Indian restaurants, and Western food producers have ultimately chosen to explicitly label their products as “non-halal” or even refuse to enter the local market, due to concerns about accusations of violations or boycotts from vocal religious groups. This reality is reinforced by widespread social pressure from public spaces to social media, demonstrating how the narrative of “halal as political identity” has spread to the realm of everyday consumption and the economy.

If Malaysia and Indonesia represent models of Sharia-based exclusion in Muslim-majority countries, the cases of Singapore and Thailand present different but equally serious challenges. As a country with a significant Muslim minority, Singapore has successfully established a pragmatic halal certification system under the authority of the Islamic Religious Council of Singapore (MUIS), which balances the needs of the Muslim market with the realities of multiculturalism and national economic interests (Fitriyanti et al., 2025). However, when trying to export halal products to neighbouring countries such as Indonesia or Malaysia, Singaporean businesses often face obstacles. MUIS halal certificates are usually not officially recognised, or must undergo costly and time-consuming re-verification processes.

Thai businesses experience similar problems. Although Thailand has successfully developed a Halal Science Centre at Chulalongkorn University and has become a major exporter of halal products to the Middle East, within the Southeast Asian market itself, particularly in Indonesia and Malaysia, it faces recertification requirements that are often influenced by religious nationalism. This practice is essentially a form of structured exclusion operating under the banner of consumer protection, but it has real implications of economic discrimination against businesses from non-Muslim countries.

Beyond the national context, Shariah regulations in the halal market also have a significant impact on inter-religious socio-economic relations. When halal becomes the primary domain of consumption, production, and distribution, the halal discourse is no longer just a matter of religious compliance but also a tool for distinguishing identities and symbolic capital that are debated in the public sphere. Restaurants, shops, and supermarkets openly classify products and services based on their halal status, and this type of labelling is increasingly legitimised by state policy and market forces. Muslim consumers are encouraged to choose halal-labelled products, while non-Muslim consumers, business actors, and informal sector workers face pressure to adapt and the risk of stigmatisation. At this point, Sharia regulations not only regulate market access but also transform previously flexible and inclusive social interaction spaces into more rigid and segregated ones.

The phenomenon of Sharia-based discrimination becomes more apparent when linked to issues of economic mobility and ASEAN market integration. ASEAN has long been known as a region with high religious, ethnic, and cultural diversity. Regional economic integration, within the framework of the ASEAN Economic Community (AEC), is expected to facilitate the flow of goods, services, investment, and labour across national borders without significant barriers. However, in practice, halal regulations have created new non-tariff barriers, especially for non-Muslim countries and businesses that wish to participate in the trade of halal products.

Double standards, dualism in certificate recognition, and biased interpretations of local religions are often used as reasons to reject halal products from other countries, even though they have implemented strict international standards. These protectionist policies raise serious questions about the future of cross-religious and cross-border socio-economic integration in Southeast Asia. The impact of this exclusion is felt most strongly by small and medium-sized enterprises (SMEs) from minority groups or non-Muslim countries. Many of them are unable to penetrate domestic and regional halal markets because they cannot meet the administrative requirements, incur high certification costs, and face legal uncertainty.

As a result, they tend to focus on non-Muslim local markets, losing export opportunities and, in some cases, even choosing to exit the business. In the context of global competition, this situation is detrimental to Southeast Asia itself, as it narrows the production base, weakens innovation, and reduces ASEAN's collective competitiveness in the global halal industry. Ironically, this becomes even more apparent when we see non-Muslim countries such as Australia, Brazil, and New Zealand being able to penetrate the ASEAN halal market more easily, thanks to strong certificate recognition systems and economic diplomacy. At the same time, small businesses in the region itself are trapped in a web of regulation-based exclusion.

In fact, Sharia regulations and the expansion of the halal market in Southeast Asia could be a significant asset for strengthening socio-economic inclusion between religions and countries (Jubaedah et al., 2025; Karimullah et al., 2025). In an ideal scenario, halal standards could be harmonised regionally, with mutual certificate recognition based on the principle of inclusivity. Non-Muslim countries can also participate as producers, exporters, or innovators of halal products, provided they comply with clear and transparent procedures and audits. Singapore's halal certification system model, which is open to all businesses regardless of religious background, should inspire halal policy reforms in the region.

In Malaysia, efforts to involve interfaith and inter-ethnic institutions in the halal education and socialisation process have begun, albeit on a limited scale, while in Indonesia, initiatives to help minority MSMEs compete in the halal market are commendable. However, these opportunities can only be realised if Shariah regulations are seen not as a tool of exclusion, but as an instrument of collaboration and economic empowerment (Karimullah, 2023; Rahmani et al., 2023).

Political courage is necessary to address covert discrimination, reduce certification costs, expedite the process of mutual recognition between countries, and create space for interfaith and inter-ethnic dialogue. More importantly, Sharia regulations must be designed in a transparent and accountable manner, and be oriented towards social justice, not merely formal compliance or a symbol of political identity.

Consistent law enforcement and public oversight are key to preventing the narrative of halal as a political identity from developing into economic exclusivity that threatens social cohesion. Another equally serious challenge is the increasingly politicised narrative of halal in the public sphere and competition between countries. Muslim-majority countries in Southeast Asia often use the halal label as a tool of economic diplomacy and a symbol of national superiority, often at the expense of regional integration.

Halal certification has become a bargaining chip in trade, a marker of religious loyalty, and even a tool for rejecting products from non-Muslim countries. In this situation, non-Muslim businesses and countries, such as Singapore, Thailand, and the Philippines, find themselves in a difficult position, having to choose between submitting to the rules of larger neighbouring countries or seeking alternative paths through diplomatic lobbying, investment, or technological adaptation.

This type of competition, if not balanced by a spirit of collaboration, has the potential to exacerbate economic fragmentation and trigger identity-related political tensions in the region (Bukido et al., 2025; Insani et al., 2024). The narrative of “halal as political identity” is also gaining strength in the context of global Islamophobia and geopolitical tensions. ASEAN countries tend to strengthen their religious image through strict halal regulations, as if to protect themselves from external influences or the threat of secular values. In reality, the halal market is essentially an inclusive economic space, open to all producers and consumers who are committed to specific ethical and quality standards. When halal regulations are reduced to a tool of exclusion, Southeast Asia risks losing its momentum as a major player in the global halal industry. Furthermore, ASEAN's image as a tolerant, multicultural, and inclusive region is also in danger of fading in the eyes of the world.

In the long term, socio-economic exclusion based on Sharia regulations could give rise to dangerous new inequalities. When minority groups, both domestic and foreign, feel marginalised from the potentially huge halal market, economic and social polarisation will become more acute. This dissatisfaction could manifest itself in the form of economic resistance, rejection of regional policies, and even the potential for broader identity conflicts. On a more micro scale, economic exclusion will trigger income inequality, a decline in welfare indices, and limited job opportunities in the halal sector (Maarif et al., 2025). All of this clearly contradicts ASEAN's idealism of inclusive growth and shared prosperity. However, opportunities for reform remain wide open if Southeast Asian countries are willing to open themselves up to policy innovation.

Cooperation between halal certification bodies, the involvement of interfaith organisations, and the harmonisation of regional standards should be encouraged as a first step. Governments can provide incentives to small businesses, both Muslim and non-Muslim, to access the halal market without excessive costs and bureaucracy. Halal training and education must involve all levels of society, without discrimination based on religion or ethnicity, so that the principle of justice is truly realised. Mutual recognition of halal certificates, transparent audits, and digitisation of the certification process will accelerate cross-border socio-economic integration.

The debate over the impact of Sharia regulations on socio-economic inclusion and exclusion is not only a matter of administrative efficiency or adherence to religious doctrine, but also about the future of regional integration and cohesion. Sharia regulations will continue to be a tug-of-war between identity protection and economic needs. Only by strengthening its commitment to justice, inclusivity, and cross-border dialogue can Southeast Asia overcome the trap of discrimination and move towards a sustainable and civilised halal socio-economic order. This is a shared task that requires courage, vision, and progressive leadership from all countries in the region.

CONCLUSION

Sharia regulations developed within the framework of religious nationalism tend to reinforce fragmentation of standards and create structural barriers for businesses from minority groups and non-Muslim countries, rather than promoting inclusive governance. This not only limits market expansion and innovation but also creates unequal access and opportunity in the halal economy, ultimately eroding the spirit of ASEAN regional integration. The politics of identity and protectionist logic behind the halal certification narrative further exacerbate the challenges of creating a truly fair and competitive halal ecosystem.

To create a more progressive and equitable future for the halal industry, Southeast Asian countries need to reconstruct Sharia regulations with a focus on harmonisation, mutual recognition, and more systematic cross-sector empowerment. This requires the courage to open up space for transnational collaboration, strengthen the capacity of small businesses and minorities, and prioritise transparency in certification governance. Sharia regulations should not merely be a symbol of religious identity. Still, they should be realised as a catalyst for integration, solidarity, and socio-economic justice for all citizens in the region. In this way, Southeast Asia will not only become the largest halal market but also a global model in building a halal ecosystem that balances spiritual values, economic interests, and respect for diversity as the primary foundation for mutual progress.

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