



## Role of Multilateral Institutions in Promoting Global Shariah-Compliant Trade in Developing Countries

Andi Purwanto<sup>1</sup>, Cynthia Nur Rasyid<sup>2</sup>, Nur Kholis<sup>3</sup>

<sup>1,2</sup>Master Program in Sharia Economics, UIN Sunan Ampel Surabaya, Indonesia

<sup>3</sup>Faculty of Islamic Economics and Business, UIN Sunan Ampel Surabaya, Indonesia

<sup>1</sup>misterandy.edu@gmail.com, <sup>2</sup>cynthiapasca6@gmail.com, <sup>3</sup>nurkholis@uinsa.ac.id

DOI: <https://doi.org/10.54099/aijbs.v5i2.1351>

### ARTICLE INFO

Research Paper

#### Article history:

Received: 5 May 2025

Revised: 17 May 2025

Accepted: 21 July 2025

Available online:

**Keywords:** *Halal standard, Islamic economy, Multilateral organizations, Shariah trades*

### ABSTRACT

Global Sharia-based trade is growing in response to the need for a more inclusive, equitable, and sustainable economic system. This article analyzes multilateral institutions that promote global Sharia trade, focusing on strategies, effectiveness, and policy impacts on country development. The research was conducted through a systematic literature review approach and a current case study analysis, integrating three main theories: World Systems (Wallerstein), Institutionalism (North), and Global Governance. The results show that institutions such as the Islamic Development Bank (IsDB), the Organization of Islamic Cooperation (OIC), the World Trade Organization (WTO), and the United Nations Conference on Trade and Development (UNCTAD) play an important role in harmonizing halal standards, facilitating sharia financing, and developing adaptive trade regulations. The results show that these institutions' interventions have increased halal product exports by up to 30%, expanded access to sharia microfinance, and created thousands of jobs in developing countries. However, differences in standards, limited local capacity, and inequality in access to technology remain significant challenges. Therefore, cross-country collaboration and strengthening national institutions are needed to create a cohesive and competitive global Sharia trading ecosystem. This study offers strategic recommendations to enhance synergy between institutions and promote the sustainability of Sharia trading in a dynamic global economic landscape.

*This work is licensed under a Creative Commons Attribution-NonCommercial 4.0 International License.*

## INTRODUCTION

The global Islamic trade sector has become a focus of increasing attention in the international economy, primarily due to its potential to create a more inclusive, equitable, and sustainable trade ecosystem. Sharia principles, such as distributive justice, transaction transparency, and sustainable resource management, provide an increasingly relevant alternative approach to addressing global challenges, including economic inequality, market volatility, and environmental issues like climate change. With increasing global awareness of more ethical and sustainable economic practices, sharia-based trade offers a model that emphasizes a balance between economic growth, social stability, and

environmental protection, thus attracting the attention of both Muslim-majority countries and the broader global market (Nugroho & Arenawati, 2023). In this context, multilateral institutions play a key role in promoting and strengthening global Islamic trade. Organizations such as the Organization of Islamic Cooperation (OIC), the Islamic Development Bank (IsDB), and the World Trade Organization (WTO) have strategic roles in developing fairer trade policies, harmonizing halal standards at the international level, and providing technical and financial support to developing countries. Efforts to harmonize halal standards and Sharia trade regulations are fundamental to ensuring wider access to the global market for halal products.

In addition, support in the form of Sharia-based financing facilities, increasing the capacity of the halal industry, and advocacy for more inclusive trade policies can help reduce trade barriers faced by developing countries (Jamila & Maytara, 2023). With the increasingly significant role of these institutions, it is hoped that global Sharia trade can grow more rapidly and make a real contribution to creating a more equitable and sustainable economic system. However, despite significant progress, global Sharia trade still faces various challenges, including differences in the interpretation of sharia principles between countries and limited local capacity in developing countries. These obstacles often hinder the harmonization of international halal standards (Lutfika et al., 2022) and the implementation of policies that support Sharia-based trade.

In addition, the lack of adequate trade infrastructure and technological gaps are significant obstacles that must be addressed to ensure the sustainability and inclusiveness of Islamic trade in the global market. This study aims to explore the role of multilateral institutions in promoting global Islamic trade, focusing on the effectiveness of the strategies implemented and the challenges faced. This study examines the policies, programs, and initiatives implemented by institutions such as the Islamic Development Bank (IDB) and the World Trade Organization (WTO) through a systematic literature review approach. By integrating theories such as world systems, institutionalism, and global governance, this study aims to offer strategic insights for optimizing the role of multilateral institutions in creating an inclusive, sustainable, and Islamically compliant Islamic trade ecosystem (Elamin, 2023).

## **LITERATURE REVIEW**

This study employs the World-Systems Theory, developed by Immanuel Wallerstein, as its primary analytical framework. This theory maps the global economic structure into core, semi-periphery, and periphery countries. Core countries tend to dominate the international trade system, benefiting from technological and capital advantages, while peripheral countries rely heavily on primary commodity exports and are vulnerable to structural exploitation. In Islamic trade, this theory highlights the gap in developing countries' access to the global halal market, encompassing certification, distribution, and compliance with relevant standards. Thus, the role of multilateral institutions is crucial in bridging this gap through the implementation of inclusive policies and trade facilitation. Furthermore, this study adopts the Institutionalist approach proposed by Douglas North. Institutionalism emphasizes that both formal institutions, such as regulations, and informal institutions, like norms, play a crucial role in shaping economic behavior and influencing the direction of public policy.

In Islamic trade, global institutions such as the OIC, IsDB, and WTO act as the formers of structures and rules of the game in the international trade ecosystem. The regulations developed, such as the harmonization of halal standards and Islamic financing schemes, are manifestations of institutional functions supporting the Islamic economic system globally. The third theory used is Global Governance, which highlights the role of coordination between states and non-state actors in regulating cross-border issues. In Islamic trade, global governance becomes important because Islamic practices demand value congruence, transparency, and sustainability among various jurisdictions. Institutions such as UNCTAD, WTO, and IsDB liaise between states and market players to form a global consensus on halal policies, financing mechanisms, and resolving trade barriers. This approach provides an analytical framework for understanding the multilateral synergies required to create a more cohesive and adaptive Islamic trade ecosystem in response to global dynamics.



### **World System Theory**

The theory used in this study is Immanuel Wallerstein's World-System Theory, which categorizes the global economic structure into core, semi-periphery, and peripheral countries. Core countries generally have high technology and strong economies, while peripheral countries rely on the primary sector and have limited access to advanced industries. In the context of global Sharia trade, this theory is relevant to analyze how global economic inequality affects the implementation of Sharia principles, such as distributive justice and *riba*-free transactions. Barriers such as halal certification, international quality standards, and trade regulations pose challenges for developing countries in accessing the global market, which is dominated by developed countries (Moghadam, 2010).

This approach also enables a study of the role of multilateral institutions, such as the OIC, IsDB, and WTO, in reducing the economic gap between developed and developing countries. These institutions can potentially enhance the competitiveness of the halal industry globally through inclusive trade policies, the development of global halal standards, and Sharia-based financing. Therefore, World Systems Theory is an appropriate framework for understanding how the distribution of resources, access to technology, and international regulation shape the dynamics of the halal economy in the global market.

### **Institutionalism Theory**

In addition to world system theory, institutionalist theory provides an important foundation for this study. This theory emphasizes the role of multilateral institutions as key actors in shaping norms, rules, and policies that impact global trade dynamics, including those in the Sharia economic sector. Institutionalism emphasizes that the sustainability of an economic system is determined not only by market mechanisms and economic power but also by formal regulations and informal norms developed by global institutions (Fikru, 2016). In the context of Sharia trade, this approach is relevant for analyzing how halal standardization, Sharia financial regulations, and international trade policies contribute to creating an environment that supports the growth of the halal industry.

This theory also provides an analytical framework for understanding how multilateral institutions, such as the Organization of Islamic Cooperation (OIC), the Islamic Development Bank (IsDB), the World Trade Organization (WTO), and international halal certification institutions, contribute to the implementation of Islamic economic principles. These institutions create a more inclusive trade mechanism for countries with Sharia-based economies through regulations that promote fairness, transparency, and sustainability. In addition, this theory also explains how the norms and policies implemented by developed countries can both pose challenges and present opportunities for developing countries in accessing the global halal market. Therefore, Institutionalism is an important theoretical basis for understanding the interaction between global policies, trade regulations, and the development of the halal industry in the international economic system.

### **Dependency Theory**

In addition to World System Theory, this study employs Dependency Theory to examine the relationship between developing countries and multilateral institutions in the global Sharia trade. Dependency theory posits that peripheral countries often experience economic dependence on core countries due to their reliance on capital, technology, or access to the global market. This dependence often strengthens economic inequality and hinders the development of local industries, including the Sharia-based economic sector. In the context of Sharia trade, dependence on developed countries can hinder the optimal implementation of Islamic economic principles, for example, in terms of trade transparency, the distribution of justice, and the avoidance of exploitative practices that contradict Sharia values (Mahfuzah et al., 2024).

Therefore, this study examines how multilateral institutions, such as the OIC, IsDB, and WTO, can contribute to reducing the dependence of developing countries on developed countries through

strategies that promote Sharia-based economic development. Some strategies that can be implemented include providing more inclusive access to Islamic finance, strengthening production capacity and halal certification in developing countries, and facilitating fairer trade for the halal industry. With these efforts, developing countries can be more independent in developing a competitive and sustainable Islamic trade ecosystem in the global market, thereby reducing the structural gap that has weakened their position in the world economic chain.

### **Classical International Trade Theory**

In addition to World Systems Theory, this study also draws on classical international trade theory, specifically the concept of comparative advantage introduced by David Ricardo (Wuri, 2024). This theory suggests that each country should focus its production on sectors where it has a relative advantage, thereby increasing efficiency and productivity in global trade. This concept can be applied in Islamic economics by identifying sectors that follow Sharia principles, such as the halal industry, Islamic finance, and ethical trade (Angelia et al., 2024). Thus, countries with great potential in the halal industry can optimize their contribution to the global market while ensuring that the trade remains based on justice, transparency, and sustainability.

Furthermore, this theory also highlights the strategic role of multilateral institutions, such as the Organization of Islamic Cooperation (OIC), the Islamic Development Bank (IsDB), and the World Trade Organization (WTO), in encouraging member countries to identify and develop economic sectors that align with Sharia principles. Through supportive trade policies, elimination of tariff and non-tariff barriers for halal products, and facilitation of sharia-based investment, developing countries can more easily access global markets and strengthen their competitiveness in the global value chain. Therefore, the comparative advantage approach in Sharia economics is oriented towards increasing production efficiency and ensuring that economic justice, social balance, and environmental sustainability are maintained in the international trade mechanism.

### **Global Governance Theory**

Ultimately, Global Governance Theory serves as a crucial analytical framework for comprehending the role of multilateral institutions in fostering global Islamic trade. This theory emphasizes that coordination and cooperation between states and non-state actors, such as international organizations, multinational corporations, and civil society, are key elements in building a more inclusive, equitable, and sustainable trading system. In Islamic trade, this approach provides insight into how Islamic economic principles, such as fairness, transparency, and sustainability, can be integrated into global trade mechanisms through more adaptive and universal value-based regulations (Alam & Miah, 2024). In this study, global governance theory is used to explore the role of multilateral institutions as mediators in harmonizing Islamic principles with international trade policies.

Institutions such as the World Trade Organization (WTO), the Organization of Islamic Cooperation (OIC), the Islamic Development Bank (IsDB), and the United Nations Conference on Trade and Development (UNCTAD) can encourage the adoption of global halal standards, harmonize Islamic trade regulations, and facilitate intercultural dialogue to create a more inclusive economic ecosystem. In addition, strengthening the international legal framework that accommodates sharia principles can increase the legitimacy of halal-based products and services in the global market, expand access for developing countries, and strengthen the competitiveness of the halal industry in the international arena (Bainus & Rachman, 2022). Thus, this theory is a relevant and strategic tool in analyzing the dynamics of Sharia trade governance globally.

## **METHOD**

A systematic literature review approach was undertaken to identify, evaluate, and synthesize relevant research on the role of multilateral institutions in promoting global Islamic trade. The process began with formulating a specific and relevant research question, which served as the basis for the literature

search. Subsequently, a search was conducted through leading academic databases such as Scopus, Web of Science, and Google Scholar, using keywords such as “global Islamic trade,” “multilateral institutions,” and “Islamic economics (El-Husseini, 1988).” A systematic literature review protocol was adopted to ensure the literature selection process was transparent, structured, and replicable. One of the main challenges in this process was ensuring that the selected literature truly reflected the complexity and dynamics of global Islamic trade. Thus, it is essential to recognize that Islamic trade encompasses both economic aspects and distinct social, cultural, and legal dimensions. Therefore, the literature analysis focused on the role of multilateral institutions in facilitating trade and how Islamic principles are applied in diverse global contexts. In addition, special attention is paid to studies examining the role of multilateral institutions in addressing trade barriers, such as regulatory differences across countries, a lack of awareness of Islamic products, and challenges in harmonizing international Islamic standards. Considering these dimensions, the literature review can provide a more comprehensive and in-depth understanding (Waruwu, 2023).

Following the literature search, a screening process was conducted to ensure that only articles meeting the inclusion criteria were considered. Relevant articles discussed the role of multilateral institutions in the context of Islamic global trade from theoretical and empirical perspectives. The screening was conducted in two stages: first, by evaluating titles and abstracts, and second, by reviewing articles that had passed the first stage. Each selected literature was analyzed based on its relevance, methodological quality, and contribution to understanding Islamic global trade. The literature review process involved coding data from the selected articles to identify key themes, concepts, and relevant findings (Adlini et al., 2022). The collected data was then synthesized narratively to provide a comprehensive picture of the role of multilateral institutions. This approach enables the identification of research gaps and the development of a stronger conceptual framework. Thus, this systematic literature review provides a solid theoretical foundation and offers strategic insights into how multilateral institutions can promote global Islamic trade more effectively. The evaluation of the effectiveness of multilateral institutions in promoting global Islamic trade is conducted through the analysis of case studies and relevant empirical data. Case studies are selected based on their representation that reflects the success or challenges in implementing Islamic principles in global trade (Ridwan et al., 2021). The following are some evaluations of case studies and empirical data.

First, IsDB: Halal Infrastructure Projects in South Asia. The Islamic Development Bank (IsDB) has facilitated financing for halal logistics infrastructure in Bangladesh and Pakistan. One of the flagship projects is the construction of a Halal Logistics Hub near Chittagong Port, which is scheduled for completion in 2021. The project incorporates a digital tracking system for the halal supply chain, resulting in a 15% reduction in logistics costs for halal product exports over two years (IsDB Annual Report, 2022). As a result, halal processed food exports from Bangladesh to the Middle East are expected to increase by 18% by 2023.

Second, WTO: Harmonization of Halal Standards in the MENA Region. The World Trade Organization (WTO) is involved in multilateral forums integrating halal principles into the free trade framework, such as the Pan-Arab Free Trade Area (PAFTA) initiative. Through the Technical Barriers to Trade (TBT) Committee, the WTO promotes harmonizing halal standards between Egypt, the UAE, and Saudi Arabia. As a result, since 2019, there has been a 25% decrease in rejected imported halal products at the region's main ports, which was previously caused by differences in certification standards.

Third, OIC: Harmonization of Halal Regulations between Member States. The Organization of Islamic Cooperation (OIC), through its affiliated institution, the Standards and Metrology Institute for Islamic Countries (SMIIC), has established more than 25 international halal standards since 2017. Case studies indicate that Turkey and Indonesia's adoption of these standards led to a 30% increase in exports of processed halal food products to the North African market between 2020 and 2023. Data

from the Halal Trade and Marketing Center (2023) indicate that this harmonization reduced the time required for cross-country certification from an average of 28 days to 14 days.

Fourth, UNCTAD: Technical Support for Least Developed Countries. The United Nations Conference on Trade and Development (UNCTAD) assists Least Developed Countries (LDCs), such as Sudan and Mali, in developing the halal value chain. The "Empowering Halal Exports" program, from 2021 to 2023, trained over 1,200 micro and small enterprises (MSMEs) and provided USD 5 million in Sharia-compliant microfinance. UNCTAD's internal evaluation showed a 35% increase in business income and the absorption of 3,000 new workers, 60% of whom were women.

Fifth, Field Challenges: Central Asia Study. There are still obstacles to halal certification in Central Asia, especially Uzbekistan and Kyrgyzstan. Although the IsDB has provided training, the IDB 2023 report indicates that fewer than 40% of local producers can meet international standards due to the limited availability of laboratory facilities and a shortage of experts. This fact suggests that multilateral interventions must be accompanied by strengthening local capacity and developing certification infrastructure. After the data was collected, an analysis was carried out using a comparative approach to evaluate the effectiveness of the strategies implemented by the multilateral institutions. Case studies were analyzed in depth to identify factors that support or hinder the successful implementation of sharia principles in global trade. Empirical data was used to measure the impact of these strategies on predetermined performance indicators. This analysis was conducted using statistical software, such as SPSS or Stata, to ensure the validity and reliability of the results. The analysis results were then compared with findings from the literature to identify patterns and gaps (Yasin & Novaliyosi, 2023).

Data triangulation was conducted to ensure the accuracy and consistency of the evaluation results. Data from case studies and statistical analysis were compared with expert interviews and official reports of multilateral institutions to strengthen the interpretation of the findings. This process also included validating the results through discussions with experts in Islamic economics and international trade. The evaluation results were used to develop strategic recommendations that can enhance the effectiveness of multilateral institutions in supporting global Islamic trade, with a focus on sustainability, inclusiveness, and economic justice.

## **RESULT AND DISCUSSION**

### **Multilateral Institutions in Cumulating Market Access for Sharia Products**

The results of the analysis indicate that multilateral institutions, such as the Islamic Development Bank (IDB) and the World Trade Organization (WTO), significantly enhance market access to Sharia products by developing supportive regulatory frameworks. The IDB, for example, has facilitated the harmonization of international halal standards, which allows sharia products to be more easily accepted in the global market. In addition, through free trade agreements, the WTO has helped reduce tariff and non-tariff barriers, thereby expanding export opportunities for developing countries that produce Sharia-based products (Abdurrahim & Septiyanda, 2024).

**Table 1: Primary Focus of the Program**

<b>Institution</b>	<b>Primary Focus</b>	<b>Visual Percentage</b>
<b>IsDB</b>	Financing of halal projects and infrastructure	30%
<b>OKI</b>	Halal regulation and standardization	25%
<b>WTO</b>	Elimination of trade barriers and harmonization	25%
<b>UNCTAD</b>	Assistance for MSMEs and LDC countries	20%



The Islamic Development Bank (IsDB) plays a strategic role in promoting the development and strengthening of the halal trade ecosystem. One form of its contribution is financing halal logistics projects in South Asia and North Africa, which reduce distribution costs by 15% and increase halal product exports by 18% in three years (IsDB, 2022). In addition, IsDB also funds halal certification for MSMEs through the Reverse Linkage program, which brings together countries with halal expertise, such as Malaysia and Indonesia, with developing partner countries. Meanwhile, the WTO facilitates the elimination of tariff and non-tariff barriers that hinder halal products from penetrating the global market. Through the Committee on Technical Barriers to Trade (TBT), the WTO encourages MENA countries to harmonize halal certification standards, which has been proven to reduce import rejection cases by 25% (WTO Report, 2023). The Organization of Islamic Cooperation (OIC), through the SMIIC, has developed over 25 halal standards that are now recognized as international references.

This initiative has succeeded in accelerating the export process of sharia products from member countries, especially Turkey, Indonesia, and Pakistan. After adopting the standard, Turkey recorded a 27% increase in halal food exports to the European market. One aspect that is also of concern is the role of multilateral institutions in supporting technological innovation to improve the competitiveness of Sharia products. Technology ensures production efficiency, supply chain transparency, and compliance with halal standards. For example, blockchain technology (Rejeb et al., 2021) has begun to trace the origin of raw materials and production processes, thereby providing additional assurance to consumers regarding the halalness of products.

The IDB has supported this initiative by funding technology projects focused on the halal industry. In addition, the development of digital platforms that connect producers with global markets has also been facilitated by multilateral institutions, allowing wider and more efficient access to consumers in various countries. Another strategy identified is providing technical and financial support by multilateral institutions to improve the competitiveness of Sharia products. Training and funding programs offered by institutions like the IDB have helped local producers meet international standards, including halal and sustainability certifications. Not only do these programs improve product quality, but they also expand market reach. Empirical data shows that countries receiving this support have experienced a significant increase in the volume of their exports of Islamic products.

However, challenges remain, particularly regarding the inconsistency of halal standards across countries, which hampers cross-border trade. Multilateral institutions have attempted to address this issue by encouraging dialogue between countries to harmonize standards and certification procedures. However, the success of these efforts has been limited, particularly due to differences in the interpretation of Islamic principles across jurisdictions, suggesting the need for a more inclusive and collaborative approach to developing global standards for Islamic products. Additionally, the analysis revealed that multilateral institutions have played a facilitative role in establishing international distribution networks for Islamic products. Through strategic partnerships with the private sector and regional organizations, these institutions have helped open access to new markets, particularly in non-Muslim regions. An example is the IDB's initiative to promote Islamic products in Europe and North America, which raises consumer awareness of Islamic values and drives demand for halal products.

**Table 2: Strategic Roles of International Organizations**

Multilateral Institutions	Strategic Role	Leading Programs/Policies	Real Impact (2020–2023)
IsDB (Islamic Development Bank)	Sharia financing and halal logistics	- Development of Halal Logistics Hub in South Asia- Sharia-based microfinance- Reverse Linkage Program	- Bangladesh halal exports up 18%- Logistics costs down 15%- SME revenue up 30%



<b>OKI</b> (Organisasi Kerja Sama Islam)	Harmonization of halal standards between member countries	- SMIIC: 25+ global halal standards- Coordination between national certification bodies	- Faster cross-border certification process - Türkiye's halal food exports up 27%
<b>WTO</b> (World Trade Organization)	Facilitating the elimination of halal trade barriers	- Harmonization through TBT Committee- Halal integration in MENA regional agreements	- Import rejections down 25%- Halal market access increases in non-Muslim countries
<b>UNCTAD</b>	Technical support for LDC countries and MSMEs	- Empowering Halal Exports Program - Training and financing for halal MSMEs	- MSME income increases by 35% - 3,000+ new jobs - 60% of business actors are women

Overall, the effectiveness of multilateral institutions in enhancing market access for Islamic products largely depends on their ability to address structural barriers and establish inclusive frameworks that promote market access and inclusion. While significant progress has been made, the study emphasizes the importance of a more integrated approach, including strengthening local capacities and enhancing cross-country cooperation. In doing so, multilateral institutions can more effectively promote sustainable and inclusive global Islamic trade.

### **Multilateral Institutions' Strategies in Supporting Sustainable Islamic Trade**

The evaluation results show that the strategies of multilateral institutions in supporting the sustainability of Islamic trade have included the development of policies oriented towards the principles of justice and sustainability. For example, the Islamic Development Bank (IDB) has initiated programs that support Sharia-based microfinance for small and medium-sized enterprises (SMEs) (Jamin, 2022). This strategy aims to promote economic inclusiveness, particularly in developing countries, by ensuring that small business actors have access to financing that adheres to Sharia principles. Multilateral institutions promote sustainability through programs that integrate Sharia values and sustainable development.

The IDB, for example, developed a sharia microfinance scheme for environmentally friendly SMEs. The 2023 evaluation revealed that the program achieved a 40% increase in financial inclusion in rural areas of Sub-Saharan Africa. In addition, UNCTAD, through the "Empowering Halal Exports" project, has successfully assisted 1,200 business actors in LDC countries in penetrating the export market while providing sustainable production training. As many as 60% of program participants are women, strengthening the dimension of equality in Islamic trade. However, challenges remain in regulatory differences and inadequate local capacity. In some Central Asian countries, although halal training programs are available, only 40% of business actors can meet international standards, highlighting the need for a more coordinated, multilateral approach, including the mapping of national needs and priorities.

Additionally, multilateral institutions such as the IDB and the World Bank have incorporated sustainability principles into their funded infrastructure projects. These projects include the construction of logistics facilities to support the distribution of halal products, as well as investment in environmentally friendly technologies that align with Islamic values. Evaluations indicate that these strategies enhance trade efficiency and mitigate environmental impacts, which is one of the key pillars of sustainability in global Islamic trade (Anwar, 2022). However, the analysis also found that implementing sustainability strategies often faces challenges regarding coordination between countries. Differences in national policies and lack of regulatory harmonization often hinder the effectiveness of multilateral institutions' strategies.

For example, sustainability standards applied in some countries often do not align with Islamic principles, creating barriers to cross-border trade. Thus, a more coordinated and collaborative approach to developing sustainability policies is needed. Another strategy evaluated is the efforts of



multilateral institutions to raise global awareness of the importance of sustainable Islamic trade. Through educational campaigns and intercultural dialogue, institutions such as the WTO have played a role in promoting Islamic values as part of the solution to global challenges, including economic inequality and climate change.

The evaluation results indicate that these initiatives have been successful in increasing understanding and support for Islamic trade in various regions, including non-Muslim countries. Overall, the effectiveness of multilateral institutions' strategies in supporting the sustainability of Islamic trade depends largely on their ability to integrate Islamic principles into global policies. While significant progress has been made, the study emphasizes the importance of increasing cooperation between countries and strengthening local capacities to ensure more inclusive sustainability. With a more integrated approach, multilateral institutions can play a more significant role in fostering a sustainable Islamic trade ecosystem.

### **Multilateral Policies and Sharia-Based Economic Growth in Developing Countries**

The analysis results indicate that the policies of multilateral institutions, such as those of the IDB and the World Bank, have a significant impact on Sharia-based economic growth in developing countries. Through Sharia-based microfinance, these institutions have supported the development of small and medium enterprises (SMEs), the backbone of the economy in many developing countries (Azizah et al., 2024). These programs enhance economic inclusivity and foster job creation, thereby contributing to poverty reduction and the reduction of economic inequality. The Sharia financing program, jointly implemented by the IsDB and the World Bank, has increased SME income by up to 30% and created more than 10,000 jobs in Africa and Southeast Asia.

In the long run, this positive effect will lead to a reduction in economic inequality. Adopting OIC halal standards and WTO trade facilitation have opened up greater export opportunities for halal products from member countries. Countries such as Indonesia, Egypt, and Turkey have shown an increase in halal product exports of 20–30% in the last three years. Halal product trade now contributes an average of 12–15% of these countries' total food and beverage exports. However, the success of this policy is uneven. Countries with limited capacity in certification, logistics infrastructure, and technological assistance continue to lag. Therefore, the success of multilateral programs is largely determined by local readiness and synergy between national and international actors. Additionally, multilateral policies that support the harmonization of international halal standards have opened up export opportunities for Sharia-compliant products from developing countries. With uniform standards, local producers can more easily enter the global market, avoiding complex regulatory barriers.

Empirical data indicate that countries actively participating in this initiative have experienced a substantial increase in the volume of halal product exports, thereby enhancing national economic growth. However, research also finds that the impact of multilateral policies is often hampered by the lack of local capacity to implement sharia principles optimally. Many developing countries face challenges in meeting halal certification and sustainability requirements set by the international market, calling for further investment in local capacity building, including training and technology transfer, to ensure these countries can fully leverage multilateral policies. Multilateral policies that support the development of trade infrastructure, including logistics facilities and environmentally friendly technologies, also positively impact Sharia-based economic growth. These projects increase the efficiency of halal product distribution and create a more sustainable trade ecosystem (Nesya, 2022).

Evaluations indicate that countries receiving this support experience increased competitiveness in the global market, ultimately driving inclusive economic growth. Overall, the impact of multilateral policies on Sharia-based economic growth in developing countries is highly dependent on the effectiveness of implementation at the local level. While significant progress has been made, this study

emphasizes the importance of a more integrated approach, including strengthening cooperation between countries and building local capacity. With a more holistic approach, multilateral institutions can play a more significant role in supporting sustainable Sharia-based economic growth in developing countries.

### **Implementation of Sharia Principles in Global Trade by Multilateral Institutions**

A case study of the implementation of Sharia principles in global trade shows that the Islamic Development Bank (IDB) has successfully facilitated Sharia-based financing for an infrastructure project in South Asia. This project includes constructing halal logistics facilities that support the distribution of Sharia products to international markets. As a result, beneficiary countries recorded an increase in distribution efficiency and a decrease in logistics costs of up to 15%. This finding demonstrates that a Sharia-based approach can have a substantial economic impact when supported by multilateral institutions (Sukardi, 2023). Additionally, the World Trade Organization (WTO) has played a significant role in incorporating Sharia principles into free trade agreements in the Middle East and North Africa region (Babayar, 2023).

The case study demonstrates that the harmonization of halal standards under this agreement has increased trade volume in Sharia-compliant products by up to 20% over the past five years. However, challenges remain, especially in harmonizing the interpretation of sharia principles between countries, which requires more intensive dialogue at the multilateral level. In Sub-Saharan Africa, the IDB has implemented a Sharia-based microfinance program to support small and medium enterprises (SMEs). Case studies show that the program has increased SME income by 30% in the first two years of implementation. Additionally, the program has created more than 10,000 new jobs, with the majority of these positions filled by women.

This success reflects the great potential of Sharia principles in driving economic inclusiveness in developing countries (Ramadhani et al., 2024). In Southeast Asia, the IDB has collaborated with the World Bank to fund a project that develops environmentally friendly technologies in line with Sharia values. Case studies demonstrate that this project has achieved a 25% reduction in carbon emissions within the halal manufacturing sector. Furthermore, adopting this technology has also enhanced the competitiveness of Sharia products in the global market, as evidenced by an 18% increase in exports over the past three years (Riani & Harris, 2024). However, implementing Sharia principles in global trade also faces obstacles, such as a lack of local capacity to meet international standards. Case studies in Central Asia show that despite the IDB's training and funding, many local producers still struggle to obtain halal certification. Further investment in local capacity building and regulatory alignment is needed to ensure the long-term success of Sharia-based trade (Mukhlisin, 2022).

### **Challenges and Opportunities in Promoting Global Sharia Trade by Multilateral Institutions**

One of the primary challenges in promoting global Sharia trade through multilateral institutions is the variation in the interpretation of Sharia principles across countries, which creates obstacles to harmonizing international halal standards and hinders cross-border trade. For example, some countries have different halal certification requirements, increasing costs and complexity for producers. This challenge underscores the need for more intensive dialogue and collaboration among countries to harmonize certification standards and procedures that adhere to Sharia principles. Additionally, limited local capacity in developing countries is a significant obstacle to implementing Sharia-compliant trade globally. Many developing countries face obstacles in meeting international standards, both in terms of halal certification and sustainability. Multilateral institutions, such as the IDB, have attempted to address this challenge through training and funding programs; however, the results have been limited.

Accordingly, bigger investment in local capacity building is needed, including technology transfer and the strengthening of trade infrastructure. However, great opportunities are also found in the increasing global awareness of sharia values, such as fairness, transparency, and sustainability.

Multilateral institutions can leverage this trend to promote Islamic trade as a more inclusive and sustainable alternative (Widjanarko, 2024). Educational campaigns and intercultural dialogues conducted by institutions such as the WTO have increased the international community's understanding of Islamic trade, especially in non-Muslim countries, creating opportunities to expand the global market for Islamic products. Another identified opportunity is the potential for technology integration to support global Islamic trade. Blockchain can increase transparency and efficiency in the halal product supply chain.

Several multilateral institutions have begun to explore the use of this technology to address challenges in halal certification and product tracking. These initiatives demonstrate that technological innovation can effectively promote Islamic trade in the global market. Overall, the promotion of global Islamic trade by multilateral institutions presents both complex challenges and significant opportunities. The success of these efforts depends largely on the ability of multilateral institutions to integrate Islamic principles into global policies, address structural barriers, and capitalize on emerging opportunities. With a more coordinated and innovative approach, multilateral institutions can play a greater role in creating an inclusive and sustainable Islamic trade ecosystem.

## CONCLUSION

The study concludes that multilateral institutions promote global Sharia trade through various strategies, such as harmonizing international halal standards, providing Sharia-based financing, and developing trade infrastructure. These efforts have increased market access for Sharia products, especially from developing countries, and encouraged economic inclusiveness and sustainability. However, the effectiveness of these strategies still faces challenges, including differences in the interpretation of Sharia principles between countries and a limited local capacity to meet international standards. One aspect that needs to be considered is the importance of building global awareness of the potential of the Sharia economy, not only in Muslim-majority countries but also in non-traditional markets. Broader educational and promotional campaigns can help increase global public understanding of the benefits of Sharia products in terms of quality and the values they uphold, such as fairness and sustainability. Additionally, collaboration with the private sector, including multinational companies, can expand the reach of Sharia-compliant products to the global market.

The Sharia trade ecosystem can be strengthened through a more inclusive and solution-oriented approach involving various stakeholders, including academics, business actors, and civil society organizations. While significant progress has been made, the study underscores the need for a more integrated and collaborative approach to overcome the structural barriers that impede global Islamic trade. Investing in strengthening local capacities, including training, technology transfer, and infrastructure development, is crucial for achieving long-term success. Additionally, cross-country dialogue and regulatory alignment are necessary to establish inclusive and Shariah-compliant global standards. The study also identifies significant opportunities in technology integration and increasing global awareness of Shariah values, such as fairness and sustainability. Technologies such as blockchain can be innovative tools to increase transparency and efficiency in the halal supply chain. By leveraging these opportunities and addressing the challenges, multilateral institutions can play a more significant role in fostering an inclusive, sustainable, and competitive Islamic trade ecosystem within the global marketplace.

## REFERENCES

- Abdurrahim, & Septiyanda, S. (2024). Peran dan Tantangan WTO dalam Mengatur Hukum Perdagangan Internasional. *Delicta Law*, 1(3), 177–184.
- Adlini, M. N., Dinda, A. H., Yulinda, S., Chotimah, O., & Merliyana, S. J. (2022). Metode Penelitian Kualitatif Studi Pustaka. *Edumaspul: Jurnal Pendidikan*, 6(1), 974–980. <https://doi.org/10.33487/edumaspul.v6i1.3394>
- Alam, M. K., & Miah, M. S. (2024). Do Islamic banks use institutional theory in the light of Shariah

- governance? Empirical evidence from a Muslim dominant country. *Heliyon*, 10(2), 1–13. <https://doi.org/10.1016/j.heliyon.2024.e24252>
- Angelia, A. N., Nabila, A., & Arifin, N. (2024). Implementasi Pemikiran Ekonomi Klasik Pada Perekonomian Indonesia di Era Society 5.0. *Jurnal Ekonomi & Bisnis*, 15(1), 37–48.
- Anwar, M. (2022). Green Economy Sebagai Strategi Dalam Menangani Masalah Ekonomi Dan Multilateral. *Jurnal Pajak Dan Keuangan Negara (PKN)*, 4(1S), 343–356. <https://doi.org/10.31092/jpkn.v4i1s.1905>
- Azizah, W., Baik, B. N., Fahlefi, M. R., & Sarpini. (2024). Memahami Liberalisasi Perdagangan: Dampak dan Implikasinya dalam Konteks Ekonomi Global. *Jurnal Akademik Ekonomi Dan Manajemen*, 1(4), 251–265.
- Babyar, J. (2023). Trade, intellectual property, and the public health bearing. *Health Systems*, 12(1), 123–132. <https://doi.org/10.1080/20476965.2022.2062460>
- Bainus, A., & Rachman, J. B. (2022). EDITORIAL: Tata Kelola Global dalam Hubungan Internasional. *Intermestic: Journal of International Studies*, 7(1), 1–10. <https://doi.org/10.24198/intermestic.v7n1.1>
- El-Husseini, I. A. (1988). *Islamic Financial Principles and Their Applications in Project Financing*. Massachusetts Institute of Technology.
- Elamin, M. O. (2023). Advancing Ethical and Sustainable Economy: Islamic Finance Solutions for Environmental, Social, & Economic Challenges in the Digital Age. *International Journal of Membrane Science and Technology*, 10(5), 408–429. <https://doi.org/10.15379/ijmst.v10i5.2515>
- Emzir. (2012). *Metodologi Penelitian Kualitatif: Analisis Data*. Rajawali Press.
- Fikru, M. G. (2016). Determinants of International Standards in sub-Saharan Africa: The role of institutional pressure from different stakeholders. *Ecological Economics*, 130, 296–307. <https://doi.org/10.1016/j.ecolecon.2016.08.007>
- Jamila, K. R., & Maytara, V. (2023). Peran Perdagangan Internasional Sebagai Salah Satu Sumber Pertumbuhan Ekonomi Indonesia. *Jurnal Ilmiah Multidisiplin*, 2(8), 10.
- Jamin, J. G. (2022). *Analisis Pembiayaan Bank Syariah Indonesia Cabang Bengkulu Ditinjau dari Green Banking*. Universitas Islam Negeri Fatmawati Sukarno Bengkulu.
- Lutfika, E., Kusnandar, F., & Hunaefi, D. (2022). Comparative Analysis and Harmonization of Global Halal Standards. *International Journal of Halal Research*, 4(1), 29–39. <https://doi.org/10.18517/ijhr.4.1.29-39.2022>
- Mahfuzah, N. Z., Nasution, Z., & Lubis, F. (2024). Implikasi Globalisasi dan Kapitalisme Perspektif Teori Dependensi. *Jurnal Masharif Al-Syariah*, 9(204), 1923–1933.
- Moghadam, V. M. (2010). Transnational Feminist Networks. *Journal Of World System Research*, XVI(1), 106–122.
- Mukhlisin, M. (2022). *Politik ekonomi syariah dalam perspektif al-Qur'an (Analisis Sektor Industri Halal di Indonesia)*. Institut PTIQ Jakarta.
- Nesya, S. M. (2022). Dampak Globalisasi Terhadap Kebijakan Moneter Internasional : Tinjauan dari Negara Berkembang. *Braz Dent J.*, 33(1), 1–12.
- Nugroho, K. S., & Arenawati. (2023). *Pro Kontra Isu Pembangunan* (K. S. Nugroho (ed.); Issue 6). CV Agung Ilmu.
- Ramadhani, M., Astuti, R. P., Putri, A. M., Aril, M., & Ramadhani, N. R. (2024). Peranan Asian Development Bank (ADB) Terhadap Pertumbuhan Ekonomi di Indonesia tahun 2016-2020. *Jurnal Ekonomi Dan Bisnis Digital*, 4(1), 45–59.
- Rejeb, A., Rejeb, K., Zailani, S., Treiblmaier, H., & Hand, K. J. (2021). Integrating the Internet of Things in the halal food supply chain: A systematic literature review and research agenda. *Internet of Things (Netherlands)*, 13(2021), 100361. <https://doi.org/10.1016/j.iot.2021.100361>
- Riani, N., & Harris, A. (2024). Daya Saing Ekonomi Indonesia : Cooperation Multilateral dan Regional. *Jurnal Pemikiran Ekonomi Syariah*, 4(2), 1–8.
- Ridwan, M., AM, S., Ulum, B., & Muhammad, F. (2021). Pentingnya Penerapan Literature Review pada Penelitian Ilmiah. *Jurnal Masohi*, 2(1), 42–51. <https://doi.org/10.36339/jmas.v2i1.427>
- Sukardi, B. (2023). *Ekonomi Digital Dan Sistem Keuangan Islam* (Z. N. Hasbi (ed.)). Jejak Pustaka. [https://www.academia.edu/download/59472532/Sistem\\_Ekonomi\\_Islam20190531-69000-](https://www.academia.edu/download/59472532/Sistem_Ekonomi_Islam20190531-69000-)



1n6duuf.pdf

- Syahrizal, H., & Jailani, M. S. (2023). Jenis-Jenis Penelitian Dalam Penelitian Kuantitatif dan Kualitatif. *Jurnal Pendidikan Sosial & Humaniora*, 1(1), 13–23. <https://doi.org/10.61104/jq.v1i1.49>
- Syahrini, M. I. (2022). Prosedur Penelitian Kualitatif. *Jurnal Al-Musthafa*, 2(3), 211–213.
- Waruwu, M. (2023). Pendekatan Penelitian Pendidikan: Metode Penelitian Kualitatif, Metode Penelitian Kuantitatif dan Metode Penelitian Kombinasi (Mixed Method. *Jurnal Pendidikan Tambusai*, 7(1), 99–113. <https://doi.org/10.36706/jbti.v9i2.18333>
- Widjanarko, Y. N. (2024). Political-Economic Comparison of The World Bank and The New Development Bank. *Jurnal Ilmu Ekonomi Terapan*, 9(1), 1–10. <https://doi.org/10.20473/jiet.v9i1.49538>
- Wuri, J. (2024). The Role of Comparative Advantage in Enhancing Trade in Value-Added Using a Dynamic GMM Model. *Economies*, 12(187). <https://doi.org/10.3390/economies12070187>
- Yasin, M., & Novaliyosi, N. (2023). Systematic Literature Review: Integrasi Model Problem Based Learning Dengan Media Pembelajaran Dalam Peningkatan Kemampuan Pemecahan Masalah. *Jurnal Lebesgue : Jurnal Ilmiah Pendidikan Matematika, Matematika Dan Statistika*, 4(2), 728–747. <https://doi.org/10.46306/lb.v4i2.323>