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Religious Ethnocentrism in International Trade Policies

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Abstract: *This paper analyses the way in which religious ethnocentrism relates to consumer protectionism and therefore affects international trade. Focusing on religious ethnocentrism among Muslim consumers, this paper further investigates if ethnocentric behaviour in this demographic market segment imposes a non-tariff barrier to exporters who are trying to engage into commercial activities in traditional and religious markets. However, we find that religious ethnocentrism in the Muslim population is not necessarily an obstacle to international trade, but rather a specific characteristic of some markets that can be easily overcame by certifying the products and services with the halal certificate. This certificate guarantees to religious consumers that the goods consumed are in accordance with their religious beliefs and norms. The exporters bearing this certificate can easily place their products and services in traditional markets that are not import-oriented to foreign products. Therefore, this certificate is a mean of obtaining a competitive advantage among ethnocentric consumers and cannot be seen as a protectionist measure. In order to prove that, we conducted research among the top managers of the Croatian food industry exploring their attitudes on religious ethnocentrism and the halal certificate.*

Keywords: *religious ethnocentrism, consumer protectionism, halal certificate, international trade*

1. Introduction

Globalization is the process of global economic integration. However, one of the paradoxes of this complex process is also cultural diversification and rising political pluralism. Although some would argue that globalization has brought us all closer to each other, we still live in a world of political particularism which has encouraged the blossoming of new states and new ethnic movements, and has strengthened national and cultural identities worldwide.[1] The world's economic integration is being built upon continuous international trade liberalization. It is hard to imagine any kind of economic integration without free movement of goods across national borders. Though it seems that nowadays you can easily place your product in whichever corner of this "global village" we all live in, we cannot deny that this idea might be an idealistic scenario.

Despite overall trade liberalization, especially in the context of an individual's right to purchase and trade with products of their own choice, we cannot neglect the fact that the variety of the goods exported are crossing borders of so many different countries and cultures. Therefore they cannot be equally accepted by all consumers regardless of their nationality, ethnicity, religion, personal values and customs. There is a strong and reasonable argument that cultural and religious ethnocentrism may impose itself as a non-tariff barrier to international trade and a subtle protectionist measure.

The decades of effort put to reducing or abolishing formal tariff barriers, from the U.S. Reciprocal Trade Agreements Act, several free trade negotiation rounds under the General Agreement on Tariffs and Trade, and finally the establishment of World Trade Organization (Jackson, 1991; Laird, 2002, Stiglitz and Charlton, 2006), may not provide a suitable remedy for consumer protectionism which is preconditioned by individual cultural and religious preferences among consumers. Though some will argue that religious ethnocentrism is an obstacle to free movement of goods, we aim to demonstrate that the appreciation of cultural differences may be utilized as an effective adaptable strategy in international trade policy.

[1] The issue of political disintegration that accompanies economic integration process was first introduced to the World's public in the famous adress of Kofi Annan to the UN's General Assembly in 1998, „The Politics of Globalization".

Therefore, this paper analyzes religious ethnocentrism from a different point of view. In this paper religious differences and individual religious preferences are perceived as a competitive advantage in the global market instead of being superficially classified as an obstacle to international trade. For example, this paper uses the uprising halal market to illustrate how religious ethnocentrism among specific groups of consumers has been utilized as an instrument of an adaptable trade strategy – a strategy that takes advantage of religious ethnocentrism in order to enable the exporters' easy access to new markets. Therefore, religious ethnocentrism observed as a strategic chance can maximize export performance on the markets that are usually perceived as traditional.

2. Consumer Protectionism and Religious Ethnocentrism

Consumer protectionism and ethnocentrism can be observed as a complex structure of mutual relationships, individual preferences and attitudes built from one`s comparative self-identification and derived from a common belief that a specific cultural, national or religious group is different or superior to others (Greenfield, 1992; Hooghe, 2002). With regard to this definition ethnocentrism carries a negative connotative value within the context international relations, mainly because research on consumer protectionism shows a high correlation between ethnocentrism and traditional values, especially those religious or authoritarian (Brewer, 1999; Roccas, 2005; Nakano, 2004). Within this context, consumer ethnocentrism and protectionism express themselves in the consumer's appraisal for domestic, national or religiously approved products and services, while those considered to be foreign, strange or outsider are discarded. This kind of behaviour pattern validates an individual's identity and affirms that he or she belongs to a specific group. Therefore, in terms of trade exchange, religious ethnocentrism could have a strong protectionist effect.

However, some authors argue that ethnocentrism and consumer protectionism are by their nature completely ambivalent notions; although they rely on ethnic identities, they do not necessarily cause a conflict of interest between exporters and consumers or further associated negative implications. Ethnocentrism should be observed in a specific social context and understood in a broader picture. Some authors argue that understanding, researching and measuring ethnocentrism among specific groups of consumers using specially designed tools such as CETSCALE (Consumer Ethnocentric Tendency Scale) can help companies and other international trade competitors detect potentially troubling markets and factors that drive ethnocentrism (Shimp and Sharma, 1987). Consequently the competitors on international market can learn how to overcome cultural differences and consumer ethnocentrism removing them as an obstacle and treating them solely as a specific characteristic of certain markets that require a more adaptable approach (Sun et al., 2004; Nijssen et al., 2006; Kotler et al., 2007).

Encouraged by this new, more optimistic approach, many authors engage in researching the correlation between religious preferences and ethnocentric consumer behaviour finding a high correlation between these variables. It is important to stress that this correlation cannot be exactly determined among all consumers belonging to a specific denomination since some perceive themselves to be more or less religious compared to the others. Therefore, within a specific group of individuals belonging to a single denomination we find ones to be more ethnocentric that the others (Cornwell et al., 2005, Gibbs et al., 2007). Because of this inconsistency, the influence of religion on an individual's behaviour in common social context requires both more attention and further research for more credible findings.

Despite these variations in research results, we cannot dispute a strong influence of religion on consumer ethnocentrism and protectionism. Religious beliefs and norms influence our behaviour patterns. Some religious denominations impose strict rules on our way of living – from the food we eat and beverages we drink to the way we dress or spend our free time. For individuals that are highly driven by their religious beliefs, religious ethnocentrism defines what they buy and in what manner they will consume the goods and services.

Although we have already referred to ethnocentrism as an ambivalent notion, with regard to significance of individual religious preferences to international trade, it is important to draw attention to some controversial trade policies that have utilized religious ethnocentrism; one of them was introducing Mecca Cola for Muslims as a substitute to Coca Cola, and the other was an initiative supported by some Middle East countries for labelling the approved products by a trademark "Made by a Muslim" (Shimp and Sharma, 2006). Regardless of how controversial these trade practices might have been, competitors in the global market should be conscious that we don't live in a homogeneous world and that economy and international trade are not only about money and numbers. However if international trade is understood exclusively in such a simplified manner, then we should take into account that the Economist has valued the halal products market that targets Muslim consumers specifically at an approximate 580 billion USD.[2] Therefore, we cannot disregard the economic potential of ethnocentric and religiously driven markets, regardless of how complex it would have been to compete in trade exchange on them.

3. International Trade on Global Halal Market

First of all, we should stress that there are more than 2 billion Muslims in the world, so the proliferation of Islam is a starting point for evaluating the halal market potential. However, halal products are not exclusively purchased by Muslims. In the United Kingdom, there are more than 4 million consumers of other religious denominations that purchase halal products. This interest among non-Muslim populations is not unusual because these consumers associate halal certificate with the highest standards of product quality control, and a few also associate the halal certificate with awareness to cruel animal treatment in food industry.

Beside Middle Eastern countries, the most significant importers of halal products are North African countries and countries of South East Asia: Indonesia, Malaysia and Singapore. In Central Asia, Pakistan, Bangladesh and India are the most promising markets. Despite the low percentage of Muslims in the overall Chinese population, Chinese market in fact is also one of the prospering halal markets because there is a community of more than 60 million Muslims living in this country.

The following table shows the percentage of Muslim population in the overall population of a specific country and the correlation of halal production to halal consumption.

Table1. *Halal Market Acitivity in Selected Counries*[3]

(The countries marked with an asterix are the members of Organization of Islamic Countries)

COUNTRY	POPULATION (millions.)	MUSLIM POPULATION (%)	OVERALL MUSLIM POPULATION (millions)	HALA ACTIVITY RATE
AFGHANISTAN*	26.88	99	26.61	1, 6
ALBANY	3.49	70	2.44	1, 6
ALGIERS*	31.20	99	30.88	2
ARGENTINE	37.48	2	0.75	2, 4
AUSTRALIA	19.36	1	0.19	4, 5
AZERBAIJAN*	8.10	93	7.53	1
BAHREIN*	0.70	100	0.70	3, 7
BANGLADESH*	131.27	88	115.52	7
BENIN*	6.59	20	1.32	1
BOSNIAIHERZEGOVINA	2.00	60	1.20	1, 6
BRASIL	172.12	0.10	0.17	2, 4
BRUNEI*	0.34	64	0.22	3, 7
BURKINA FASSO	12.27	50	6.13	1
CAMEROON*	15.80	21	3.32	1
CANADA	31.08	1	0.31	2, 4
CHAD*	8.42	50	4.21	1
CHINA	1274.91	2	25.50	2, 4
GJIBUTI*	0.46	97	0.45	1
EGYPT*	68.36	90	61.52	3, 7
FIJI	0.88	20	0.16	3, 7
FRANCE	59.90	7	4.14	2, 4
GABON*	1.21	3	0.04	1
GAMBIA*	1.41	95	1.34	1
GUINEA*	7.61	85	6.47	1

[2]From the article „Food, fashion and faith", available at www.economist.com/business/displaystory.cfm?

story_id=9587818

[3] Sources: Encyclopedia Britannica Almanac, 2005., Encyclopedia Britannica Staff, Chicago, IL and Riaz,N.M.,Chaudry,M.:*Halal food production,* CRC Press, Washington, D. C., 2005., p. 217.-277.

GUINEA BISSAO*	1.32	45	0.59	1
INDIA	1029.99	15	154.50	2, 4
INDONESIA*	224.78	87	195.56	2,3,5,7
IRAN*	65.62	99	64.96	1,2,3
IRAQ*	23.33	97	22.63	1
JORDAN*	5.13	96	4.92	1
KAZAHSTAN*	16.73	47	7.86	1
KUWIAT*	2.27	85	1.93	2,3,5,7
KIRGISTAN*	4.93	75	3.70	1
LEBANON*	3.66	55	2.00	1
LYBIA*	5.24	97	5.08	1
MALESIA*	22.60	52	11.75	2,3,5
MALDIVES*	0.33	100	0.30	1
MALI*	11.00	90	9.90	1
MAURITANIA*	2.67	100	2.67	1
MOROCCO*	30.12	98	29.52	2,3
MOZAMBIQUE*	19.37	20	3.87	1
NEW ZELAND	3.86	2	0.08	2,4
NIGERIA*	126.64	50	63.32	1
OMAN*	2.53	90	2.28	1,7
PAKISTAN*	144.61	97	140.27	2
RUSSIA	144.42	10	14.44	1
SAUDI ARABIJA*	22.76	97	22.08	2,3,5,7
SENEGAL*	10.29	92	9.47	1
SIERRA LEONE*	5.32	60	3.14	1
SINGAPORE	3.32	15	0.49	2,3,5,7
SOMALIA*	7.97	100	7.49	1
SOUTH AFRICAN REP.	43.58	2	1.05	2,4,5
SUDAN*	36.08	70	25.26	1
SYRIA*	16.73	90	15.06	1
TAJIKISTAN*	6.44	80	5.15	1
TOGO*	5.15	15	0.77	1
TUNISIA*	9.83	99	9.72	1
TURKEY*	66.23	99	65.57	1
TURKMENISTAN*	5.46	89	4.86	1
UGANDA*	23.98	16	3.84	1
GREAT BRITAIN	59.95	2	1.20	2,4
UAE*	3.11	96	2.99	3,5,7
USA	286.07	2	5.79	2,4
UZBEKISTAN*	25.15	88	22.13	1
YEMEN*	18.08	100	18.06	1
QATAR*	0.74	95	0.70	3,7

In the end, we cannot disregard that even non-Muslim countries are a high potential halal market. In the U.S. there are more than 10 million Muslims, and the leading centre of halal consumption is New York's greater area. The European Union is also home to numerous Muslim immigrant communities residing in France, Germany and the U.K.

4. Is Religious Ethnocentrism Really a Non-Tariff Barrier in International Trade?

The basic requirement for entering the halal market is certifying a product or service at one of the accredited Islamic authorities which guarantees for credibility of the certificate. In this case, we cannot argue that the halal certificate is a protectionist measure, because any producer or service provider may apply for the certificate at the authority of his choice. Those who obtain the certificate actually gain a competitive advantage on traditional markets and among ethnocentric consumers. Some Islamic countries have even reached out of their territories to establish certification agencies across the globe, e.g. Indonesian authorities have opened their offices in the U.S. In this way, some traditional countries have demonstrated they are open for all foreign producers and service providers to export to their market. Furthermore, Middle Eastern countries have all gathered under the initiative of Saudi Arabia in order to standardize a common, so called Middle Eastern halal standard. A common standard for several national markets enables foreign exporters to place their products easily on various markets without enduring unnecessary costs or conducting several different procedures that would complicate the export process to this unique market.

However, some countries have adopted a more restrictive approach and they regulate the procedures and standards for issuing the certificate by national legislation. E.g. in Malaysia or Singapore the certificate may be issued only by specialized government offices. Furthermore, these countries have officially imposed import restrictions and they require some products, especially meat, to be certified (according to the Malaysian Trade Classification and Custom Duties Order). This approach has been applied in Pakistan as well, while other countries of Central Asia have not yet regulated their procedures. These cases show that both strict regulation, and the absence of regulated certification procedure, can be understood as a protectionist measure, especially if we take into account the ethnocentric consumer behaviour among Muslim populations in these countries.

Though some countries are trying to impose the halal certificate as a protectionist measure, the statistics of unique international halal market show that these efforts are ineffective. Although commercial campaigns appealing to ethnocentric consumers are founded upon the paradigm “bye the products produced by your own country” using e.g. slogans “Buy American” or e.g. in our country “Authentic Croatian Product” product label, the global halal market is a paradox itself. It is created for producers that target Muslim populations living under the rules of Islamic norms, but almost 80% of all halal food products are being produced in non-Muslim countries. The vast majority of these products are exported to the Middle East; but United Arab Emirates import 80% of these products from Brazil and Australia.[4] Most producers and service providers, such as Nestle, Nivea, Revlon or McDonalds, holding halal certificate, come from non-Muslim countries (Uddin, 2004).

Finally, we conclude that ethnocentric consumer protectionism, preconditioned by individual religious preferences, is not necessarily an obstacle to international trade. The implementation of the halal certificate shows that it can be turned into a competitive advantage in specific national markets and within specific demographic market segments. Croatian producers are becoming increasingly aware of this and have initiated the procedures to certify their own products in order to appeal to religious Muslim and Jewish consumers. Therefore, we conducted research among Croatian exporters concerning their perception on ethnocentric consumers and export strategies on these traditional and ethnocentric markets.

5. The Exporters’ Perception on Halal Certificate as an Adaptable Export Strategy Based on Religious Factors

In general, the Croatian exporters have not utilized enough the potential of food production and export. Assuming that Croatian exporters could benefit more from international trade of food products if they applied innovative and adaptable export strategies based on the halal certificate, we conducted research among Croatian top managers in the food industry. Following hypotheses were set:

H1 Managers believe that consumer ethnocentrism is determined by religious preferences;

H2 Managers perceive the halal certificate as an adaptable export strategy focused on ethnocentric markets;

H3 Managers believe that the implementation of the halal certificate could increase overall exports to specific markets.

This research was conducted on a purposive sample of 50 Croatian managers selected from the database of the Croatian Chamber of Commerce. We applied the questionnaire survey and an in depth-interview method. The questionnaire was designed to take into account that religious ethnocentrism can be understood in terms of protectionism (consumer ethnocentrism) on one side; while on the other side can be seen as an ambivalent factor in international trade that maximizes the export performance of Croatian companies if they implement the halal certificate. We applied the model of "uncertainty/risk avoidance", according to which the companies primarily export to countries they resemble in terms of culture and mentality and to those markets to which they can easily adapt their products or services (Anderson, 1993).

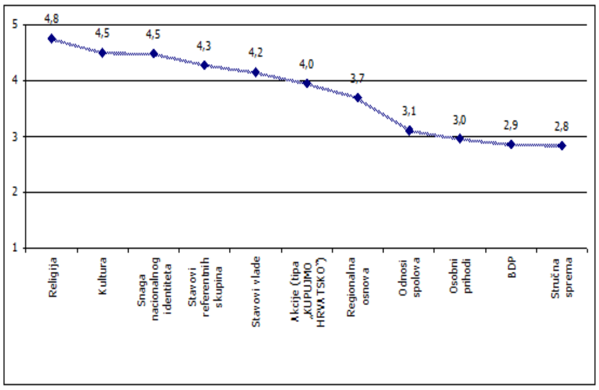
[4] Brasil and New Zealand have government supported programmes of beef export to Asia and Middle East.

The statistical analysis program "SPSS 17" was used. The methods used contain the frequencies, percentages, mean scores and statistically significant differences between the percentages (p-test) and the difference between the mean score (t-test).

First, we asked Croatian managers whether they perceive consumer ethnocentrism as a protectionist non-tariff barrier, to which they unanimously answer positively. Therefore, we have successfully confirmed H1 hypothesis.

Table2. *The Evaluation of Managers' Perception on Factors that Contribute Ethnocentric Behaviour (Likert Scale)*

CLAIM / QUESTION	AVERAGE
RELIGION	4.8
CULTURE	4.5
NATIONAL IDENTITY	4.5
POLITICS	4.2
DOMESTIC COMMERCIAL CAMPAIGNS	4.0
REGIONAL IDENTITY	3.7
SEX	3.1
PERSONAL INCOME	3.0
GDP	2.9
EDUCATION	2.8

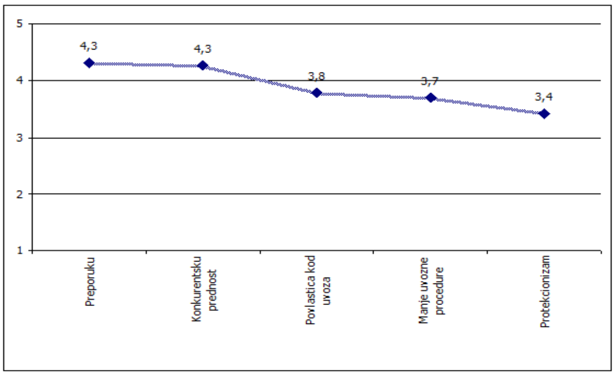


When asked whether they perceive religious ethnocentrism to be an obstacle to international trade, 28.6 % of managers answered that they find religious ethnocentrism to be a very important obstacle to export in international trade, and 47,6% consider it as an obstacle to some extent. The rest of them provided either neutral, or negative answers, but there were only 2% who consider it not to be a non-tariff barrier at all.

When asked about their perception on the significance of the halal certificate in international trade, most of exporters think it would be a competitive advantage to possess such a certificate. Therefore we have confirmed the H2 hypothesis.

Table3. *THE PERCEPTION on the EFFECTS of IMPLEMENTING the HALAL CERTIFICATE*

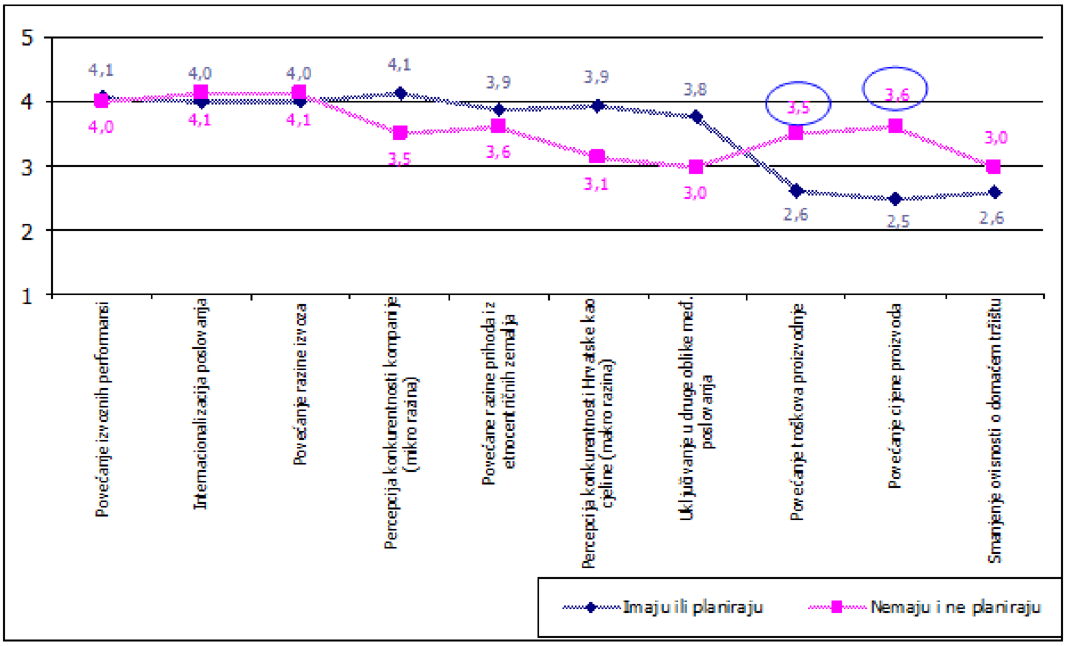
CLAIM / QUESTION	AVERAGE
THE CERTIFICATE IS A GOOD REFERENCE OF MY COMPANY TO INTERNATIONAL PARTNERS	4.4
THE CERTIFICATE IS A COMPETITIVE ADVANTAGE AGAINST OTHER COMPETITORS ON THE MARKET	4.4
THE CERTIFICATE WOULD SIMPLIFY EXPORT PROCEDURES	3.6
THE CERTIFICATE AS AN IMPORT REQUIREMENT IS A PROTECTIONIST MEASURE	3.3



The following table shows that Croatian managers perceive this adaptable strategy as an instrument that would improve their competitiveness on the international market by enabling them to access new markets. They believe that the certificate could increase the overall export performance of their companies and change the structure of their export output. Therefore, we have also confirmed the H3 hypothesis.

Table4. Evaluation of the Managers' Perception on the Outcomes of Implementing the Certificates (Likert Scale)

CLAIM / QUESTION	**AVERAGE**
THE CERTIFICATE WOULD ENHANCE THE COMPANY'S EXPORT PERFORMANCE	4.1
THE CERTIFICATE WOULD HELP THE COMPANY TO ACCESS NEW MARKETS	4.0
THE CERTIFICATE WOULD BOOST OVERALL EXPORT LEVEL	4.0
THE CERTIFICATE WOULD MAKE THE COMPANY MORE COMPETITIVE IN INTERNATIONAL TRADE	4.0
IMPLEMENTING THE CERTIFICATE WOULD BE COSTLY REGARDING EXPORT AND PRODUCTION PROCESS	2.8.
THE CERTIFICATE WOULD AFFECT PRICING POLICY	2.7
THE COMPANY WOULD BE LESS DEPENDENT TO DOMESTIC MARKET IF IT IMPLEMENTED THE CERTIFICATES	2.7



We have to stress that in the overall sample there was a significant variation in the results of those exporters that have already certified their products or intend to do so, and those exporters that do not intend to obtain any kind of certificate. The variation is seen in the questions regarding the expected effects of the certificate on production costs and pricing policy, since those managers that do not intend to certify their products think that the implementing procedure for halal certificate would be very costly and would most likely affect their pricing policy.

6. Conclusion

This paper and the research conducted have proven that consumer ethnocentrism is vastly determined by the religious preferences of consumers. Those preferences and ethnocentric behaviours limit to trade exchange with traditional countries predominated by ethnocentric populations. Therefore, in a form of consumer protectionism, religious preferences can be seen as an informal, non-tariff barrier to international trade. However, exporters across the globe have become more conscious of the cultural and religious heterogeneity of the world as a determinant factor in international trade. Because of that, they apply this new approach appealing to ethnocentric consumers using different strategies. This paper has proven that halal certificate is an adaptable export strategy that appeals to the ethnocentric Muslim populations. This certificate is not understood as an import restriction or a non-tariff barrier, but rather as a competitive advantage in traditional Islamic markets. It also enables some exporters to create a new export cluster adjusted to the needs of this special market segment.

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