



Report on the Asia-Pacific Economies

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The Halal market: opportunities and challenges

- The Halal market is worth approximately \$2.5 trillion.
- The majority of the Muslim population is in Asia-Pacific and India. Their economic growth and consumer preferences are driving demand for Halal-certified products.
- In the first half of 2025, total exports from Asia-Pacific increased, despite restrictions imposed by the United States. Those from the Association of Southeast Asian Nations (ASEAN) grew by 10 to 15%.

The growth of the Halal Market

The Halal market is one of the most dynamic and fastest-growing in the world. The term Halal, used in the Islamic culture and religion, refers to the "permissibility" of any product or action whose use or performance is accepted according to Islamic law. It is important to note that Halal encompasses not only food and beverages, but also all aspects of daily life and can be applied to different economic sectors, although it is most commonly associated with the food and beverage sector.

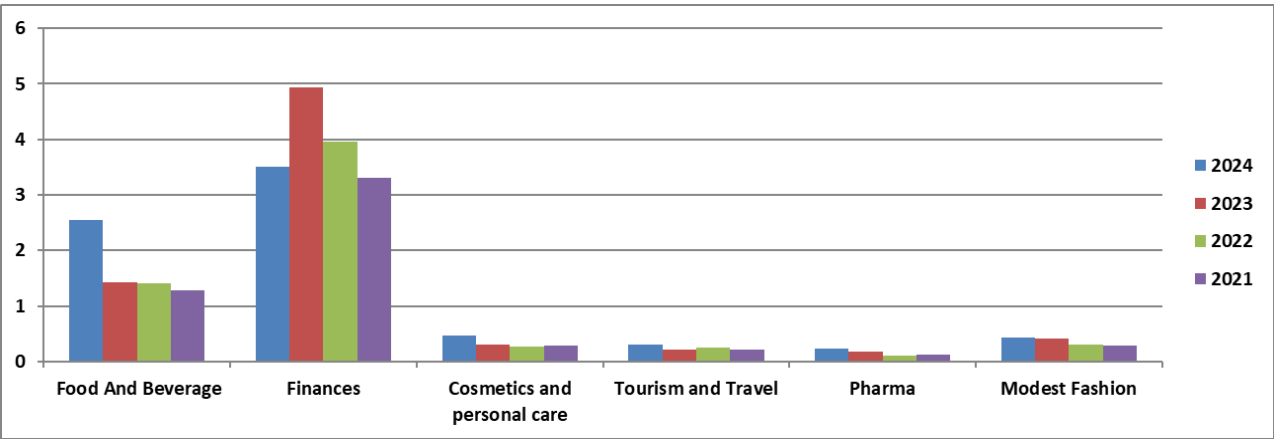
The largest Muslim population is located in the Asia-Pacific region (representing 60% of the total Muslim population), while around 20% are located in the Middle East and North Africa. According to the Pew Research Center, the international Muslim community has grown faster than any other major religious group in the past decade. Furthermore, the five countries with the largest number of Muslims in the world are Indonesia (242,700,000 inhabitants), followed by Pakistan (240,760,000), India (200,000,000), Bangladesh (150,800,000), and Nigeria (97,000,000). The growth of the Muslim population worldwide and the increased demand for and consumption of Halal products and services mean that the Halal market has great development potential.

The Halal market is not limited to the food sector, but also extends to other sectors such as tourism, finance, pharmaceuticals, cosmetics, and clothing, among others. In 2024, the global Halal food market was estimated at \$2.5 trillion, and the finance sector was estimated at \$3.5 trillion. Furthermore, the halal finance sector represents 43% of the total Halal market, followed by food (36%) (ISEGHalal, 2025). The finance sector is led by Middle Eastern countries, with Saudi Arabia being the largest Islamic finance market.

The largest Halal food market is concentrated in Asia-Pacific, especially Southeast Asia. The Association of Southeast Asian Nations (ASEAN) alone encompasses a Muslim population of nearly 300 million people. The growing demand for these products is driven, on the one hand, by culture and religion, but also by population growth and improved living conditions. Indonesia is the largest consumer in ASEAN, and the Indonesian Halal market is projected to reach \$282 billion this year, accounting for 11.3% of global Halal spending.

Malaysia stands out for its Halal industry thanks to the standard of its JAKIM certification system. According to the Global Islamic Economy Indicator (GIEI), Malaysia ranked first, leading the food, finance, tourism, and pharmaceutical industries in 2024. Furthermore, its industrial sector is valued at \$14 billion in 2024, representing 7% of its GDP. The sector's growth is primarily driven by its "Halal ecosystem" in sectors such as food, banking and finance, tourism, and logistics.

Chart 1: Halal market, value of main sectors (in trillion USD)



Source: Research Institute, based on ISEGHalal.

Regarding other sectors, Halal Tourism and Travel has great potential. Last year, it represented USD 302 billion, with Turkey, Malaysia, and Indonesia standing out as the main destinations for tourists (ISEGHalal, 2025). In the case of Malaysia and Indonesia, they offer a wide range of Halal-certified services, including food and beverages, hospitality, and prayer facilities; they also promote Sharia¹-compliant services and refine their Halal certification processes. Likewise, other destinations such as Thailand, Singapore, the United Kingdom, Taiwan, and Hong Kong are also developing the market aimed at attracting Muslim tourists and investing in infrastructure to provide comprehensive Halal services.

¹ Sharia is the system of Islamic law that provides a framework for Muslims to live in accordance with divine guidance, including personal conduct, worship, etc.

The growth of the Halal clothing and fashion market responds to demographic growth and the population's need to wear clothing and accessories that adhere to Islamic principles of modesty and ethical considerations. As with other economic sectors, the fashion industry presents itself as a sustainable and environmentally friendly industry. By 2024, this fashion industry will reach \$426 billion, and expansion is expected in the coming years. Regarding the cosmetics and personal care market, major East Asian brands are entering the Halal market to meet the specific needs of Muslim consumers. The global market for this type of cosmetics is projected to reach \$152.4 billion by 2030, with a compound annual growth rate of 14% between 2024 and 2030. Finally, the Halal pharmaceutical market is estimated to grow to \$570 billion this year and is expected to reach \$1.02 billion by 2030, with a compound annual growth rate of 12.6% over the next five years.

Finally, market growth has enormous potential, not only due to the size of the consumer population, but also due to other factors such as increased awareness of Halal standards, rising living standards, and the increased ease of purchasing through digital platforms. The expansion of e-commerce plays a fundamental role in connecting Halal producers with consumers around the world. The further development of the digital economy by Asia-Pacific countries is facilitating access for young consumers willing to shop through platforms offering certified products.

US trade policy and Southeast Asian exports

Despite the unilateral imposition of tariffs by the United States on imported products from Asia-Pacific countries, the region is showing solid growth in its exports abroad. While it is still early to measure the impact of tariffs on trade flows, available data for the first half of 2025 show growth in total exports.

In the case of ASEAN countries, exports grew by nearly 15% in the first half of the year in Vietnam, Thailand, Malaysia, and Singapore, and by nearly 10% in the Philippines and Indonesia. Among other nations in the region, Taiwan's exports grew by 25%, driven by telecommunications and electronics products. China experienced 5% growth, while India, Japan, and Korea did not experience significant changes in their exports abroad.

Despite the positive figures, analysts are cautious when explaining this process. It is estimated that a significant portion of US importers have decided to advance their purchases and increase their stocks above their historical values in order to avoid paying tariffs in the short term and allow time for negotiations to resolve the issue. Uncertainty is currently the rule, so it won't be until the second half of the year that we have a clearer picture of how Trump's decisions will reshape international trade.

Points of Interest

1. Vietnam and the United States Signed a Trade Agreement

Donald Trump announced in early July that the United States had reached a trade agreement with Vietnam, achieving the administration's third significant agreement before the self-imposed deadline of July 9 (later postponed). The outcome of the trade negotiations determined that the United States would apply 20% tariffs to Vietnamese imports. On the other hand, the US president mentioned

that Vietnam had agreed to a 40% tariff on any product originally coming from another country but shipped to Vietnam for final shipment to the United States.

Last April, the United States had designated a 46% tariff on imports from Vietnam, a result of the equation that considers the value of imports and the trade deficit. The tariff increase imposed by the US was a severe blow, as Vietnam is its main trading partner and the primary destination for its exports.

Vietnam was the sixth largest source of US imports in 2024, with a value of \$137 billion. Among the main imports from Vietnam are computers and electronics, clothing and accessories, and furniture. Furthermore, during Trump's first administration, when he imposed tariffs on China, Vietnam was one of the few beneficiaries, as it prompted companies to relocate their production to Vietnam, where tariffs were lower. Furthermore, the US president also announced a series of infrastructure projects in Vietnam that would be carried out by the Trump Organization and the local company KinhBac City Development, investing \$1.5 billion in hotels, golf courses, and luxury real estate, including the possibility of building a Trump Tower in Ho Chi Minh City.

2. Vietnam joins the BRICS as an Associate State.

In June, Vietnam joined the BRICS, becoming the fourth ASEAN country to join the forum. It should be noted that Vietnam, like Thailand and Malaysia, are associate members, not full members, as is the case with Indonesia. This implies being invited to meetings but not having voting rights within the bloc.

Likewise, the BRICS Summit was held in Rio de Janeiro from July 6 to 7. Brazil was the pro tempore president of the Forum, and its theme was "Strengthening Cooperation with the Global South for More Inclusive and Sustainable Governance." Vietnamese Prime Minister Pham Minh Chinh participated in the Summit, as did Malaysian Prime Minister Anwar Ibrahim, Indonesian President Prabowo Subianto, and Jiraporn Sindhuprai, Assistant Minister at the Prime Minister's Office of Thailand.

The Summit marked Indonesia's first participation as a full member of the Forum, and Thailand, Malaysia, and Vietnam as associate members. In their post-Summit statements, both President Prabowo and Prime Minister Anwar emphasized that multilateralism contributes to a more balanced international order.

The Rio Declaration also conveyed the bloc's support for multilateralism and unity to achieve the goals of the Paris Agreement, as well as for global governance reform and the deepening of international economic, trade, and financial cooperation, among other areas.

3. New President in the Republic of Korea

The presidential elections were held on June 3, and the winner was Lee Jae-myung of the Democratic Party, the opposition to the previous ruling party of Yoon Suk-yeol. Korea is facing economic challenges in response to political instability since the end of last year. On December 3,

2024, former President Yoon declared martial law, which immediately led to his impeachment and that of Prime Minister Han Duck-soo.

Last year, the economy grew by 2.3% and is estimated to grow at a rate of 2.1% this year (OECD). South Korea has been experiencing a slow economic recovery since the end of the pandemic due to declining production and competition with China in semiconductor and automobile exports. Furthermore, Yoon's government has made little progress in mitigating the impact of US tariffs imposed on the automotive, electronics, and steel sectors by the first Trump administration. In April of this year, the United States announced a 25% tariff on South Korean imports in response to the country's trade surplus, and on July 30th both countries agreed on that tariff to be reduced to 15%. In addition to demanding a "reciprocal" tariff rate, Trump has also urged South Korea to impose tariffs on its military contribution to the Korean Peninsula.

Domestically, the decline in consumption is another effect of the economic recession and political uncertainty. According to the Consumer Sentiment Index for December, it was 88.4, 12.3 points lower than in November 2024. The new government, led by Lee Jae-myung, has made it an economic priority to stimulate the economy by increasing public spending by \$22 billion to boost growth.

4. Border Disputes between Cambodia and Thailand

On May 28th, the Cambodian and Thai armies exchanged fire near Mom Bei, resulting in the death of a Cambodian soldier. On June 16, the Kingdom of Cambodia informed the UN Secretary-General of its intention to file a petition with the International Court of Justice regarding the ongoing and unresolved border dispute between the two kingdoms. Tensions between the two countries escalated on July 24th when the exchange of fire left 12 dead and the evacuation of 135,000 civilians. Between July 24th and 26th, the armed confrontation resulted in the deaths of more than 30 people (including civilians and soldiers) and the mobilization of thousands of residents on both sides of the disputed border. Faced with the escalating tensions, the United Nations Security Council urged Thailand and Cambodia to cease hostilities and resolve their border dispute by peaceful means. President Trump also maintained communications with the Acting Prime Minister of Thailand (Phumtham Wechayachai) and the Cambodian Prime Minister (Hun Manet), warning that if the attacks continued, his government would delay trade negotiations.

The diplomatic standoff over the region known as the Emerald Triangle is not recent, as both states have historical claims to these areas. For example, between 2008 and 2011, the dispute between the two kingdoms escalated into hostilities after Cambodia registered the Preah Vihear Temple on the UNESCO World Heritage List. The disputed border region includes the temples of Tamone Thom, Tamone Touch, and Ta Krabey, and the Mom Bei area. These four areas lay between the boundaries and influence of the Khmer Empire (802–1431) and the Ayutthaya Kingdom (1351–1767) in present-day Cambodia and Thailand. The two states were rivals in the pre-colonial past. The Siamese kingdom invaded the Khmer capital in 1431, and renewed conflicts between the two kingdoms erupted throughout the 16th century. By the end of the 19th century, Cambodia had become part of French Indochina. In 1863, French naval officers persuaded King Norodom to sign a treaty

granting France control of Cambodia's foreign affairs, and a decade later, the colonial power also assumed control of the kingdom's internal affairs. By 1906, Thailand and France had signed an agreement delimiting their territories, and the following year, the northwestern provinces of Batdâmbâng and Siem Reap were returned to Cambodia by the Siamese in 1907. Later in 1962, the International Court of Justice ruled on the Preah Vihear Temple dispute, granting Cambodia sovereignty over the area. On July 27th, ASEAN issued a Joint Statement on the disputes between these nations, urging the parties to immediately end hostilities and ceasefire. On the 28th, through coordination with the ASEAN Chair, Phumtham Wechayachai and Hun Manet attended a meeting in Kuala Lumpur where they agreed to a ceasefire.