

EXPLORATION ON THE EFFECTS OF BRUNEI HALAL STANDARD AND ITS IMPLEMENTATION ON AGRI-FOOD BUSINESS DEVELOPMENT IN BRUNEI DARUSSALAM IN THE CONTEXT OF ISLAMIC GOVERNANCE

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ABSTRACT

Developing the halal food industry is one of the economic diversification strategies envisioned under the Brunei Vision 2035 as well as towards food security. In order to materialize the vision, the Brunei Government have implemented compulsory halal standardization in 2011 on food premises and businesses. Numerous writings have been made on halal credence maintenance, its understanding and management. However, there are limited empirical studies on the developmental effects that halal food standards have upon agri-food producers. Studies on conventional food standards and its effects on small producers in developing countries are rather mixed. Their inability to maintain foothold, be competitive and upgrade coupled with barriers in meeting these requirements are detrimental towards producers well-being. Issues on costs, lack of effective supporting mechanism and technical capabilities towards business development as well as knowledge limitation are recurring problems. Are there any parallels in relation to the halal standards? This needs to be reconsidered. Differences in halal interpretation utilized in industrial standards compared to everyday halal usage have an effect on business certification and growth potential. Being a religious-based standard governed by Islamic ethics and principles, effects on producers is also a reflection on the effectiveness of consultation processes and advisories. Any negative effects and mismatch in governing policy between the state and businesses goes against the very foundation of an inclusive Islamic economy founded on the principles of fairness, equity and justice. Hence, the research will also look into the role of regulators and auditors as well as their accountability. The importance of an effective Islamic governance in halal standard implementation and positive growth effects on Brunei businesses provide not only an empirical evidence of the inclusiveness of Islamic governance, but it also provides an alternative approach towards managing and developing the cultural economy.

Keywords: Islamic governance, halal certification, business growth, inclusive development

Introduction

Developing the halal food industry and businesses is a development strategy envisioned in Brunei Vision 2035. In order to achieve it, the Ministry of Religious Affairs (MORA), through the Brunei Islamic Religious Council and Ministry of Home Affairs (MOHA) and the Ministry of Home Affairs (MOHA), implemented the compulsory halal standardization aimed at 'halalising' the agri-food industries and businesses in 2011. Despite the novel aim of protecting religious dietary of Muslims, there have been limited studies on the effects of the standardization on business growth particularly food producers and businesses. Experiences of conventional food producers globally have been mixed with small producers usually end up with burden in the name of compliance. Questions surrounding costs (fixed and recurring), coordination and upgrades (technical and knowledge), reorganization of supply chain, market accessibility as well as state-business relations have to be reconsidered with regards to the halal standards implementation. Being a religious-based standard, its governance has to follow Islamic ethics and principles in order to achieve a fair, just, accountable and responsible development. Experiences of businesses undergoing certification, the effectiveness of consultation and coordination, existence of growth supporting policies and mechanisms in terms of training, advisories, technical and knowledge transfer, need to be measured to ensure positive growth. Differences in halal interpretation between the State and businesses have implication towards certification outcomes. Hence, failure to incorporate both material and moral aspects in its implementation results in irresponsible development, going against the Islamic vision of an Islamic economy that protects wealth, posterity, faith, intellect and the human self.

In the case of Brunei Darussalam, the halal agri-food industry is seen as one of the key industry to assist the nation in its diversification strategy away from the oil and gas sector which have continuously dominated the national Gross Domestic Product (GDP). Low oil prices since June 2014 further pushed the nation to hasten diversification efforts. Rapid transition and restructuring of the economy calls for new policy measures and governing structures. However, with such rapid pace of change, the potential risk of failure and unintended oversights also increases particularly towards business owners. Does Brunei halal standard have similar effects compared to conventional food standards? Since compulsory halal standardisation have been introduced in phases, its effects on Brunei's agri-food producer are yet to be investigated further. A measure of its failure and success towards business development is necessary as this, in turn, not only is a reflection of the quality of governance but also on the effectiveness and accountability of halal standard governance in relation to business development, specifically and the industry as a whole. As will be mentioned towards the end of the paper, the food businesses in Brunei Darussalam have

experienced an increase in halal certification but this is mainly attributed to certification of restaurant and eateries, not so much on food processing businesses despite its considerable number. An increase in the numbers of enterprises in halal food processing is also not suffice enough to gauge the quality and health of these enterprises. Observations on tech start-ups in the United States by Mazzucato (2015) and formal-informal economies linkages by Chen (2007), for instances, showed that increase in numbers of enterprises are not reflective of its competitiveness, productivity and quality. Hence, there is also a need to study the actual experience of agri-food producers operationally as they undergone halal certification, particularly in relation to growth opportunities. Ironically the country also saw an explosion in the number of informal, not halal certified businesses, encroaching into various business segments from bakery to ready meals and even, processed meat, poultry and fish products. Understanding why these businesses opted for no certification is also important as it reflects on the degree of stringency of halal requirements imposed by the Brunei Islamic Religious Council (BRIC). Based on observation by Bergeud-Blackler, Fischer and Lever (2016), the Brunei halal standard requirement is stringent as it is institutionalized and embedded in the daily governing of religious life through multiple agencies such as the State Mufti's Office and the Ministry of Religious Affairs (MORA) compared to other Islamic countries where halal standards are issued by either third party commercial entities or mosques and community leaders. Even in the case of the Brunei Halal Brand, a commercial entity responsible in providing platforms for Brunei Small Medium Enterprises (SMEs) at the regional and international level, firms eyeing to be part of the brand are required to undergo two stages of halal certification i.e. first through the Brunei halal standard and audits and secondly, through an internal third party auditing carried out by Brunei Halal Brand (Temporal, 2011; Ayan, 2013). If Brunei is to uphold its vision of developing the nation into one of the global halal hubs, developing an effective, inclusive and responsible halal certification and governance is fundamentally important in order to allow for sustainable growth to take place. Failure to reconsider any potential risks and issues would grind Brunei's vision to a halt. To what extent does the Brunei halal standard allow for the growth and development of Brunei agri-food businesses? Exploring the effects of the halal standard have towards businesses, thus, provides empirical evidence on whether halal standard assisted in business growth and development vis-à-vis as well as on the effectiveness of current standard governance in promoting industrial growth.

Aims and Objectives

The research is aimed at:

- 1) exploring whether the implementation of Brunei halal certifications, auditing and standards hinders the growth and expansion of agri-food enterprises particularly start-ups or aspiring entrepreneurs or vis-à-vis,
- 2) exploring whether there are mismatch between policy makers, regulators as well as industrial stakeholders towards halal integrity maintenance, standard implementation as well as business support and
- 3) understanding Brunei's halal certification process and most importantly, on the practical application of Islamic governance concept towards responsible halal industrial production and management

Research Questions and Hypotheses

Main Research Questions

- 1) Does the application of Islamic ethics and principles in the governance of the halal certification/ standardization helps in growth of responsible agri-food business and auditing?
- 2) How do regulators/ auditors and producers'/ business owners utilise Islamic ethics/ principles towards the establishment of halal compliance food business?

Main hypothesis

Ineffective governance of the halal standard implementation is detrimental towards agri-food businesses growth. The differences in halal interpretation between auditors/ regulators and producers and the exclusive nature of Brunei's halal standard i.e. drafted by the State, lay the foundation for conflicts. Ineffective stakeholder coordination and consultation in certification process lead to information asymmetries, ineffective knowledge transfer and business coordination making implementation ineffective. Lack of acknowledgment of arising concerns and problems associated with the standards in terms of cost, market access and time among others hampers growth potentials i.e. burdensome making incorporation of Islamic governance principles and ethics (fairness, just and equity) in the standardization processes more challenging.

Sub Research Questions and Hypotheses

SRQ 1 – What are the effects of the halal certification and auditing on halal agri-food producers?

SH 1 – Producers are required to adapt existing business/ production practices to suit new halal requirements leading to reorganization of the supply chain, recurring cost in relation to renewal of certificates, remodification of production sites as well as the time-consuming auditing process, making them less competitive compared to informal agri-food businesses operating on a different strategy and platforms. Different halal standard requirements at both domestic and international level become barrier towards market access and hence growth. Improper management of current standardization framework and policy also impinges growth potential of informal food businesses towards upgrade due to complicated technical requirements. Alternative sets of policy and mechanisms are needed for this sector as long as it follows Islamic principles and ethics.

SRQ 2 – How do differences in halal interpretation among various stakeholders' affects business growth?

SH 2 – The differences between institutionalize, industrial halal and everyday halal definitions and interpretation i.e. extended-technical (broad-based approach) against the basic (essentials) could stall agribusiness growth as different individuals have diverse religious experiences/ upbringing, hence, different application.

SRQ 3 – How is the halal certification/ standardization of both formal and informal businesses carried out in Brunei?

SH 3 – The implementation of halal certification in Brunei started with compulsory adoption of halal standards for every business premises serving Muslim consumers followed by consultation and coordination between regulators/ auditors/ standard managers i.e. the State and the producers.

SRQ 4 – How effective is the coordination and consultation processes between regulators/ auditors and producers towards an inclusive, responsible decision-making and halal production?

SH 4 – Constructive consultation and coordination need not only be limited to before, during and at the end of auditing process but rather has to also be inclusive to post audits. Responsible halal rulings have to consider the effects of decisions on producers as much as its effects on consumer per se as part of safeguarding the welfare/ well-being of stakeholder following Islamic ethics and principles.

Addressing these questions provides empirical proof on the practical application of Islamic ethics and governance towards an inclusive, responsible business development. It allows for better policy formulation and coordination among regulators and producers. Producers/ auditors' experiences as well as the challenges and effects experience throughout and post certification process will be used as proxies to answer the questions. Research outcome helps to gauge the practical applications and effectiveness of Islamic ethics and governance to real industrial conditions and strengthen its potential as alternatives to current development model. This is a step beyond the current normative approach on Islamic economy and development which usually revolves on the question of 'what or how can it be done' to 'what has or is currently happening' at the ground level, a positive approach through the lens of a critical realist.

Conventional food standards and its effect on agri-food producers in the developing world: an overview

The effects of conventional food standards throughout agri-food industry have been mixed. Initially the imposition of industrial standards such as ISO, Good Manufacturing Practice (GMP), Hazards Analysis Critical Control Points (HACCP) as well as both international and domestic food standards i.e. Global-GAP are aimed at improving the efficiency and productivity of firms in order to maintain competitiveness through products differentiation, risk sharing and better coordination (Nadvi, 2008). Adopting certain technical specifications in production are done to ensure products produced are healthy and safe for consumption (Renard, 2003). Developing countries standards adoption is meant to improve industrial production and gained new markets accesses. The effects have been debatable. In the case of US's Starbucks for example, their involvement in fair trade purchase from smallholders is only a short-term strategy to maintain monopoly whereby the image of 'equity' allows for introduction of their own brand of cheap coffee (Renard, 2003). Fair Trade and other grassroots quality standards initiatives such as Utz Kapeh and Rainforest Alliances initially aimed at developing socially just, fair and equity trade and production for small producers are slowly catering for large corporations (Reed, 2009; Renard, 2003; Hatanaka et al, 2005). The implementation of food standards on Brazil's dairy industry by multinationals lead to exclusion of small-scale businesses, stuck in the informal sector whilst only few large scale operators operating (Reardon and Farina, 2002). Forced adoption of new public standards in the 2000s on informal businesses (30% of national production) lead to new wave of smallholders exits in the primary, manufacturing as well as retail sector (Reardon and Farina, 2002). Similarly, food standards introduction in Kenya's green bean industry reduced individual smallholdings from 350 to 50 farmers (McCullough et al, 2012). Senegal's high value added fruit and vegetable industry also saw the exclusion of small businesses due to weak understanding on compliance and inability to meet desired procurement (Maertens and Swinnen, 2006). A brief success story can be seen in India's Mahagrapes production. Where private sector withdraws from venturing into export procurement, the government intervened by providing technical support payment, funds for training up to payment of salaries of firms' board all in an attempt to maintain compliance and market accessibility (Narrod et al, 2009). However, as seen in the next example on Thailand's fruit and vegetable sector, this is unsustainable. In the case of Thailand's fruit and vegetable sector, the effects of Global-GAP have been uneven across different groups of businesses i.e. farmer-run, donor-run and export-run Quality Management System (QMS) (Kersting and Wollni, 2012). According to Kersting and Wollni (2012), though there is evidence to suggest the benefits brought about by the certification, the current practice is not sustainable and this hindered further expansion. Farmer-run production are reliant on external donor to ensure their production are meeting the standard requirement and agreed deliverables for export and the exporters have to absorb these overhead cost on initial investment on quality assurance facility and its recurring costs such as on certification renewal and maintenance, among others (Kersting and Wollni, 2012). Based on their findings, farmers only incurred 5 percent of the overall cost of certification and compliance and improper governance of this industry will only reinforce the current vicious cycle experienced by developing world producers where upgrade potentials and spin-off expansions are plagued by inability to break away from the 'commodity trap' (Farfan, 2005). Even where effective public-private partnerships are at its best, there is little evidence to suggest there are opportunities for primary producers to upgrade to second-tier production (food processing).

In relation to the halal standards, there have been no studies on the halal standards implementation effects on urban food businesses/ producers. As mentioned earlier current literatures on halal standards mainly concerned on operational and exploring implementation strategies of halal production, supply chain management (Suhaiza Zailani et al 2010; Hafiz Zulfakar et al, 2015), comparative study on global halal requirements (see Ismail Abdul Latif et al, 2014) as well as on understanding current

consumption trends or patterns (Bergeaud and Verbeke, 2007; Aqilah and Noraneeda, 2014; Golnaz Rezai et al, 2015), but not on standards effects on producers as well as regulators/ auditors' accountability. The general discourse on halal certification and standardization in Brunei particularly that of the government is emphasized mostly on the need to utilize halal ingredients in food processing as well as in the need to maintain halal integrity for the benefit of consumer i.e. as part of their religious dietary practices as well as the benefit of that it will make towards businesses (Al-Haadi Abu Bakar, 2010; Ying Chia, 2010; Fitri Shahminan, 2010). However, there is no study to date that actually seek to investigate further into some of these claims apart from those that are made by Malaysian scholars with regards to Brunei halal's auditing process (Norziah et al, 2015; Wawarah et al, 2015). Hence, investigating the effects of it towards food businesses i.e. protection of producer's welfare as much as the public good provides empirical evidence on its social inclusiveness. This is important as food businesses in Brunei especially in processed and high value products are growing both in the formal and informal sector. Investigating the experiences of food businesses undergoing certification processes, government support towards halal certification and certification effects towards formal against informal businesses/ producers is, hence, crucial.

Theoretical Framework

Convention theory on quality standards: beyond industrial coordination

Neo-classical literatures on conventions on goods or products stated the importance of quality before market exchanges are to take place, with emphasis on the centrality of well-coordinated and efficient production fulfilling lists of necessary measures or requirements (Jagd, 2007). However, in sociology, the focus is more on the socially constructed nature of conventions. The convention theory on quality standards focused on the incorporation of democratic principles of fairness in evaluation, openness and close coordination (Duvernay et al, 2005). As mentioned in Thevonot and Bolstanki's work (1987, 1989, 1991, 1999, 2000) (cited in Jagd, 2007), conventions and justification on agreed standards should follow the six order of worth principles. Baird (2008) thematically organized these principles based on price-based quality (market), measurable criteria (industrial), trust (social/ network relationships), signs and signifiers (brand, marketing), civic (public good) and inspired (evaluators personal experience). Social processes dictate justification and decisions made on quality, in this sense. Criticisms and disputes arise are viewed as important elements towards conflict resolution whilst at the same time allows for reformulation of criterions as market changes (Jagd, 2007; Wilkinson, 1997). Hence, the social elements play a significant role towards definition of quality and its criteria as well as in economic agents' approach towards standard's implementation.

Orlean's work focused on the debates revolving around two hypotheses relating to Walrasian approach to economics i.e. the Nomenclature hypothesis and the Probability hypothesis (cited in Jagd, 2007). The first emphasized on the importance of economic order, the need to comply with a set of 'pre-given' standards, requirements and routines (a programme?) towards successful coordination (Jagd, 2007; Biggart and Beamish, 2003). Economic agents, such as suppliers, producers and food processors using food standards, are made to adopt 'pre-given' standards by buyers in the name of compliance and health and safety reasons prior to gaining market access. 'Common' factors or signs utilization i.e. knowledge and language, allows market exchanges to takes place (Lewis, 2002; Jagd, 2007). This highlights the importance of not only interactions between economic actors, institutions and consumers but also of adopting specific behavior towards market access. Sociologically, however, use value assigned to a particular product are socially constructed, results of activities of codification, certification, standardization and regulation which defines contemporary markets (Jagd, 2007). Differences in consumption patterns and needs (Bauman, 2001; Baudrillard, 1998), the increasing heterogeneity of market and demands as seen from Hartwick's (1998) work and meanings differences attached to things (Appadurai, 1986), affect the ways in which production and market functions beyond conventional economics approach to production and consumption. Due to this plurality, confrontation between economic actors and standards interpreter is unavoidable.

The probability hypothesis calls for a certain code of conduct when treating the future of production and markets. Its natural acceptance of the future as results of economic actors' ability to predict and project market creation and directions through the provisions of list of pre-emptive measures of 'probable' future events, however are problematic (Jagd, 2007). Such parallels can be applied to the worldview of standard owners and regulators i.e. standard adoptions allow for industrial growth and development. This naturalizing tendency of the future by over-socialised economic agents failed to acknowledge market exchanges importance, mediated by economic actors and the structural effects on economic behavior (Jagd, 2007), the importance of social capital and networks (Granovetter, 1985; Putnam, 1993) as well as the reflexive and responsive nature of economic actors in adepting to market conditions. Power and income distributions play a role in mediating institution-market and organizational behavior (Wilkinson, 1997). Due to this failure, conventional food standards both public and private, failed to achieve the desired effects that it wants to achieve as seen in the case of the fair trade and others.

The theory, research wise, is useful in critically analyzing the conflicting interest between auditors/ standard owners and enterprises evident in the conventional agri-food standards. As for the halal standards, the industrial definition might differ from everyday definition of halal. The issue of power politics, trust and the importance of inter-subjectivity as contributors of market order should be considered (Biggart and Beamish, 2003). Conventions usually come with pre-defined standards criteria, its social inclusiveness, however, remains questionable. This stems from the embedded principles within conventional economics making it difficult to achieve equity, just and fair economic development. Whether this is the case with halal producers need further studies.

The State and economic development: from good to effective governance

'Governance' according to Jessop (1993b)(cited in Jessop, 1998) refers to the "deliberate action of bringing an autonomous system as an object of governance from one state into another". The success of the Developmental State model in the development of the Asian Dragons, the Entrepreneurial State theory in understanding state-private sector coordination and relationships, the incorporations of good governance practices in environmental protection and monitoring (Gu and Shearte, 2005) have all utilized the concept one way or another. However, good governance and its implementation alone do not warrant inclusive and responsible development. Numerous abuse cases such as in Environmental Impact Assessments (EIA) practices (Gu and Shearte, 2005; Hung Lo and To Yip, 1999), failure of entrepreneurial governance in Chinese mid-level cities (Xue and Wu, 2015) and the issues mentioned earlier on food standards among others, are testament of the complexity, unevenness and multilayered nature of governance.

Governance structure can either be anarchic (market driven), hierarchical (centrality of state through top-down/ statist) or heterarchy (self-organize based on networks) (Jessop, 1998; 1999). The role of agents is central as they operate through various forms of coordination. An effective governance should have mechanisms that allows: (i) learning, innovation and 'adaptation' of agents to formulate better strategies and policies to their advantage (dynamic capacity and capability building), (ii) constructing coordination methods that could negotiate (renegotiate) actions operating at different space and time (multilevel governance framework), (iii) reduce the complexity of models and practices through alignment of real world processes and governance objectives (through the acknowledgement of emerging and recurring problems/ issues, side effects as well as interdependence of actors) and (iv) establishment of common world view, rules of conduct, key player's orientation and expectation (Jessop, 1998; 1999). State's effectiveness lies in its ability to handle state projects as separate and specific only for that particular time and the way to maintain its internal coherence is by drawing in different agencies that can help and realize the vision (Jessop, 1998; 1999; MacKinnon, 2012). Neo-Foucauldian notion of the state, in contrast, viewed the state and its power to govern lies in its institutional sites (Foucault, 1980) (cited in MacKinnon, 2000) and the state's itself is an element that exists within wider circuits of power (Rose, 1999) (cited in MacKinnon, 2012). Similarly, Stone (1989, 2005) and Mossberger's (2001) Urban Regime Theory applied Foucault's notion of capillary power in their model. They argued that the spheres in which both public and private operates comprised of diverse pockets of regimes and it provides rooms for maneuver through negotiation, coalition, collaboration and coordination between diverse players (Stone, 2005; Davies, 2002; Mossberger, 2001).

The effectiveness of heterarchical governance is dictated by the effectiveness in its modes of organization, the objects of governance and the environmental conditions of which such coordination are to take place (Jessop, 1998). Unlike both market and state-driven coordination, heterarchy depends on inter-personal networking (trust, social capital, targeted partnership), self-organization of inter-organizational relations (coordinate actions and resource mobilizations, common objectives, positive coordination) and inter-systemic coordination (cross institution/ agency consensus through noise reduction i.e. acknowledgement of emerging issues and problems, its plurality through dialogue and prevention or reduction of negative coordination) (Jessop, 1998). Despite such arguments, governance is bound to fail if its agents failed to be reflexive to the changes (Jessop, 1998, 1999). As in the fair trade example, the increasing exclusion of small domestic producers are due to their inability to reorganize and adapt their strategies in the face of new entrants i.e. in this case big corporations which forces them to be reabsorbed back into conventional market (Reed, 2009; Renard, 2003). Griffins' work on EU fisheries (2010a; 2010b) reflects on the limits of good governance whereby governance innovation resulted in contradictions and new tensions between regulators, policy makers as well as the fishery industries where public accountability is in question due to dominance of certain agents in state-economic relations. This interplay of exertions of influence of one group to the other can also be seen in studies on Global Value Chains and Global Production Networks (see Coe and Yeung, 2015; Gereffi, 2005, 2001).

The theory is useful. It helps to understand the relationship between the state (Brunei government) and market (food businesses). In relation to welfare regimes, Jessop (1999) argued that the failure of the welfare states in governing contemporary state- market and industrial relationships are due to its inability to adept its policy structure to new priorities. Problems associated with bureaucratic red tapes, change inflexibility, state centralization and ineffectiveness of state policy towards goal realization led to welfare regimes' demise. Brunei is a welfare state with 'experimental' public private consultations in various state-led initiatives. Best management practices toward development goals/ projects such as stakeholder consultations are frequent occurrences. However, its effectiveness and social inclusiveness have never been studied. Since the halal standard implementation is part of a state initiative, exploring its effects on growth of local food producers is a reflection on effectiveness of halal standard governance mechanisms as well as the adaptive capacity and capabilities of regulators in resolving issues emerging throughout the implementation process. Positive effects on food businesses open up potential of new hybrid form of governance that works against conventional wisdoms of governance, a combination of stewardship and agency theory.

Islamic Governance: towards inclusive halal standard implementation and development?

Despite strides made towards improving societal welfare within development studies, recurring issues still exist as shown in the conventional agri-food industry. Islamic economics scholar argued that such issues would be difficult to resolve as long as conventional economics principles are dictated by socially derived secular humanist values and the centrality of the economic agents' self-interest over wider societal needs (Haniffa and Hudaib, 2005) (cited in Lewis, 2005; Iqbal and Lewis, 2009). In Pareto's Efficiency Law, for example, the destruction of excess output in order to maintain high price is a clear violation of the trust that God gave on humans as well as injustice towards the consumer (Chapra, 2002; 2008). Excesses should in fact, be redistributed to the poor or allow prices to fall to ensure customers' affordability. In order to supervise and monitor the opportunistic agents, the Islamic concept of governance utilized a mix approach of stakeholder theory and stewardship theory (Lewis, 2005; Ismael and Blaim, 2012). Using the concept of *Khilafa*, the role of leaders or people of power (stewards) in society is to lead people towards public good by doing good deeds and forbidding evil (Lewis 2005). These viceregents ethical commitments, actions and decisions are considered to be an act of worship as long as it follows Islamic teachings (Chapra, 2002;

Lewis, 2005; Ismaeel and Blaim, 2012). As long as society are bounded by moral values following Divine Guidance, protection of human dignity, justice and collective interest will help in elimination of injustice reflected by corruption, inefficiency, inequality as well as the protection of both human and non-human alike i.e. environment (Chapra, 2002, 2008).

The essence of Islamic governance, despite modifications overtime, remains the same i.e. to protect diverse stakeholders in collective interest's name (Abuznaid, 2009; Ismaeel and Blaim, 2012; Chapra, 2002). Successful implementation can be seen in the Islamic banking and finance and the Halal food industry. Islamic stakeholder approach should be viewed as relationships between diverse stakeholders be it economics and extra-economic actors i.e. individuals or groups beyond production (Beekun and Badawi, 2012). Stakeholders' rights, however, vary based on priority group. Businesses and those involved in it are regarded highly in Islamic perspective as development and expansion of wealth is part of the four objectives of *Sharia* i.e. faith, posterity, intellect and human self, towards human well-being. Wealth expansion is permissible providing it helps poverty alleviation, meeting the needs of others, helps in increasing comfortable life as well as promoting equitable income distribution (Chapra, 2008; 2002). To be just and accountable is important. Ibn Taymiyyah (1328) (cited in Chapra, 2002) summarized its importance in his quote that, "God upholds the just state even if it is unbelieving, but does not uphold the unjust state even if it is Islamic". Regardless of the governance mechanism used i.e. public consultation, coordination, stakeholders' management and others, if it effects the public negatively (through poor decision-making, exclusive and poor governance), it goes against the Islamic ethics and principles of fairness and justice. With such checks and balances, agents can be kept in check to prevent from irresponsible and corrupt practices (opportunistic behavior) via self-accountability, just public monitoring and effective stewardship. The conceptual model on the multi-level halal certification and multi-level Islamic ethics framework by Ismaeel and Blaim (2012) provided the groundworks for the framework of analysis of this research. In a nutshell, their model tries to leverage on the Islamic ethics and principles on the development of an ethically responsible halal businesses that goes beyond only developing halal product but also a socially responsible business. The emphasis of their model is solely on relations between business and society (*Ummah*), not on the accountability of the halal standard auditors, policymakers towards business communities and effects of halal standard towards business growth. As such due to this gap, the research aims at focusing on these aspects of halal certification and governance as any mismanagement or misalignment in policies and monitoring practices have impacts upon wealth creation, welfare and wellbeing of the business communities.

Literatures on halal standard's governance and management mostly revolves around the need for businesses to adopt halal best practices through development of technical models of supply chain management as well as strategies on achieving good auditing, monitoring and certification. No emphasis has been given towards the accountability and ethical responsibility of decision-makers, regulators or auditors and the effects of halal standards towards producers. In Brunei's case, recent implementation of *Sharia* law and halal regulations provides opportunity to investigate the effects of standardization towards food businesses. Both formal and informal agri-food businesses are thriving whether it follows the conventional factory/ traditional home-based or through the use of social media. Improper implementation of halal standard impinges growth/ upgrade potentials. It would be interesting to investigate whether implementation of halal standards takes into account the welfare of the producers or not as a result of stringent standards criteria beyond current focus on consumption. What ethical responsibilities do auditors/ regulators have towards business owners/ producers? Do differences in interpretation/ perceptions/ views of halal (institutional and everyday halal) posed as a challenge in the implementation of harmonize halal standards? If business is central based on the Islamic stakeholder theory, in what way do auditors assist them? Are there any consultation or advisory or training given for producers towards halal production (in general) and those who failed at auditing? How do standard owners maintain halal integrity of food production in relation to informal businesses? What are the challenges encountered by agri-food business/producers towards halal certification? All these questions need thorough investigation. Regressing back, the concept of fairness, justice and equity forms the inner core of Islamic economics. Hence, there is a need to study the effects of its implementation from the producer's perspectives as it burdens business owners. This is timely since the country has considered halal food industry as one of the major drivers towards its 2035 development vision.

Current status of halal food industry in Brunei Darussalam: a preliminary insight

The institutionalization of the Brunei halal standards and certification was made possible in 2005 with the Brunei Halal Certificate and Halal Label Order, to be implemented in several phases. Prior to the halal standards, there has been an existing halal regulation i.e. the Halal Meat Act, 1993 to regulate the meat industry but not on agri-food and other related businesses (___, 2008). By 2006, Brunei managed to launch the Brunei Halal Premium Brand aimed at utilizing Brunei halal standards and certificates on food processing and meat products from Australia. The State Mufti's Office issued a *fatwa* (religious rulings) on common issues raised on halal food and this ruling covers not only on the production aspects of halal food but it also touched on the consumption as well as the social aspect in relation to business and marketing issues in 2007. The same year also saw the publication of three Brunei Halal Certification Guidelines i.e. BCG1 (certification guidelines), BCG2 (halal compliance audit) and BCG3 (halal surveillance audit) as well as the PBD 24:2007 Brunei Halal Food Standard. This is aimed for the Brunei agri-food businesses as well as state regulators. A commercial Brunei Halal Brand under Brunei Wafirah Holdings was established in 2009 by MIPR and 2011 saw the breakthrough into the UK market under Ghanim International Ltd. A consultancy firm called Ha Management Services was appointed to oversee certification processes in 2010 (Ying Chia, 2010). However, to date there is no information on whether they were still responsible in assisting local firms in certification process. It was in 2008 that compulsory halal certification was enforced whereby businesses such as restaurants and food processing premises need to be audited and halal certified or face nullification of business miscellaneous licenses (Norziah et al, 2015; Fitri Shaminan, 2011). New agri-food businesses such as restaurants and processed food producers applying for business licenses must apply for halal certification beforehand and in 2011 this compulsory certification gained momentum (Norziah et al, 2015). A grace period of 3 years was given to obtain such certification up until 2014. From 2013 onwards, the country saw an increase in business joint ventures (JVs) in agri-food processing and these includes JVs from Middle East such as UAE's Al-Saahtain Group, Al-Abraaj

Group, Tunisia as well as from East Asia such as Japan’s Soy World Ltd and China’s Guangxi Economic Corridor producers. All these joint ventures are expected to operate in the last quarter of 2016 in the Bio-Innovation Corridor (BIC). On top of the establishment of the BIC, Brunei Halal Innovation Centre was also established in 2014 overseeing technical research on bio-sensors contamination detectors, halal product development as well as laboratory services for halal food analysis (Debbie Too and Fitri Shahminan, 2014). For the purpose of this research, the focus will be more on the national agri-food business/enterprises operating both in the formal and informal sector. In the recent years there have been an increasing emphasis on the importance of informal sector towards the urban economy, hence, to investigate the effects of halal standardization on the agri-food business is worth studying. Below is the general criterion extracted from Brunei Halal Certification Guideline 1 (BCG 1) and PBD 24:2007:

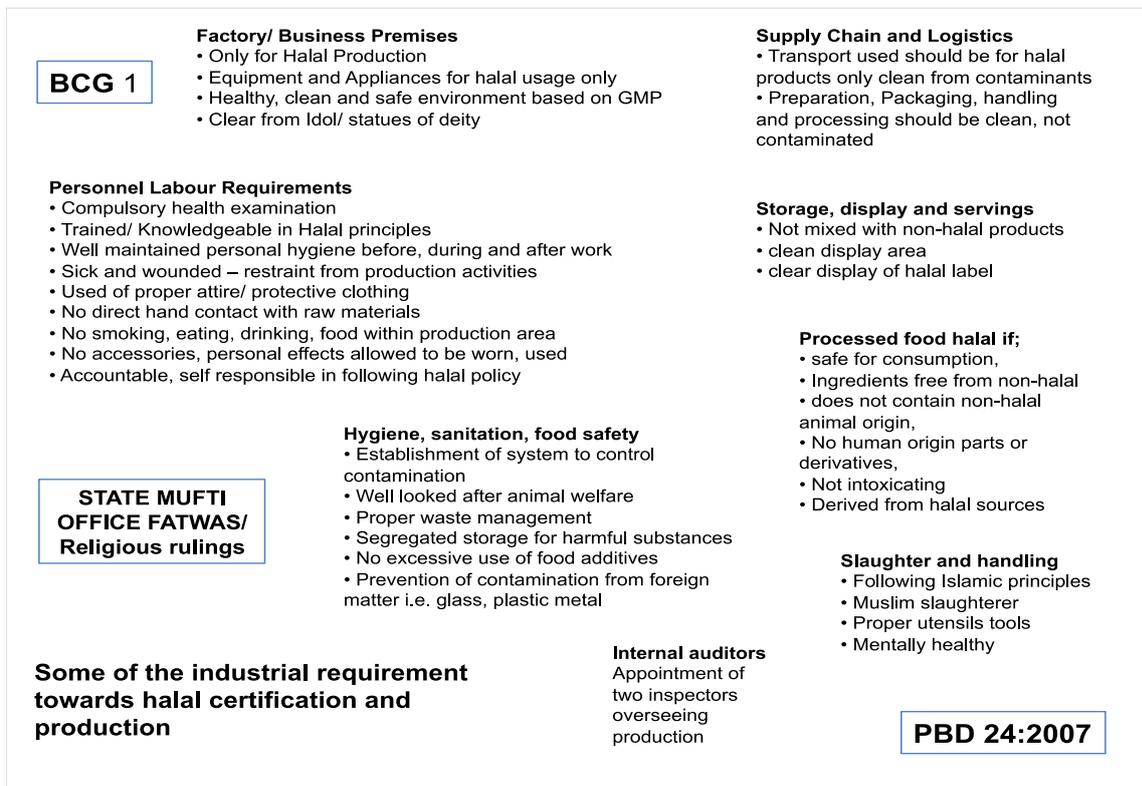


Fig. 1 General criterion towards halal certification

(Source: Multiple)

Based on the Department of Agriculture and Agri-food Short-Medium Term Strategic Plan 2009, the distribution of agri-food business can be found as follows:

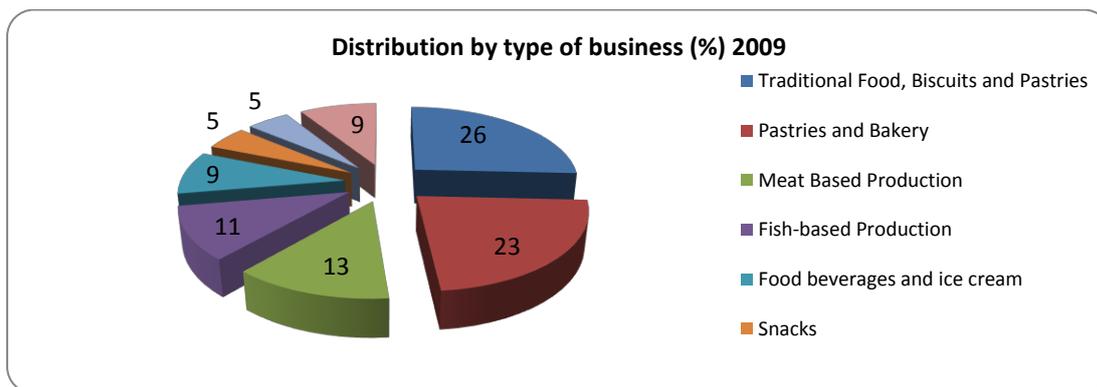


Fig.2 Chart showing the distribution of business by typology

(Source: MIPR, 2009)

Since 2016, the number of agri-food businesses has increased both formally and informally. The breakdown of formal halal certified firms (excluding restaurants) can be found in the next chart. Despite being formally halal certified, their past experiences undergoing certification/ auditing and the potential issues arising in relation to production and public facilitation/ coordination help to answer the research questions. There are 147 halal certified firms in 2015. 101 of the firms have been categorized based on type of businesses and products whilst the remainder is unknown (MORA, 2015). The chart is as follows:

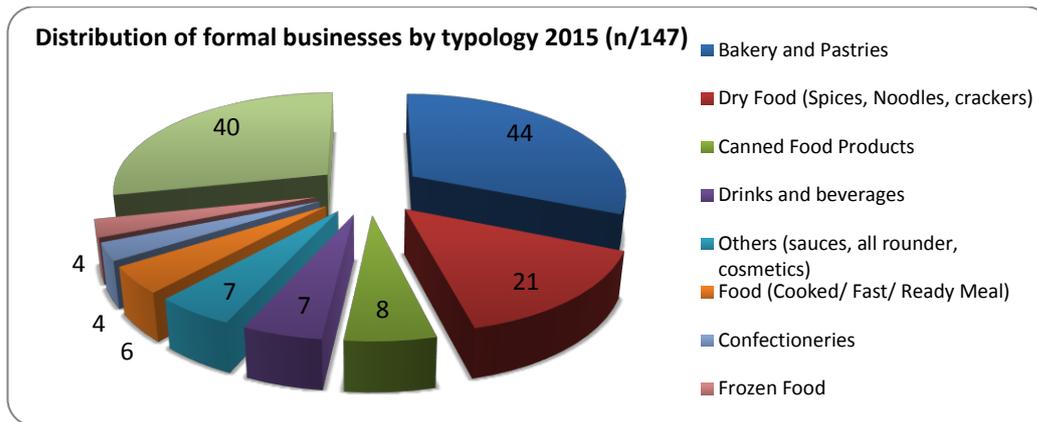


Fig. 3 Chart showing distribution of halal businesses by typology 2015 (Source: MORA, 2015)

Information regarding the informal producers is acquired based on its online presence, hence, generic. Accurate information will only be available once the questionnaire survey commences. Below is the distribution based on business types of 52 (out of 57) informal non-halal certified online businesses known to date:

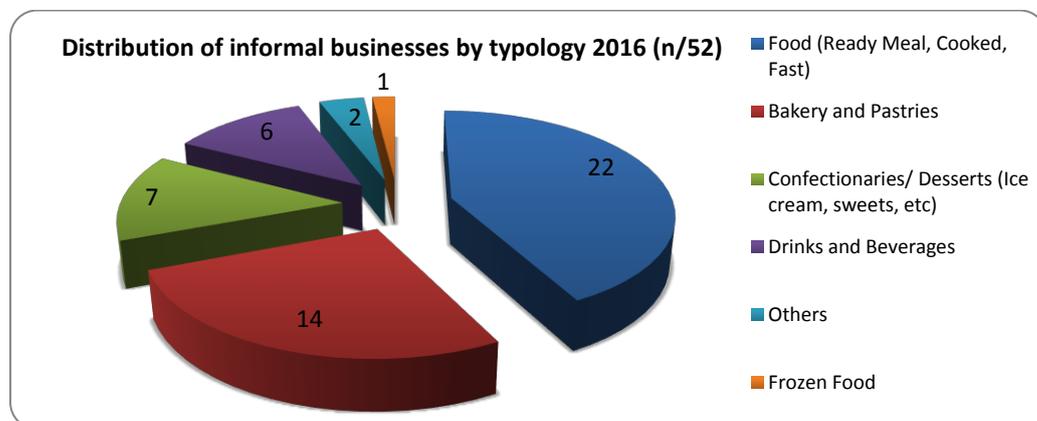


Fig.4 Chart showing the distribution of informal businesses by typology (Source: Personal Observation, 2016)

Data Collection Methods and Framework of Analysis

The research is mainly qualitative in design. Quantitative method in the form of social survey will be used to provide the research with hard numerical data to complement the rich data generated from semi-structured interviews. A deductive approach will be used as the research is aimed at gauging the effectiveness of halal governance by testing the hypotheses developed earlier. Should the hypotheses do not match with the information derived from the data, revision to it is necessary until data analyses reach a point of saturation. With reference to all the existing data set on auditors and businesses, the intended interview sample size for this research is as follows (table 1). This might change as the research progresses. As for the questionnaire survey the survey will be done on food businesses only. The intended sample size is between 100-200. This will either be distributed online i.e. via mailing lists, social media or physically handed to the relevant companies. Diversity in samples is justified due to the assumption that the effects of halal standardization vary across categories, be it regulators and auditors as well as among food producers.

State Agencies	Sample Sized	Business Categories	Formal	Formal (sample)	Informal (2/5/20 16)	Informal (sample)
Halal Food Control Division (MORA)	4	Bakery and Pastries	44	10	14	3
		Food (Ready Meal, Fast Food, Cooked)	6	2	22	8
State Mufti's Department (PMO)	2	Confectioneries	4	2	7	2
Agribusiness Development Section (MIPR)	2	Frozen Food	4	2	1	1
Health Services Department (MOH)	2	Dry Food (Spices, Noodles, Crackers)	21	7	0	0
Municipal Board (MOHA)	2	Canned Food	8	3	0	0
Districts Department (MOHA)	2	Drinks and Beverages	7	2	6	2
Total Sample	14	Others (sauces, multi/ all rounder)	7	2	2	1
		Uncategorised	40	4	5	2
Total			147	34	57	19

Table 1 Sample breakdown

Hence, in order to test the hypotheses, the research divides the framework of analysis into three categories i.e. i) interpretive which deals with the awareness and understanding of halal among food producers and regulators, ii) procedural which concerns on the implementation of halal standards, specifically on consultation, coordination and support between standard owners and food producers and iii) temporal which looks into the effects of certification on businesses before, at a point of and post certification (within the first 3-5 years of being halal certified). These three aspects will provide the answers on the degree of effectiveness of Islamic governance in relation to the halal standard's implementation, reflected on its effects on producers' growth and well-being.

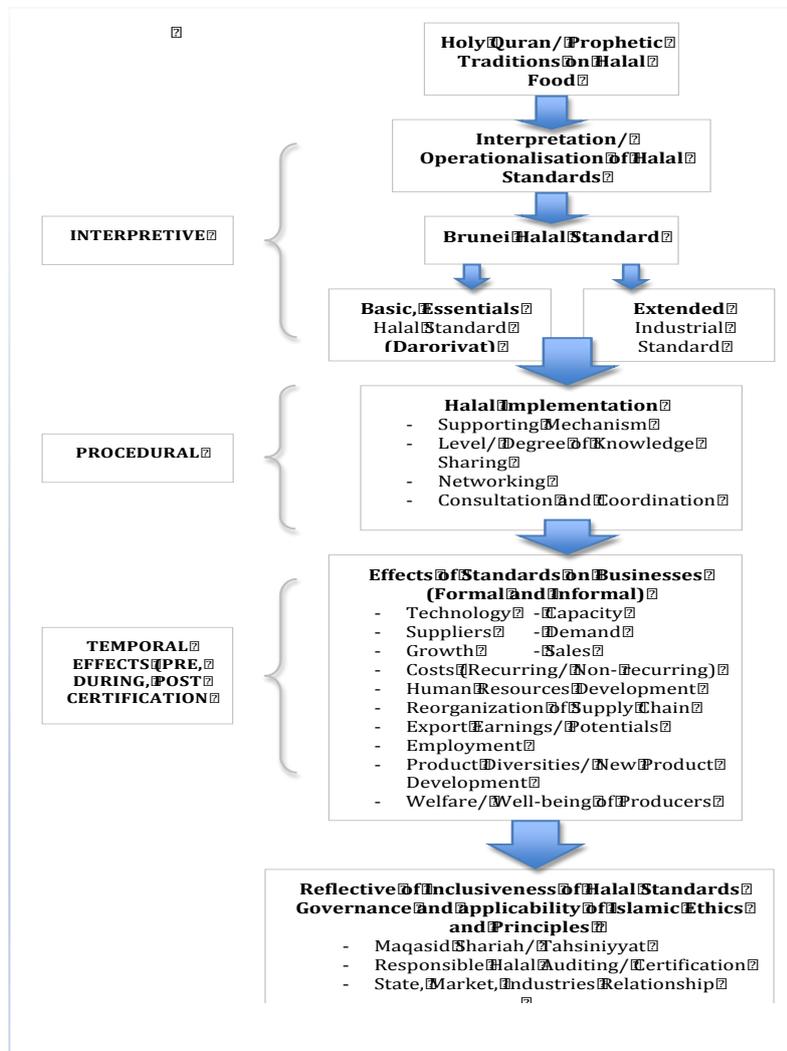


Fig. 4 Diagram showing the research analytical framework on Brunei halal standard governance

Limitation of the Study

Due to time constraints and the short nature of a doctoral research, the study only focuses on the effects of the halal standards towards agri-food businesses. Detailed study on the halal standard governance itself, deeper scrutiny of its implementation in relation to public participation, the influence of national political ideology and polity as well as contemporary economic conditions, among other aspects warrant further investigation as this may have bigger impact upon policy formulation, implementation and overall industrial performance and development. Nevertheless, this study is useful as it attempted to link the relationship between the Brunei halal standard and its impact on business growth from in relation to theories of Islamic governance and inclusive, sustainable growth.

Conclusion

In conclusion, the paper presented a conceptual analytical framework that should be used to study effects of halal standards towards business development in relation to the concept of Islamic governance. Despite its limitation, the research tries to bridge the gap between Islamic theory of governance and its actual practice, in this case in the Brunei halal standard implementation. Its effects on the Brunei agri-food business communities, on the other hand, provides the empirical evidence to either support or refute the hypothetical assumptions that the Brunei halal standard is detrimental towards halal food industrial development.

Although the research is still ongoing, the research, nevertheless, would give policymakers, particularly in the Islamic world, insights on the relationships between state and the Islamic economy, in general and potentially on the unintended effects that any policy formulated could result in if it is not carefully governed carefully. Enterprises, as business entities and the current industrial conditions that they are in are sensitive and highly susceptible to any policy changes that took place due to the network effects. New policies may be theoretically sound and well-intended but it may not necessarily lead to positive development (see Griffin, 2010a and 2010b). By highlighting the arising issues and ongoing experiences experienced by the business communities, the standard owners will be able to formulate a much more inclusive and highly credible food standards that protects the welfare of small producers through effective consultation and coordination. At an academic level, this research will contribute towards the Austrian School New Institutional Economics (NIE) approach by giving it a new take on Islamic Economy and its governance specifically and general literatures on sustainable economy and development in general. This provides an alternative approach on the study of the economy which are often viewed from western capitalist approach. As the halal industry continues its global expansion, it will only be a matter of time before this niche market becomes a mass consumer market. In order to sustain its expansion, relevant governance policy and mechanisms is necessary not only at the global level but also at the macro-regional and national (local) level. It is hoped more research will be carried out in the near future on the effects of halal standards towards producers well-being and welfare as it remains understudied.

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