

# Indonesia's Global Halal Hub: Competitive Strategies for Leadership

**Akim, Viani Puspita Sari & Neneng Konety**  
*Universitas Padjadjaran*

**Nurfarah Nidatya**  
*Universitas Pembangunan Nasional "Veteran" Jakarta*

## ABSTRACT

*Although the vision of Global Halal Hub 2024 is supported by the government, this research highlights Indonesia's lack of awareness of its competitive advantages, which attracted the author's attention to explore further. Qualitative and descriptive analysis are the methods in this research. This paper refers to the concepts of Competitive Advantage of Nations developed by Michael E. Porter, namely factor conditions, demand conditions, related and supporting industries, and firm strategy, structure, and rivalry. Through factor condition analysis, it can be seen that to achieve a competitive advantage in the halal industry, Indonesia needs to improve its logistics infrastructure and develop human resource expertise in halal certification, research stimulation, and product innovation. To achieve Global Halal Hub status, researchers highlight the importance of comprehensive and collaborative approaches, such as integration in strengthening logistics infrastructure, increasing human resource expertise related to halal certification, and increasing research and product innovation. In addition, consumer education and cooperation with institutions and governments play a vital role in creating favorable conditions.*

**Keywords:** *Comparative Advantage, Halal Hub, Indonesia*

*Kendati visi Global Halal Hub 2024 didukung oleh pemerintah, penelitian ini menyoroti masih kurangnya kesadaran Indonesia terhadap keunggulan-keunggulan kompetitif yang dimiliki, sehingga menarik perhatian penulis untuk menelaah lebih lanjut. Metode kualitatif dan analisis deskriptif menjadi metode dalam penelitian ini. Tulisan ini merujuk pada konsep-konsep Competitive Advantage of Nations yang dikembangkan oleh Michael E. Porter, yakni factor condition, demand condition, related and supporting industry serta firm strategy, structure, and rivalry. Melalui analisis factor condition, terlihat bahwa untuk mencapai keunggulan kompetitif dalam industri halal, Indonesia perlu meningkatkan infrastruktur logistik serta pengembangan keahlian sumber daya manusia dalam sertifikasi halal, stimulasi riset, dan inovasi produk. Guna mencapai status Global Halal Hub, peneliti menyoroti pentingnya pendekatan-pendekatan komprehensif dan kolaboratif, seperti integrasi dalam penguatan infrastruktur logistik, peningkatan keahlian sumber daya manusia terkait sertifikasi halal, dan peningkatan riset serta inovasi produk. Selain itu, edukasi konsumen dan kerja sama dengan lembaga serta pemerintah memainkan peran vital dalam menciptakan kondisi yang mendukung.*

**Kata-kata Kunci:** *Keunggulan Komparatif, Halal Hub, Indonesia*

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Despite the pandemic's uncertainty, global Muslim spending on the Islamic economy (excluding the financial sector) is expected to rise by 9.1% in 2022. As reported in the State of the Global Islamic Economy Report 2022, Muslim consumption will amount to US\$2.8 trillion in the year 2025, growing at a 7.5% CAGR during the following four years (DinarStandard 2022) Malaysia has retained the top spot in the Top 15 Countries Ranking for the ninth consecutive year, relating to the Global Islamic Economy Indicator. Following Malaysia are Saudi Arabia, the United Arab Emirates, and Indonesia (DinarStandard 2022). Indonesia is currently ranked fourth in The Global Islamic Economy Indicator due to strong performance in halal economy sectors, which include food, Islamic finance, pharmaceuticals, cosmetics, fashion, and tourism (DinarStandard 2022).

Due to the rapid expansion of the Muslim population as well as a growing understanding of halal standards among non-Muslim consumers, global demand for halal products and services has increased significantly in the past few years (Istiqlal 2023). As a dynamic and diverse archipelago, Indonesia has emerged as an essential actor within the internationally recognized halal industry due to its strategic geographical location, rich cultural heritage, and commitment to Islamic principles. Indonesia's economic growth remains positive in the third quarter of 2022, as evidenced by increased productivity following the COVID-19 pandemic. As it can be a supplementary factor, the Halal Industrial Estates (KHI) are expanding, resulting in halal ecological system that goes from up to down. President Joko Widodo's policy of accelerating the emergence of halal industrial zones, including areas with a Halal Industrial Zone Business License (IUKIH), has resulted in a surge in the number of halal industrial zones, set to make Indonesia a Global Halal Hub by 2024 (Hudaefi & Jaswir 2019).

The term "Halal Hub" refers to a specific area that serves as a center of Islamic economic activity, involving various financial and commercial service activities such as halal commodity provision, corporate headquarters management, education and research words, consulting services, and other services. The halal industry's global framework was established to capitalize on the growing global Muslim market and increase its contribution to the global

economy (Hasan 2021). In the global landscape, Indonesia is the country with the most Muslims, with an estimated 229 million in total by 2023 (Arnavillia 2023). However, a tapering paradox exists behind this demographic achievement: Indonesia has yet to achieve a top position in the global Islamic economy, including as a Halal Hub. Nonetheless, the government's vision of making Indonesia a Global Halal Hub by 2024 has been supported by several initiatives. However, to fully realize Indonesia's potential, it is necessary to investigate how Indonesia's competitive advantages can be leveraged.

Indonesia has stepped forward to build a resource-based global halal industry alongside the emergence of the Global Halal Hub Indonesia (GHI) goal (Istiqlal 2023). Understanding the relationship between Indonesia's strategy and international relations is critical as it works toward the GHI vision. Building and sustaining global leadership in halal production necessitates strategic collaboration, harmonization of halal standards, and effective engagement with international stakeholders.

This study used qualitative methods and descriptive analysis to explain Indonesia's competitive advantage as a chance to establish itself as a Global Halal Hub. Researchers can use the methods to conduct exploratory research, discovery, and inductive logic. The information was collected from both primary and secondary sources. Interviews with relevant parties, such as the Director of Law and Economic Agreements at the Ministry of Foreign Affairs, BPJPH (Halal Product Guarantee Agency), and Halal Corner, are primary sources, while the secondary sources are derived from literature reviews. These procedures entail searching for information or data in documents, reports, photos, and electronic documents relevant to the research. Desk research can provide theoretical underpinnings and additional information to aid data analysis and interpretation.

## **The Competitive Advantage of the Indonesian Halal Industry**

There has recently been an argument that government policies foster competitiveness. When we examine the national economy closely, we see significant differences in competitive success among industries within a country. International advantages are frequently concentrated on specific industries (Porter 1998). Measures of innovation assist businesses in gaining a competitive advantage. They view innovation broadly, including emerging technologies and methods for accomplishing things. They find new ground or better ways to compete on an existing basis. New product designs, manufacturing processes, marketing strategies, and training methods can all be examples of innovation.

The Competitive Advantage of Nations concept developed by Michael E. Porter is an approach for analyzing variables that can increase a nation's competitiveness in the global market. These factors include government policy, resource sustainability, the level of innovation, and firms' ability to compete (Porter 1998). Why do many industrial sectors in different countries achieve excellence? According to Porter (1998), this advantage comprises four determinants: (1) factor conditions – describe how well a nation performs in the production variables, including qualified workers or facilities needed to compete in a particular industry; (2) demand conditions – define the features of domestic demand over industrial use products or services; (3) supporting and related industries – whether there are or were neglected of internationally viable suppliers and related industries in the home country; (4) firm strategy, structure, and competition – explains the national conditions that govern the business formation, organization, and management, as well as the nature of domestic competition.

In an era of increasing globalization, efforts to carve out a superior position on the global economic stage have become urgent. Using the ideas from Michael E. Porter's Competitive Advantage of Nations concept, this research will uncover numerous factors affecting a nation's global market competitiveness.

Several previous studies discussed the Indonesian halal industry through non-religious factors in halal standards. According

to Suryawan et al. (2022) non-religious factors significantly influence the formation of halal standards. The historical context in Indonesia shows that cross-border agri-food companies and the shift towards processed foods in the market have made halal standards necessary by non-Muslim producers due to the need for more attention to Islamic food principles and the lack of consumer awareness. This highlights the substantial role of non-religious factors in shaping halal standards in Indonesia, aligning them with market interests, protecting the domestic sector, and responding to halal commercialization. Thereby highlighting the political-economic processes and market dynamics are at the center of the formulation of such standards (Hudaefi & Jaswir 2019; Suryawan et al. 2022).

Furthermore, the Indonesian halal industry discussion can also be seen through government and industry strategies in the halal economy. Regulations that optimize the potential of the halal market and reduce dependence on imports can show the commitment of the Indonesian government (Maulana & Zulfahmi 2022; Syamsiyah & Ardana 2022). Collaboration with stakeholders also aligns with the increasing halal awareness among consumers, as evidenced by the growing number of businesses obtaining halal certification (Maulana & Zulfahmi 2022) The Halal Goods Guarantee Law and the formation of the National Committee for Sharia Economics and Finance highlight the government's commitment to supporting the halal industry.

The discussion of the Indonesian halal industry can also be seen through the development of halal infrastructure. It is explained that various government initiatives and regulations have aided in developing halal industrial infrastructure in Indonesia (Hasan 2021; Putro et al. 2023) The DPR-RI's Halal Product Guarantee Law No. 33 of 2014 necessitates halal guarantees on products in circulation. The government, through BPJPH, MUI (Indonesian Ulema Council), and the Ministry of Religious Affairs, is encouraging the advancement of the halal industry. The Ministry of Industry is planning a halal industrial park as part of its commitment to developing infrastructure.

Furthermore, the government focuses on integrating digital systems into the halal industry's supply chain in line with the global

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digitalization trend. The Indonesian government has also taken strategic steps to improve the competitiveness of the halal industry through the Indonesia Sharia Economic Masterplan 2019-2024, which focuses on the “halal by concept” and strengthening the digital economy. The establishment of Halal Industrial Estates and Halal Hubs as part of the 2019-2024 Indonesian Sharia Economic Master Plan reflects efforts to strengthen the infrastructure regarding the halal industry (Hasan 2021).

This industry's enormous potential, particularly in halal food, Islamic finance, tourism, and fashion, is also reflected in Indonesia's projected expenditure of USD 146.7 billion on halal food consumption by 2022. Nevertheless, Indonesia needs to address several challenges, including the influx of imported products, issues with Islamic banks, and constraints in implementing Law No. 33 of 2014 (Syamsiyah & Ardana 2022).

According to these studies, it is essential to deeply understand Indonesia's competitive advantages to realize its vision as a Global Halal Hub. Therefore, this investigation is expected to identify Indonesia's competitive advantages regarding the halal industry and provide strategic approaches for Indonesia to become a leader in the global economic stage based on halal principles.

## Determinants of the National Competitive Advantage in Shaping Indonesia’s Global Halal Hub

**Table 1.**  
**Analysis of the Competitive Advantages of the Indonesian Halal Industry based on Michael Porter’s Diamond of National Advantages**

Analysis Category			
Factor Condition	Demand Condition	Related and Supporting Industry	Firm Strategy, Structure, and Rivalry
Improved halal logistics and distribution infrastructure to support production efficiency and delivery of halal products.	E d u c a t e consumers about halal products to increase demand and awareness of halal principles.	Strengthening supporting sectors such as halal guarantee institutions, various halal certification actors, and government support.	Developing an effective global marketing strategy to improve the image and attractiveness of Indonesia as a halal center.
Development of human resource expertise regarding halal certification and the latest technology.	Providing various halal products according to domestic and global market demand.	.	I n c r e a s i n g partnerships between Indonesian halal companies and international stakeholders to expand market reach.
S t i m u l a t e research and innovation in developing halal products to increase competitiveness.			

*Source: Researcher (2023)*

Indonesia’s development as a Global Halal Hub requires an in-depth understanding of the determinants that shape national competitive advantage. As mentioned in Table 1 above, Michael

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Porter's Diamond of National Advantages analysis categories are broken down into factor conditions, demand conditions, related and supporting industry, firm strategy, structure, and rivalry.

*Factor Condition*

Improving logistics and distribution infrastructure to support the efficiency of production and delivery of halal products is a determinant factor in analyzing the competitive advantage of the Indonesian Halal Industry. The basic principle of halal logistics is the process of manufacturing materials or products through a supply chain that always complies with certain standards, such as avoiding contamination or errors and ensuring consistency with the Sharia and the expectations of Muslim customers. Indonesia is developing the halal industry's physical infrastructures to strengthen its domestic and global chains. The KNEKS (National Committee for Sharia Finance and Economics) 2020-2024 work program summarizes Indonesia's halal logistics development strategy, including halal product certificates and the construction of halal hub ports by sea and air (IHATEC 2021). Indonesia has eight halal logistics companies that provide warehousing and shipping services (IHATEC 2021). These companies must implement halal certificates, from shipment and storage to distribution. The presence of a halal certificate aims to ensure that all logistics processes adhere to Sharia and all applicable regulations.

The development of human resource expertise in halal certification and the latest technology are also crucial factors in analyzing the competitive advantage of the Indonesian Halal Industry. Investment in education and training is used to improve workforce expertise in halal certification, industry management, and related fields. This will create an environment where professionals can optimally contribute to the growth of the halal industry. By what is being developed by BPJPH, as stated by Lady Yulia – LPH Supervision Sub-Sector Analyst and Halal Auditor – the halal certification mechanism in Indonesia is supported by trained professionals, namely by the Accreditation Assessor of the Halal Examining Institution/Foreign Halal Institution (LPH/LHLN) of the Halal Product Guarantee Agency, Ministry of Religious Affairs of the Republic of Indonesia (Yulia 2023). Besides, fostering collaboration with international and domestic industry experts



to share knowledge and best practices in halal certification is also crucial. This can be achieved through partnerships, joint research projects, and knowledge exchange programs. Furthermore, Indonesia needs to invest in research and development initiatives to keep abreast of the latest technological developments needed in the halal industry (Hasan 2021).

Research and innovation in halal product development must be stimulated to increase competitiveness. BRIN (The National Research and Innovation Agency) initiates research and innovation activities with industry players/SMEs (Micro, Small, and Medium-Sized Enterprises), the community, and other parties; for example, it collaborated with the KNEKS to organize the Halal Tech Expo and Halal Tech Forum. This activity was part of the Indonesia Research and Innovation (InaRI) Expo 2022, which took place from October 27 to 30, 2022, at the ICC Building KST Bung Karno, BRIN Cibinong, West Java. Furthermore, this expo is a national and global effort to develop and strengthen the environment's research and innovation in halal products through positive collaboration and networks among several actors. The availability of a good, integrative, and efficient supporting infrastructure and networking for the Sharia ecosystem is critical to developing Indonesia as the largest exporter and producer in the world of halal products (Hidayati 2022).

### *Demand Condition*

Consumer education regarding halal products to increase demand and awareness of halal-ness is one of the supporting determinants of demand conditions in analyzing the competitive advantage of the Indonesian Halal Industry. According to Article 6 of Law No. 33 of 2014 concerning Halal Product Guarantee (UU-JPH), BPJPH has the authority to oversee socialization, education, and publication. Furthermore, the Ministry of Religion also educates SMEs on Halal Product Guarantee (JPH) through a webinar, which is also carried out in conjunction with the Sharia Business Incubation Center (PINBAS) of the MUI. In addition, the Ministry of Industry also presented the Indonesia Halal Industry Award (IHYA), serving as a platform of socialization and education and a catalyst and impetus for domestic industry (Limanseto 2022).

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Consumer education about halal products in Indonesia is initiated not only by government institutions but also by NGOs (Non-Governmental Organizations). Halal Corner, an NGO focusing on halal certification, is vital in educating and developing the halal community and consulting businesses. According to Aisha Maharani (2023) – as the founder – Halal Corner makes several efforts: (1) organizing seminars, workshops, and training to provide the public with an understanding of the principles of halal certification; (2) producing accessible educational materials, such as brochures, guides, and infographics; (3) collaborating with academic institutions and the government to expand the knowledge; (4) building online platforms or applications to facilitate interaction and collaboration between members of the halal community; and (5) providing specialized training, consultation services, practical guidance and tools to help businesses prepare their products or services for halal certification (Maharani 2023).

The provision of diverse halal products by domestic and global markets is also included in the demand conditions for analyzing the competitive advantage of the Indonesian halal industry. Indonesia actively exhibits its variation of halal products in several countries, one of which is at the world's largest international exhibition, the 10th Halal Expo 2023, organized by the Organization of Islamic Cooperation (OIC) in Istanbul, Turkey, on November 16, 2023. The exhibition was attended by more than 300 exhibitors from 32 countries and is estimated to be visited by around 40 thousand visitors from various parts of the world. At the event, the Indonesian pavilion displayed homemade products such as Muslim clothes, foods, beverages, spices, medicines, herbal supplements, cosmetics, and even COVID-19 vaccines (Ministry of Foreign Affairs 2023). In addition, Indonesia also participates in international cooperation regarding halal products to increase its recognition as a global player in the industry.

*Related and Supporting Industry*

Strengthening supporting sectors, such as halal guarantee institutions, is a significant factor in analyzing the competitive advantage of the Indonesian Halal Industry. The report on the State of the Global Islamic Economy notes several significant advances made by the government: (1) adjusting Halal Product Guarantee

regulations to speed up, simplify, and clarify processes; and (2) facilitating halal certification for micro and small businesses (MSEs). The Indonesian Government, through BPJPH, is also considered to have taken various steps to strengthen the halal food ecosystem. According to the Head of the BPJPH, Muhammad Aqil Irham, BPJPH has a free halal certification program for MSEs severely affected by the COVID-19 pandemic (Kemenag 2022). BPJPH also supports the certification targets through digital transformation (codification and digitization) and online capacity-building training. The food and beverage sector has a program with 10 million halal-certified products. BPJPH has also developed a halal information system (Sihalal) that combines and integrates all procedures and programs with halal markets, applications, and electronic money providers.

The Government also continues establishing communication, publication, socialization, and education for all stakeholders. The integration of the halal product information system between the Director General of Customs, LNSW (National Single Window Agency), KNEKS, and BPJPH is also getting better in recording export and import activities of halal products (Pamuji 2022). Furthermore, based on Law No. 33 of 2014, the halal certification process involves three main actors, namely BPJPH, Halal Examining Agency (LPH), and MUI. Specifically, the LPH also has three agencies that carry out examination activities and test the halalness of products in the halal certification process: (1) LPH LPPOM MUI; (2) LPH Sucofindo; (3) and LPH Surveyor Indonesia (Khoeron 2022).

As stated in the Indonesia Islamic Economic Masterplan Framework (IEMF), the government also emphasizes broader efforts by accomplishing core objectives in the Halal Value Chain strategy. This aligns with the IEMF's other main strategies for strengthening Islamic finance and SMEs (Micro, Small, and Medium Enterprises). While the global halal industry sector has experienced rapid growth in the industrial sector and the Halal Industrial Estate (KHI), the government has pointed out the importance of establishing a fully integrated halal industrial area where all products and services are provided through a single point of contact (Jaswir & Mahfudh 2022). There are currently

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several integrated KIHS: (1) the Modern Halal Valley in Cikande Modern Industrial Estate (Banten Province); (2) Safe n Lock Halal Industrial Park in Sidoarjo Regency (East Java); (3) Bintan Inti Halal Food Hub in Bintan (Riau Islands); (4) Batamindo Industrial Estate in Batam (Riau Islands); (5) Surya Borneo Industrial Estate in West Kotawaringin (Central Kalimantan); and (6) Jakarta Pulogadung Industrial Estate (Jaswir & Mahfudh 2022). However, this determinant is limited because Indonesia still needs to implement international halal standards, while integrating halal or single halal certification is still complex for the international community.

*Firm Strategy, Structure, and Rivalry*

In analyzing the competitive advantage of the Indonesian Halal Industry, developing an effective global marketing strategy is important to enhance the image and attractiveness of Indonesia as a halal center. Some strategies include increasing the marketing of tourist sites (halal tourism) and ensuring the international certification of halal products from recognized institutions. Besides, the government aims to build a global chain of trust in the National Halal Certificate through the existence of LPPOM MUI (Institute for Food, Drug, and Cosmetic Studies of the Indonesian Ulema Council), which has four representative offices, including two in South Korea, one in Taiwan, and one in China. Foreign halal certification institutions have also recognized and adopted the certification and halal assurance systems designed and implemented by LPPOM MUI. In addition, LPPOM MUI has also conducted halal accreditation in 46 countries on various continents worldwide. This shows that LPPOM MUI has existed internationally and carried out global marketing of the Indonesian halal industry (Nadha 2022).

Economic diplomacy is also crucial to expanding the Indonesian halal product market and facing non-tariff measures from export destination countries. Economic diplomacy must fight for international recognition of Indonesian halal standards, not just providing halal labels but also actively opening new infrastructure and market access and building consumer confidence. Collaboration with international organizations such as the OIC (the Organization of Islamic Cooperation) and IHAF

(International Halal Accreditation Forum) and promotion through participating in international exhibitions and culinary festivals are additional strategies. The role of actors are significant, such as the ambassadors, as directed by President Joko Widodo, in acting as domestic product sales representatives/marketers who understand the urgency of halal certification before negotiations, while there is also consideration for Indonesian diaspora abroad and affiliated organizations' roles such as NU, Muhammadiyah, Sharia Economic Society (MES) and ICMI. In this way, internationalism efforts always depart from the content of national interests and involve synergy between components of the nation to increase the share of Indonesian halal products in the global market.

Increasing partnerships between domestic halal companies and international stakeholders to expand market reach is also supported as a determinant of firm strategy, structure, and rivalry in analyzing the competitive advantage of the Indonesian halal industry. Internationalism efforts in the form of acceptance of halal certification are the basis for various internationalization activities (Samudera 2023). One of these efforts is carried out through the cooperation activities of the Indonesian government through the BPJPH with other countries. For example, representatives from 18 embassies of friendly countries participated in a Focus Group Discussion (FGD) on the topic of International Cooperation related to Halal Certification in Indonesia. They are representatives from Australia, China, Denmark, the EU, India, the UK, Italy, Japan, Germany, South Korea, Norway, France, Singapore, Sweden, Vietnam, New Zealand, Hungary and Belgium. The FGD was held in collaboration with the BPJPH, the President's Special Staff, and KNEKS. Presented as speakers at the event were Diaz Hendropriyono (Special Staff of the President), Ventje Rahardjo (Executive Director of KNEKS), Muhammad Aqil Irham (Head of BPJPH), Afdhal Aliasar (Director of the KNEKS Halal Products Industry), and Siti Aminah (Head of the BPJPH Halal Cooperation and Standardization Center) (Mugheni 2023).

As conveyed during an interview with The Director of Law and Economic Agreements at the Ministry of Foreign Affairs, the partnerships have been carried out since the enactment of Law Number 33 of 2014 concerning Halal Product Guarantee, then

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complemented by Regulation of the Minister of Religion of the Republic of Indonesia Number 2 of 2022. Law Number 33 of 2014 concerning Halal Product Guarantee has brought significant changes regarding the policy and implementation of halal products in Indonesia. Halal certification is now mandatory for most products that enter, circulate, and are traded in Indonesia. The regulation also applies to imported products. Under these conditions, BPJPH has received high demand and many proposals for cooperation from various countries (Pamuji 2022). The Halal-20 Halal World 2023 event became one of the improved global cooperation momentums in Halal Product Guarantee (JPH), namely, the signing of the Mutual Recognition Agreement or MRA between the BPJPH and 37 Foreign Halal Institutions (LHLN). The MRA was executed by the BPJPH's Head, Muhammad Aqil Irham, and the leaders of the 37 LHLN. The 37 signings include MRAs involving BPJPH and 9 LHLN for halal certificate recognition and mutual acceptance, as well as MRAs among BPJPH and 28 LHLN.

**Table 2.**  
**LHLNs that have Signed MRAs at the Halal World 2022 Event with BPJPH in terms of Recognition and Mutual Acceptance of Indonesian Halal Certificates**

	<b>Foreign Halal Institutions</b>
1	Korea Muslim Federation (KMF)
2	Korean Halal Authority
3	Islamic Food and Nutrition Council of America (IFANCA)
4	Taiwan Halal Integrity Development Association
5	The Central Islamic Council of Thailand
6	Halal Certification Center of Chile-Chilehalal
7	Halal Conformity Services
8	The Federation of Islamic Associations of New Zealand (FIANZ)
9	New Zealand Islamic Development Trust Ltd

*Source: Researcher (2023)*

Table 2 above shows foreign halal institutions that have signed agreements to perpetuate global partnerships. The mutual acceptance of halal certificates facilitates international trade cooperation activities, which can increase the volume and value of trade in Indonesian halal products in the global market (Mugheni 2023).

**Table 3.**  
**LHLNs that have Signed an MRA with BPJPH to Accelerate  
the Completion of LHLN Assessments for the Recognition and  
Acceptance of Halal Certificates with Indonesia at the Halal  
World 2022 Event**

	<b>Foreign Halal Institutions</b>
1	American Halal Foundation (AHF)
2	ISWA Halal Certification Department
3	Islamic Services of America ISA
4	Halal Transactions Inc./Halal Transaction of Omaha
5	Islamic Food and Nutrition Council of Canada
6	Halal Montreal Certification Authority Inc.
7	Global Australian Halal Certification
8	Islamic Co-Ordinating Council of Victoria
9	Australian Halal Authority and Advisers Pty. Ltd
10	National Halal Authority
11	Supreme Islamic Council of Halal Meat in Australia Inc
12	Australian Halal Development and Accreditation
13	Global Halal Trade Centre Pty. Ltd
14	National Halal Accreditation Services Australia Pty. Ltd.
15	FAMBRAS Halal Certification Ltd.
16	Japan Islamic Trust
17	Japan Moslem Association
18	Shaanxi Shang Pin Yuan Halal Food and Restaurant Management
19	Islamic Food Research Center
20	Shangdong Halal Certification Service
21	Al Baqara Certification
22	Halal Certification Services Chongqing
23	Juhf Certification Pvt. Ltd
24	Halal India Pvt. Ltd
25	Jamiat Ulama I-Hind Halal Trust
26	International Halal Certification Pvt. Ltd
27	Al-Waiz Certification and Training Services Pvt Ltd
28	South African National Halal Authority

*Source: Researcher (2023)*



Table 3 above shows that the agreements to accelerate the completion of the LHLN assessment for recognizing and accepting halal certificates with Indonesia have spread even to Africa. This reflects that efforts to create internationally recognized halal standards have achieved global impact. The BPJPH shows its initiative to move towards global halal number one by organizing Halal World, a continuation forum of Halal-20 (H-20) held in 2022 as part of the G-20 Presidency. The forum takes place from November 17 to 21, 2023, at JI-Expo Jakarta, with invitations to 118 halal institutions from 41 countries (BPJPH 2022). Halal World activities include six strategic agendas: (1) an international conference on global halal standards; (2) seminars on halal certification regulations and policies in Indonesia; (3) halal product exhibitions; (4) halal industry performance; (5) a Halal Tour to introduce the Indonesian halal industry; and (6) a Halal Coaching Clinic as an advisory service. The Chairman of BPJPH stated that Halal World aims to build solidarity in global halal standards, promote Indonesian products to the world market, and accelerate the recognition and accreditation process for LHLN, with plans to sign a Memorandum of Understanding (MOU) and Mutual Recognition Agreement (MRA).

By understanding the determinants that affect national competitive advantages, Indonesia can build a solid foundation to become an internationally recognized Global Halal Hub. In the context of Indonesia as the world's halal financial center, the government and stakeholders should focus on improving the quality of human resources, developing infrastructure, and adopting information technology. Supportive government policies, including clear regulations and fiscal incentives, will provide certainty and accelerate the growth of the halal industry in its goal of making Indonesia a Halal Hub by 2024.

### **Unveiling Shortcomings in the Journey Toward Indonesia's Global Halal Hub**

In addressing Indonesia's pursuit of a Global Halal Hub, some challenges and shortcomings must be addressed. While the government has initiated its commitment to integrate and

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coordinate stakeholders in the industry, challenges persist, as the coordination and alignment of stakeholder perspectives have yet to achieve complete harmony. In an interview, Aisha, Founder of Halal Corner, highlighted concerns about the government's Self-Declare policy, noting its potential for violations and inconsistencies with established halal regulations. Furthermore, certain new regulations related to halal issues are perceived as susceptible to misuse by some parties.

At the ASEAN level, challenges become more complex. Rashidah binti Che Wil, Chair of the JAKIM (Department of Islamic Development Malaysia) Research Branch, pointed out that while there is a shared understanding of halal issues in ASEAN, each country maintains its procedures. Indonesia, Malaysia, and Brunei adhere to the same principles of the Sha'i madhhab, yet cultural variations influence different perceptions, concepts, and values within each society. For instance, Malaysia deems wine vinegar as 'haram' and prohibited it due to human interference in its production. In contrast, the Indonesian Halal authority, MUI, considers it pure and halal, adopting Hana and Maliki madhhabs' standpoints (Man & Pauzi 2017). In the context of international trade, Syahda, Director of Legal Affairs and Economic Agreements at the Ministry of Foreign Affairs, emphasized that achieving a more comprehensive cross-jurisdictional halal standard seems unlikely due to the territorial nature of the issue. ASEAN reflects the same projection from the wider international area. The inability to standardize halal certification through international organizations stems from territorial and economic considerations, as each nation may have different restrictions and criteria in its processes.

In addition, Indonesia also faces stiff competition in its pursuit of becoming a Global Halal Hub. Countries such as Malaysia, the United Arab Emirates, and Turkey have already established strong halal industries and enjoy a formidable global reputation. The presence of these established players complicates Indonesia's efforts, necessitating strategic considerations in carving out a niche in the competitive landscape of the global halal market (Indonesia Halal Lifestyle Center 2021) the shariah economy and finance (herein referred to as 'halal economy'. Even non-Muslim

majority countries like Thailand, China, Japan, and South Korea participate in the halal industry. China has emerged as the largest exporter of Muslim clothing. Meanwhile, South Korea acts as the largest producer of halal cosmetics, accompanied by the growth of halal tourism. Japan is also growing its halal industry and tourism industry. Furthermore, neighboring countries such as Thailand aim to become the world's halal kitchen. This is actually reasonable, given the halal industry's vast and progressive potential. However, this has a negative impact on Indonesia because it may reduce the consumption of halal products produced in Indonesia, both domestically and internationally (Madjid 2022).

Important things to implement in maximizing halal industry growth are equalizing perceptions between related institutions, empowering its relevance, and system development. Currently, the institutions interviewed in this research have different perceptions. For example, the Ministry of Foreign Affairs does not fully understand the mechanism for granting the halal logo even though the Ministry of Foreign Affairs is not directly involved in the process. Sources from the Ministry of Foreign Affairs saw that halal securitization depends on the community's trust; everyone has different beliefs regarding halal issues. The Ministry of Foreign Affairs should understand the basic mechanism for providing halal logos because this will affect the supervision of halal logos on products leaving and entering Indonesia. More than that, Indonesia has also made several agreements regarding recognizing halal logos with several countries. Supervising international legal aspects will be very helpful for practitioners providing halal logos.

On the other hand, Halal Corner has several concerns regarding the policies currently implemented. One of the things is the self-declared halal logo, which is often misused (Maharani 2023). Apart from that, the transition from MUI to BPJPH caused BPJPH to experience problems carrying out its systems and organizational duties. The synergy between related institutions must be based on the same perception. Empowerment for institutions related to halal securitization is also needed so that each institution can carry out its duties effectively, efficiently, and optimally. According to sources from the Ministry of Foreign Affairs, the implementation of halal product logos often takes place without meeting the Good

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Regulatory Practice criteria (Samudera 2023). This is also related to the concern of the Ministry of Foreign Affairs regarding the provision of a halal logo, namely the issue of transparency. By providing a comprehensive understanding of the requirements and mechanisms for granting a halal logo, relevant ministries, and institutions can carry out checks and balances.

The last thing needed to maximize the halal industry in Indonesia is system development. Compared with Indonesia, JAKIM has a more complete information system. This refers to its transparency towards the public regarding the list of halal institutions recognized by JAKIM. On the other hand, BPJPH does not yet have such a similar information system. Indonesia should take a multifaceted strategic approach to address the challenges posed by fierce competition in the global halal market. Initially, focusing on product differentiation is required, emphasizing the distinctive features of Indonesian halal products, such as traditional ingredients and cultural authenticity.

Strengthening and streamlining the halal certification process is critical for ensuring high-quality standards and fostering trust among consumers worldwide. Collaborative efforts and networking with international partners, combined with attendance at global events, can improve visibility and market presence. Robust marketing strategies should emphasize Indonesian halal products' unique characteristics and cultural richness. Government incentives and subsidies can promote research, innovation, and international market expansion. Furthermore, adaptability and flexibility to consumer trends and investing in R&D will help maintain competitiveness. Collaboration with Islamic organizations worldwide, as well as alignment of halal standards with international expectations, will also help increase recognition. Finally, leveraging Indonesia's cultural and natural resources to boost halal tourism can help the country cement its position as a major player in the global market.

## **Conclusion**

The results showed that, by the analysis of the competitive advantages of the Indonesian Halal Industry towards Halal Hubs based on Michael Porter's Diamond of National Advantages, it was found that through factor condition determinants; improving halal logistics and distribution infrastructure to support the efficiency of production and delivery of halal products, developing human resource expertise in terms of halal certification and the latest technology to stimulating research and innovation in the development of halal products and increase competitiveness, became a supporter of the determinants. For the analysis of demand conditions, consumer education regarding halal products – to increase demand and awareness of halal-ness – and the provision of diverse products according to domestic and global markets are important. Moreover, determinants of related and supporting industries are supported by strengthening supporting sectors such as halal assurance institutions, various halal certification actors, and the active participation of the Indonesian government. Finally, the determinants of firm strategy, structure, and rivalry are supported by the development of an effective global marketing strategy to enhance Indonesia's image and attractiveness as a halal center and increase partnerships between domestic companies and international stakeholders to expand market reach.

Strategic measures are imperative to address the challenges in Indonesia's quest to become a Global Halal Hub. Challenges include coordination issues in stakeholder integration, concerns over the Self-Declare policy, and discrepancies in halal regulations. At the ASEAN level, diverse procedures among countries complicate standardization. Intense global competition, particularly from established players like Malaysia and non-Muslim-majority nations like China, poses a threat. Solutions involve equalizing perceptions among institutions, empowering their relevance, and system development. Addressing policy misgivings, enhancing collaboration, and ensuring transparency in halal certification processes are also vital. Ultimately, Indonesia must navigate these complexities through a comprehensive, adaptive, and collaborative strategy to maximize its potential in the evolving global halal market.

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## **About The Author**

**AKIM** (BA, MA, and PhD, Padjadjaran University, Indonesia) is the Head of the International Relations Study Program at Padjadjaran University. He is the author, with Irman G. Lanti and Windy Dermawan, of "Examining the Growth of Islamic Conservatism in Indonesia: The Case of West Java," in *Rising Islamic Conservatism in Indonesia: Islamic Groups and Identity Politics* (Routledge, 2020). Akim's primary scholarly interests include global political economy, Islam in international relations, and Middle East studies. He can be contacted via [akim@unpad.ac.id](mailto:akim@unpad.ac.id).

**Viani Puspita Sari** is a lecturer in the International Relations study program, FISIP, Padjadjaran University, and a researcher at the Center for Security and International Studies, Padjadjaran University. She is studying for a Doctoral Program in International Relations at Padjadjaran University. She is interested in studying foreign policy analysis, public diplomacy, international business, and global political economy. Her current research focus is in the field of international migration and foreign policy. She can be contacted via [v.puspita@unpad.ac.id](mailto:v.puspita@unpad.ac.id).

**Neneng Konety** is a lecturer in the International Relations study program, FISIP, Padjadjaran University. She is interested in studying East Asia, Japanese Language, and Decision-Making in Foreign Policy. She can be contacted via [neneng.konety@unpad.ac.id](mailto:neneng.konety@unpad.ac.id).

**Nurfarah Nidatya** is a lecturer in the International Relations study program, FISIP, Universitas Pembangunan Nasional "Veteran" Jakarta. She is interested in studying foreign policy analysis, public diplomacy, the practice of diplomacy, and para-diplomacy. She can be contacted via [nurfarahnidatya@upnvj.ac.id](mailto:nurfarahnidatya@upnvj.ac.id).

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