

Indonesia's Economic Diplomacy in Increasing Halal Product Exports through the Organization of Islamic Cooperation (2020-2024)

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Abstract

Indonesia has ambitions to become the center of the world's halal products because of its potential in the halal industry, especially in the food sector. However, currently Indonesia is still only the main destination for other countries' halal product markets when Indonesia should be a major player in the world halal industry. The Organization of Islamic Cooperation (OIC), which is the largest Muslim majority group, has great potential as a non-traditional market for the export of Indonesian products. This research aims to find out how economic diplomacy is carried out by Indonesia in increasing exports of halal products through the OIC. Descriptive qualitative research methods are used to collect and analyze data that has been collected regarding economic diplomacy carried out by Indonesia to increase exports of halal products through the OIC. The results of this study show that Indonesia's economic diplomacy has been carried out through product promotion, meetings with relevant stakeholders, and bilateral agreements between Indonesia and OIC member countries. Indonesia cooperates directly with organizations under the OIC such as COMCEC, ICDT, and SMIIC. The form of Indonesia's economic diplomacy that has been maximized well is through product promotion and Indonesia's participation in various forums held by organizations under the OIC, such as discussion forums, seminars, and workshops. As for agreements and negotiations, they are still not fully implemented properly due to several articles in the agreement that are still in the status of further discussion and have not been fully implemented.

Keywords: Indonesia's economic diplomacy, Organization of Islamic Cooperation, halal product trade

Abstrak

Indonesia memiliki ambisi untuk menjadi pusat produk halal dunia karena potensi yang dimilikinya dalam industri halal terutama pada sektor makanan. Namun, saat ini Indonesia masih hanya menjadi tujuan utama pasar produk halal negara lain, padahal seharusnya Indonesia bisa menjadi pemain utama dalam industri halal dunia. Organisasi Kerjasama Islam (OKI) yang merupakan kelompok mayoritas muslim terbesar memiliki potensi besar sebagai pasar non-tradisional bagi ekspor produk-produk Indonesia. Penelitian ini bertujuan untuk mengetahui bagaimana diplomasi ekonomi yang dilakukan Indonesia dalam meningkatkan ekspor produk halal melalui OKI. Metode penelitian kualitatif deskriptif digunakan untuk mengumpulkan dan menganalisis data yang telah dikumpulkan mengenai diplomasi ekonomi yang dilakukan Indonesia guna meningkatkan ekspor produk halal melalui OKI. Hasil penelitian ini menunjukkan bahwa diplomasi ekonomi

yang dilakukan Indonesia sudah dijalankan melalui promosi produk, pertemuan dengan stakeholder terkait, dan perjanjian bilateral antara Indonesia dengan negara anggota OKI. Indonesia bekerjasama langsung dengan organisasi di bawah OKI seperti COMCEC, ICDT, dan SMIIC. Bentuk diplomasi ekonomi Indonesia yang sudah dimaksimalkan dengan baik dan paling sering dilakukan adalah melalui promosi produk dan partisipasi Indonesia pada berbagai forum yang dilaksanakan organisasi-organisasi di bawah OKI dalam rangka mendukung perdagangan antar negara OKI, seperti forum diskusi, seminar, dan lokakarya. Sedangkan untuk perjanjian dan negosiasi masih belum sepenuhnya dilaksanakan dengan baik dikarenakan beberapa pasal dalam perjanjian yang masih dalam status diskusi lebih lanjut dan belum diterapkan secara menyeluruh.

Kata Kunci: diplomasi ekonomi Indonesia, Organisasi Kerjasama Islam, perdagangan produk halal

INTRODUCTION

Indonesia is the country with the largest Muslim population in the world. Based on data from the Directorate General of Population and Civil Registration, the total Muslim population in Indonesia in 2024 was 282.477 million. This provides convenience in producing goods in accordance with predetermined halal provisions which then provide potential for Indonesia to become the largest producer and exporter of halal products in the world. This potential needs to be developed continuously seeing the world's halal industry sector is currently growing and becoming an ecosystem with enormous economic potential for now and for the future. By 2021, Muslims around the world have spent a total of two trillion US dollars across the halal market sectors of food, pharmaceuticals, cosmetics, fashion, travel and media/recreation (Tighe, 2024). In 2023, the global halal food market reached 2,447.44 billion US dollars and is anticipated to increase at a CAGR of 9.33% in the forecast period (Halal World Institute, 2024). The global Muslim market has the potential to grow to about 2.8 trillion dollars by 2025.

Two major markets for halal products are in the Asia Pacific region and the Middle East. More than half of the world's Muslim population lives in South

Asia and Asia Pacific and the number of Muslims from these regions is expected to reach 1.3 billion by 2030. The rise of Islamic consumerism among the urban middle class in countries with large Muslim populations, such as Indonesia, Pakistan, and Turkey has created new trends in the halal market (*Islamic Finance*, 2012).

Indonesia as a country with the largest Muslim population in the world certainly has great potential to become the center of the world's halal industry. However, the reality is that Indonesia has not been able to become the top exporter of halal products. This happens because Indonesia focuses too much on halal certification of imported products entering the domestic market rather than focusing on developing its halal product export market. Indonesia is also still developing an integrated halal industry database.

Specifically, the challenges faced by Indonesia are in the way of marketing and access to marketing halal products. the number of Indonesian Trade Promotion Centers (ITCP) is only spread in 19 major cities in the world. Meanwhile, Malaysia's promotional office, the Malaysia External Trade Development Corporation (MATRADE) is spread across 46 cities in the world. Moreover, the number of ITPCs in OIC countries or Muslim countries in

the Middle East is only in Dubai and Jeddah (National Committee for Sharia Economics and Finance, 2021).

Then there is the high logistics cost. Indonesia's average cost is 24% of Gross Domestic Product. This cost is quite high when compared to neighboring countries such as Malaysia, which is only 13% of Gross Domestic Product (National Committee for Sharia Economics and Finance, 2021).

In addition, the application of policies or trade barriers applied by importing countries is also a challenge for exporting countries, especially developing countries such as Indonesia. The application of trade barriers in export destination countries requires Indonesia to pay more attention to existing requirements, Indonesia must also improve the quality of export products to be able to compete with other OIC exporters.

The Organization of Islamic Cooperation (OIC) was established on September 25, 1969 and consists of 57 countries. It was formed as a forum to gather Muslim voices from around the world in order to protect their interests in the economic, social and political fields. The OIC as the largest Muslim-majority group has a large market and potential that makes the OIC a potential non-traditional market for exports of Indonesian products. Commercial engagement between OIC member countries plays an important role in generating economic growth, and in improving the living standards of its member countries (Eldeeb et al., 2023).

According to the 2023 global Islamic economic indicators report, Malaysia has topped the list for the past 10 years followed by Saudi Arabia, Indonesia in third place, the United Arab

Emirates and Bahrain. This is certainly surprising considering Indonesia is the country with the largest Muslim population in the world, while the number of Muslims in Malaysia is only 19.84 million. In addition, in terms of imports, Indonesia ranks 4th in imports from OIC countries with a value of 30.3 billion US dollars. Meanwhile, in terms of exports, Indonesia does not even enter the list of the top 5 largest exporters in the OIC because Indonesia is ranked as the ninth largest halal product exporter to the Organization of Islamic Cooperation countries by contributing around 8.6 billion US dollars.

This data shows a large *gap* between the value of Indonesia's halal product exports and the value of import needs for halal products from OIC countries. The difference between the value of exports and imports occurs because of the large potential of the domestic market because the majority of Indonesia's population is Muslim. This makes Indonesia the main destination for other countries' halal product markets, especially OIC countries, even though Indonesia should be a major player in the world halal industry (Salaam Gateway, 2023).

Indonesia has the potential to develop halal products in the food sector because this sector is the sector with the largest revenue each year and is predicted to continue to increase. According to data from the Ministry of Trade, in 2023 the contribution to this sector reached 200 billion US dollars with the largest contribution from processed food (Ministry of Trade, 2018).

The Indonesian government has taken various strategic steps so that Indonesia can play a role as the largest producer and exporter of halal products

in the world in order to realize Indonesia as the center of the world's halal industry. Various trade agreements have been made by Indonesia with OIC countries. However, there are still several obstacles for Indonesia in exporting to destination countries, namely the difficulty of meeting the product certification requirements of export destination countries, the lack of a number of trade agreements with potential destination countries for halal exports, and the absence of complete data on the volume of foreign trade in halal products.

In this study, the authors conducted a literature review of relevant previous studies. The literature review is categorized into several categories, namely research on Indonesia's efforts to increase its commodity exports, research related to the development of halal products by Indonesia, and research on intra-OIC trade.

Regarding Indonesia's efforts to increase its commodity exports, there are three previous studies, namely the work of Hesti (2023) on the export of mangosteen products to South Korea, Angela and Suryadipura (2023) on palm oil exports to Brazil, and Sucita and Prasetya (2021) on agricultural commodity exports to Singapore.

Regarding the development of halal products carried out by Indonesia, there are four previous studies, namely Wargi's work (2021) on Jokowi's economic diplomacy to master the halal market, Akim & Konety (2020) on Indonesia's regional halal issues, Adamsah & Subakti (2022) on the development of the halal industry on the Indonesian economy, and Istiqlal (2023) on Indonesia's strategy as a global halal center.

Regarding intra-OIC trade, there are three previous studies, namely the work

of Ardianto (2023) on the effectiveness of the OIC role in reducing economic inequality in Islamic countries, Eldeeb et al (2023) on the conceptual framework of intra-OIC trade, and Bhatti & Ghouse (2023) on the development of trade between OIC countries.

Conceptual Framework

Economic Diplomacy

Economic diplomacy focuses on state activities at the macroeconomic level and the management of natural resources. It emphasizes the integration of state interventions and policies to identify factors yielding optimal short- and long-term outcomes. A primary impact of economic diplomacy lies in securing and managing access to natural resources. It employs a mix of instruments, including political mechanisms, to enhance the first type of national competitive advantage, natural endowments (Gallas, 2012).

In promoting exports, specialized units at embassies, consulates and state visits have been launched in both developed and developing countries to enable and facilitate the cross-border economic activities of exports, imports, foreign direct investment (FDI), tourism, financial flows and foreign aid. Economic diplomacy can ease the process of entering and operating in foreign markets, which requires a good understanding of foreign legislation, cultural differences, local peculiarities, and business contacts to increase the chances of success. In essence, when it comes to exporting, investment in information is necessary (Gallas, 2012).

Tariff and Non-Tariff Trade Barriers

In general, in international trade there are two types of barriers that can be

identified as *tariff barriers* and *non-tariff barriers*. Tariff barriers are a form of barrier in the form of entry fees or other tariffs imposed on the flow of goods into a country. Tariff barriers can be in the form of export tariffs, import tariffs, and transit tariffs. According to Tambunan (2004), tariff barriers are an instrument of international trade policy that serves to limit the flow of international trade. Tariff barriers are imposed by a country in the form of taxes or duties on imported goods.

Rosita (2013) divides non-tariff barriers into 3 (three) categories. The first category is imports, which include import quotas, import bans, customs procedures, and import licenses. The second category is exports, which include export quotas, export bans, and export taxes. Furthermore, the third category is matters concerning the domestic economy or the economy of the country concerned. This category includes rules set out in legislation such as the environment, labor, health standards, and domestic subsidies. Although non-tariff policies are basically legal to apply, the application of non-tariff policies can provide obstacles to increasing the pace of free trade in the international realm. This happens because often the application of policies that cause the emergence of non-tariff barriers is another form of policy that aims to suppress the number of imported products in the country. This suppression is done so that local products become the last alternative in the market.

Research Methods

This research uses descriptive qualitative methods. Qualitative research method according to Creswell (2013) is one type of method to describe, explore,

and understand the meaning of several individuals or groups of people who are considered to arise from social problems. Qualitative research has steps consisting of asking questions, collecting specific data from participants, analyzing from general themes to specific themes, and then interpreting the meaning of the data.

According to Poerwandari (1998), qualitative research is research that produces and processes descriptive data, such as field notes, interview results, photos, images, video recordings, and others. That way, qualitative research does not produce or process data in the form of numbers. This research itself will combine the results of interviews and literature studies conducted by the author to explain more about his research. Then, the results of the research are presented descriptively and comprehensively so as to draw conclusions about the events that occurred.

The author analyzes and describes the data obtained descriptively to explain and understand the phenomenon that is the object of research, namely the implementation of economic diplomacy by Indonesia in increasing exports of halal products through the Organization of Islamic Cooperation. In collecting data, the author collects it through primary data sources in the form of interviews with resource persons from the Ministry of Trade. The ministry of trade was chosen because the institution is often the representative for direct meetings with the OIC and has the credibility in showing results of halal trade policy analysis.

Then, there are also secondary data sources obtained by the author through books, journals, government documents, *mainstream* news, and official

government *websites*. The data obtained is then processed through several stages, namely data condensation, data presentation, and conclusion drawing which is the final answer to the research question.

RESULTS

OIC Countries' Attention to Intra OIC Halal Product Trade

The halal industry or trade in halal products has been growing rapidly in OIC countries and elsewhere. This is because more and more Muslim and non-Muslim consumers are interested in halal products and services. As a group, this can be a lucrative business segment as OIC countries have the potential to develop it. This potential arises from the richness and diversity of the OIC countries' abundant natural and geographical assets and the halal-friendly ecosystem that is already in place. In particular, OIC countries located in the *Gulf Cooperation Council* region and Southeast Asia represent a relatively higher share. This is due to the strong halal ecosystem and high consumer awareness of halal in these countries. For OIC countries, the halal industry can play an important role in achieving a number of sustainable development goals (SDGs) and the objectives stated in the OIC 2025 Action Program (SESRIC, 2022).

The halal industry can also help OIC countries achieve better living standards. For example, the halal industry can create new jobs, reduce poverty through Islamic social finance (e.g. zakat and waqf), reduce economic vulnerability by using risk-sharing-based instruments, and trigger sustainable green growth. However, trade in halal products or the halal industry still represents a small part of the world economy. The industry has

only reached a developed status in a few market-driving OIC countries. A large number of OIC countries have not taken an institutionalized approach to develop and implement strategies and policies for the development of trade in halal products. This also limits the channels of cooperation at the OIC level (SESRIC, 2022).

In regulating intra-OIC trade in halal products, the OIC secretariat general and OIC derivative institutions have organized various events, workshops and seminars and implemented tailored programs in the domain of developing trade in halal products in OIC countries. The program in question such as the Trade Preferential System is the flagship work program of the *Standing Committee for Economic and Commercial Cooperation* (COMCEC) or the Standing Committee for Economic and Commercial Cooperation of the Organization of Islamic Cooperation which is one of the 4 OIC standing committees. The Trade Preference System is one of the solutions in expanding market access by utilizing trade facilities within the framework of tariff and non-tariff reductions.

There are three agreements in the OIC Trade Preference System namely: (1) *Framework Agreement*, (2) *Protocol on Preferential Tariff Scheme* (PRETAS), and (3) *Rules of Origin*. The Government of Indonesia has ratified the ratification of the framework agreement on the OIC Trade Preference System through Presidential Regulation of the Republic of Indonesia Number 31 of 2011 on the ratification of the Framework Agreement on the Trade Preference System among Member Countries of the Organization of Islamic Cooperation. The Government of Indonesia signed this agreement in

Jeddah, Saudi Arabia on February 4, 1992. In addition, Indonesia has also signed PRETAS and RoO on September 6, 2011 but has not yet ratified.

The framework agreement stipulates that the participating countries in TPS-OIC are the member countries that agree to the agreement and the participating countries are the countries that present the list of products to be negotiated within the framework of cooperation. Products prohibited under Islamic sharia are not allowed to be included in trade negotiations (COMCEC, 2022).

Then, in terms of tariff reduction, PRETAS has a scheme with details: above 25% should be reduced to 25%, above 15% and up to 25% will be reduced to 15%, above 10% and up to 15% will be reduced to 10% (COMCEC, 2022).

Indonesia's Halal Product Exports

According to the National Committee for Sharia Economics and Finance (2021), the fact is that Indonesia is a leading player in the world trade of halal products, but unfortunately the products traded have not been connected to halal certification data. Indonesia is still too focused on halal certification of imported products entering the country's market, compared to focusing on developing an export market for its halal products. In fact, most of Indonesia's export products of non-oil and gas commodities are products based on halal ingredients.

Referring to the Indonesian Halal Industry *Master Plan 2023-2029*, there are four strategies that need to be implemented for the development of the halal industry in Indonesia. First, increasing productivity and competitiveness by strengthening the

halal value chain to strengthening halal industry players which include micro, small and medium enterprises. Second, implementing and strengthening policies and regulations including regarding halal certification. As of February 2024, the number of halal-certified products is 3,920,811 products, of which 1,350,947 products with the *self-declare* method. The Halal Product Guarantee Agency (BPJH) also has a free halal certification program. Third, strengthening finance and infrastructure and fourth, strengthening halal *brand* and *awareness*.

In 2023, the export value of Indonesian halal products in the processed food sector recorded an export value of USD 34.74 billion, the pharmaceutical sector amounted to USD 546.03 million, the cosmetics sector amounted to USD 362.49 million, and the *fashion* or Muslim clothing sector amounted to USD 6.68 billion. In 2024, the calculation of halal product exports will be further developed by adopting halal HS codes in the *fashion*, textile, pharmaceutical and cosmetics sectors according to the staging of the implementation of product halal certification through the KNEKS Halal Product Codification Working Group. With the complete formulation of the halal HS code, it will make it easier for friendly countries to implement the same thing, so that it will help formulate policies and increase trade transactions between countries, especially ASEAN and OIC countries (National Economic and Sharia Committee, 2023).

Based on information from the Ministry of Trade of the Republic of Indonesia, In general, outside the OIC market, countries that are markets for Indonesian halal products are China, the United States, the European Union, Japan,

India and Singapore. As for the market in OIC countries, namely Malaysia, Saudi Arabia, Nigeria, *United Arab Emirates*, Turkey. The export potential of Indonesian halal products in the food industry to the Middle East region is very high. According to data from the Foreign Trade Assessment Center (Kapuska Daglu), the Ministry of Trade (Kemendag), and the Trade Assessment and Development Agency (BPPP), exports of food products to the Middle East region reached a value of USD 281.1 million or 4 trillion rupiah. Where Indonesian exports to the Middle East are dominated by processed food and beverage products as much as 68.92%. The importance of the halal food market in Indonesia cannot be overstated. It is a vital part of the nation's economic and social fabric, this industry is intricately linked to the country's cultural and religious identity. Indonesia's position as a world leader in this field has been further cemented by the government's initiatives to support halal certification and guarantee the integrity of halal products (Qizwini and Purnama, 2024).

Indonesia's Challenges and Barriers in Halal Exports to the OIC

The first challenge lies in marketing and access to marketing of halal products. The Indonesian Trade Promotion Center (ITCP) is a trade development institution under the Ministry of Trade. when compared to other countries that are Indonesia's *partners* in trade, the number of ITPCs is only spread in 19 major cities in the world. This number is the lowest when compared to the number of promotional offices belonging to several other countries. In fact, Malaysia's promotion office, the *Malaysia External Trade Development Corporation*

(MATRADE), is spread across 46 cities in the world. The role of this institution is still very limited to find and promote export markets in various countries (National Committee for Sharia Economics and Finance, 2021).

The second challenge is the low proficiency of Small and Medium Enterprises in analyzing *market* trends or market trends in the export destination countries for halal products. Then, the third challenge is that some halal exports have not chosen products that have their own comparative advantages and uniqueness. The next thing that comes from internally which is a challenge and obstacle in developing halal product exports is the SME assistance program, the number of which is not equivalent to the needs of export SMEs, high logistics costs of 24% of Gross Domestic Product, and the number of warehouses or warehouses that are still lacking to distribute export products (National Committee for Sharia Economics and Finance, 2021).

Apart from being internal, challenges and obstacles in exporting halal products to OIC countries also come from external sources. The challenge in question is the imposition of high import duty rates. For example, Turkey imposes an import duty rate of 25% and Egypt of 60-80% for food and beverage products. In addition to tariff barriers, restrictive non-tariff barriers in OIC countries are also a challenge. These non-tariff barriers consist of difficult labeling requirements, inefficient testing and certification procedures, lack of harmonization, lack of certificate recognition, high certification costs, and lack of transparency of foreign standards.

The next external challenge and obstacle is the difference in schools of

thought between OIC countries. There are eight schools of thought (Mazhab) recognized by the International Islamic Fiqh Academy (IIFA) of the Organization of Islamic Cooperation (OIC) including Hanafi, Maliki, Shafi'i, Hanbali, Ithnaashari, Zaidi, Ibadi, and Zahiri. Then the next challenge is different laws and regulations in each country (Azam and Abdullah, 2021).

DISCUSSION

Promotion Strategy for Indonesian Halal Products through Trade Fairs

In conducting export activities, promotion is an effort by sellers (exporters) to introduce commodities produced to potential foreign buyers (importers) with the aim of attracting them to buy the introduced commodities by paying using foreign currencies (Muhlas et al., 2021).

Indonesia has an annual event called Indonesia *Shari'a Economic Festival* (ISEF). ISEF is a collaboration between Bank Indonesia (BI), Ministries, authorities and institutions of the National Committee for Sharia Economics and Finance (KNEKS), business players, associations, and related institutions both nationally and internationally. ISEF is the first integrated Islamic economic collaboration forum on an international scale and includes all activities in the Islamic economic sector. ISEF has been held since 2014. International parties present at ISEF include the *Islamic Financial Services Board* (IFSB), *International Islamic Financial Market* (IIFM), *Islamic Development Bank* (IsDB), *United Nations Development Program* (UNDP), and also OIC parties such as *The Statistical Economic and Social Research Training Center for Islamic Countries* (SESRIC)

which is an additional organ under the OIC (ISEF, 2022).

In 2020, the seventh ISEF event was held virtually due to the COVID-19 pandemic. ISEF 2020 raised the theme "joint empowerment in accelerating the growth of the Islamic economy through the industrial chain and halal economy for the welfare of the world community". The number of visitors to the ISEF 2020 virtual *platform* was approximately 166 thousand visitors from 92 countries. Deputy Governor of Bank Indonesia, Sugeng said that transactions recorded at ISEF 2020 reached Rp5.03 trillion. This transaction consisted of financing agreements, *business to business* transactions, *retail business to consumer* transactions, and productive waqf commitments. The ISEF 2020 series was attended by 777 business actors (Ruqoyah, 2020).

ISEF 2020 consists of a series of events such as 23 national and international *webinars*, 22 workshops, 12 trainings and business matchmaking, and 10 international exhibitions. In the ISEF 2020 virtual exhibition, businesses display their products in 3D according to their product categories. Then, visitors can access it through the website www.virtualisef.co.id. Some of the product categories include *halal food*, *halal and sustainable fashion*, handicrafts, cosmetics, and others. In the halal food sector, one of the SME products on display is Roti Gapek Inagiri, which is bread made from cassava flour (IKRA, 2020).

In the eighth ISEF in 2021, ISEF focuses on the halal food and halal *fashion* sectors with the theme "strengthening the halal industry for economic recovery through the halal food and Muslim *fashion* sectors". Some of the featured halal food products at ISEF 2021 include

seblang Banyuwangi organic concentrated black rice, zenvin langsing koe, alor oven original walnut, kizz tempe, ndalem chocolate, roasted sago, shredded rice, instant liwet rice, and tubruk tea. The ISEF exhibition in 2021 recorded transactions worth IDR 25.8 trillion. An increase of 413 percent when compared to the amount of ISEF transactions in 2020 of IDR 5.03 trillion. There was also an increase in the number of business actors participating in the exhibition, namely a total of 970 business actors or exponents from among MSME players in the halal food and Muslim *fashion* sectors. Then there was an increase in the number of visiting countries to 119 countries (ISEF, 2021).

In 2022, ISEF presents 950 business players in 5 main sectors, namely halal food, *modest/muslim fashion*, handicrafts, agriculture, halal pharmaceuticals and cosmetics, and *Muslim friendly tourism*. The transaction recorded at ISEF 2022 is valued at IDR 27.6 trillion or an increase of 7 percent compared to 2021 (ISEF 2022).

At the 2023 ISEF, the Indonesia Halal Industry *Masterplan* and one waqf Indonesia application were inaugurated. ISEF 2023 also intensified the promotion of halal food consumption through the Indonesia International Halal Chef Competition (IN2HCC) as an international chef competition to promote Indonesian halal cuisine to the world (Sharia Economic Community, 2023).

ISEF 2024 was held in 30 October – 3 November in Jakarta. This event resulted in transactions of approximately Rp2 trillion, consisting of financing commitments and realizations worth Rp641 billion, trade realization commitments of Rp295 billion, and

Islamic financial ecosystem cooperation of Rp1 trillion (Kontan, 2024).

Promotion strategies through exhibitions such as ISEF are considered effective and have been proven to open up new sharia and halal economic opportunities with many successful transactions. The sharia economy itself has had a positive impact on the country. It is recorded that sharia economic activity to the national gross domestic product (GDP) reached 48.71% (Kontan, 2024).

Cooperation and Meetings with Related Stakeholders

The Standing Committee *for Economic and Commercial Cooperation of the Organization of the Islamic Cooperation* (COMCEC) is one of the *standing* committees under the OIC which serves as a forum for multilateral economic and commercial cooperation of OIC member countries. Several trade preference systems by COMCEC that Indonesia has participated in and have the potential to become a means of increasing halal trade include the *OIC Trade Preferential System* (TPS-OIC) and the *D-8 Preferential Trade Agreement*.

At the 3rd Ministerial Meeting of the TPS-OIC Trade Negotiations Committee, Indonesia expressed its commitment to continue the ratification process of the TPS-OIC agreement document. At the same event, Indonesia also met with the D-8 Council of Trade Ministers to discuss tariff reduction among D-8 countries through the *D-8 Preferential Trade Agreement*. Trade Minister Zulkifli Hasan also announced that Indonesia has started the implementation of the D-8 PTA on June 1, 2024. *Developing Eight* or D-8 is a combination of eight OIC developing countries namely Indonesia,

Malaysia, Turkey, Pakistan, Nigeria, Iran, Bangladesh, and Egypt. The merger of these eight countries is an effort to liberalize and increase trade cooperation. The *Developing Eight* (D-8) was established through the Istanbul Declaration agreed at the 1st D-8 Summit on June 15, 1997 in Istanbul, Turkey (Ministry of Foreign Affairs, 2024).

Under the D-8 trade preference agreement, tariffs will be gradually reduced from more than 10 percent to 8 percent, from more than 25 percent to 25 percent, from 15-25 percent to 15 percent, and from 10-15 percent to 10 percent for various products as agreed. Some of the product agreements in question are plants and plant products harvested, picked or collected in one member country, live animals born and raised in one member country, products obtained from live animals, and others (Ministry of Trade, 2021).

Next, under the COMCEC *Project Funding* (CPF) framework, the Ministry of Trade successfully secured funding after Indonesia implemented a project titled '*Empowering Halal Industry to Boost Intra-OIC Trade*'. The project is aimed at increasing industry awareness and compliance with the halal concept, important rules, and regulations set by OIC member countries. In this project, Indonesia collaborates with a working group consisting of Malaysia, Turkey, Brunei Darussalam, Bangladesh, and Pakistan. This project is also a follow-up to the COMCEC policy recommendations at the 32nd session. The project aims to build confidence in the halal food industry so as to open more opportunities for producers to penetrate the OIC market to the global market. This will increase the per capita income of OIC member countries (COMCEC, 2020).

At the 44th session of the *Islamic Commission for Economic, Cultural and Social Affairs* (ICECS) in Jeddah, Saudi Arabia held on January 11-13, 2022, Indonesia was elected as the governing council of ICDT representing the Asian group for the period 2022-2024. ICDT or *Islamic Center for Development Trade* is an OIC *subsidiary organ* based in Casablanca, Morocco. ICDT serves to promote and enhance trade among OIC member countries. Through ICDT, Indonesia has also carried out several collaborations and participations to expand market access for superior halal export products, promote, and increase Indonesia's trade with OIC member countries (Sidqi, 2023).

Indonesia's cooperation with ICDT can be seen from Indonesia's participation in the 8th OIC *Halal Expo* held on November 25-28, 2021 in Istanbul, Turkey in conjunction with the 7th *World Halal Summit*. Indonesia's participation in this event was represented by a number of relevant government agencies including the Deputy Chairman of the Indonesian Parliament Rachmat Gobel, Head of the Industrial Services Policy Standardization Agency of the Ministry of Industry, Doddy Rahady, Director General of Consumer Protection and Trade Order of the Ministry of Trade Veri Anggrijono. Several representatives from related organizations were also present such as the Chairperson of the Indonesia Halal *Lifestyle Center*, Sapta Nirwandar, delegates from OIC *Youth* Indonesia, Ibrahim Nasrul, and others. The 8th OIC *Halal Expo* and the 7th *World Halal Summit* which were held simultaneously raised the theme "*New Era & New Normals: The Necessity of Halal*

Production and Consumption" (Wicaksono, 2021).

During the four-day event, Indonesia participated in a *hybrid* panel discussion with 61 speakers from 15 different countries. Indonesia also managed to gather 24 exporters who displayed their products in the Indonesian pavilion which had been curated by the Indonesian Embassy in Ankara and the Ministry of Trade. Indonesia managed to record transactions worth 3.8 million US dollars or around Rp. 55.2 billion. The largest portion of the transaction was obtained from coffee, spices and *green bean* coffee products. In addition, Indonesia also succeeded in signing four memoranda of understanding or trade MoUs between Indonesian participants and Turkish companies for coffee and chocolate product transactions (Antara, 2021). Indonesia is also present at the 9th OIC *Halal Expo* to be held on November 24-27, 2022 in Istanbul, Turkey in conjunction with the 8th *World Halal Summit*.

Next, Indonesia attended the *15th SMIIIC General Assembly* meeting on November 4, 2020. SMIIIC or *Standards and Metrology Institute for Islamic Countries* or SMIIIC is one of the 17 institutions affiliated with the Organization of Islamic Cooperation. SMIIIC has a primary focus on standardization, metrology, and accreditation. SMIIIC is an important aspect of trade in halal products between OIC countries because this organization discusses standardization, conformity assessment, and halal accreditation, both from a religious and technical perspective. At the meeting, Indonesia through BSN voiced input on the draft *SMIIIC Strategic Plan 2021-2030*. BSN expects the direction of the SMIIIC

strategic plan to focus on the standardization of the halal sector. The SMIIIC Secretariat General also responded to Indonesia's input by explaining that the scope of SMIIIC standardization is open to all areas but special attention is given to activities related to the halal sector, especially halal food (National Standardization Agency, 2020).

LPPOM MUI was also invited by SMIIIC to attend a seminar entitled "Seminar on Halal Testing and Halal Product Analysis by SMIIIC Professionals". At the seminar, the manager of the company secretary of LPPOM MUI, Raafqi Ranasasmita was appointed as one of the speakers and explained the research by the LPPOM MUI laboratory to detect pig DNA through *loop mediated isothermal amplification* (LAMP) and *biosensors*.

OIC Halal Expo 2024 will be held again in November in Istanbul, Turkey with the theme "*A Gateway to the Global Halal Economy: Unveiling the Potentials*". In May 2024, the Ministry of Trade has held a meeting with OIC Youth Indonesia to discuss Indonesia's participation in the 2024 OIC Halal Expo (Ministry of Trade, 2024).

Indonesia's Bilateral Agreements with OIC Member Countries

The Indonesian government continues to maximize the preparation of bilateral and multilateral trade agreements in order to accelerate exports to the Organization of Islamic Cooperation countries. Some of the bilateral agreements made by Indonesia with OIC countries include the Indonesia - Iran *Preferential Trade Agreement* which was signed on May 23, 2023.

The II-PTA negotiation will bring significant benefits to Indonesia, one of which is opening market access to Iran

through tariff elimination or reduction. One of the important points of this agreement is the article on trade-offs, which includes alternatives to non-traditional trade transactions. With the existence of trade-offs, both Indonesia and Iran can trade bilaterally without worrying about the scarcity or difficulty of the currency that is the medium of exchange in international export and import transactions (Ministry of Trade, 2023).

Next is the Indonesia - Turkey *Comprehensive Economic Partnership Agreement*. This agreement was formalized in 2019. Indonesia and Turkey agreed to conduct IT-CEPA negotiations by negotiating trade in goods first. The initial stage is in the field of trade in goods, followed by trade in services, investment, and others. Matters covered in the negotiations are trade settlement, rules of origin, customs procedures and trade facilitation, intellectual property rights, and law. In this negotiation, Indonesia proposed economic cooperation issues, while Turkey proposed *e-commerce* issues.

Next is the Indonesia - Tunisia *Preferential Trade Agreement* which focuses on trade in goods and terms of origin. Both parties also agreed to *counter trade* to become an alternative payment mechanism which is expected to spur an increase in bilateral trade between the two countries. As many as 27 of the 31 articles of this agreement discuss the provisions of origin of goods. Conditions of origin are provisions for exported goods that must be in accordance with applicable laws, treaties, or international agreements. In terms of market access for goods, both Indonesia and Tunisia will try to be more flexible when accommodating

each other's interests. (Ministry of Trade, 2024).

Next is the Indonesia-Pakistan Preferential Trade Agreement (IP-PTA). In this agreement, the two countries managed to agree on the IP-TIGA Terms of Reference (ToR) that will serve as guidelines and directions for the course of negotiations. The IP-TIGA negotiations will be divided into a number of *working groups*, namely *Trade in Goods, Rules of Origin, Customs Procedures, and Trade Facilitation (ROCPTF) Working Group, Sanitary and Phytosanitary (SPS) Working Group, Technical Barriers to Trade Working Group, and Legal and Institutional Issues Working Group*. Indonesia's main export commodities of halal products to Pakistan are palm oil and its derivatives (Ministry of Foreign Affairs, 2018).

Then, the next agreement is the Indonesia - *Gulf Cooperation Council Free Trade Agreement* which is a trade agreement between Indonesia and the Kingdom of Saudi Arabia to cooperate with each other in developing foreign trade strategies, conducting market studies, exchanging trade information, and promoting trade activities. Both countries agree to provide each other with experience on commercial *databases* and encourage business participation at seminars, forums, and workshops. Indonesia's halal export commodities to Saudi Arabia are processed fish and fish products, coconut (copra), and palm oil and its derivatives (Ministry of Trade, 2024).

CONCLUSIONS

The OIC has proven to be a potential non-traditional market for exports of Indonesian halal products. Although the OIC countries that are the market for

Indonesia's halal products are also Muslim-majority countries, several factors such as geographical location, differences in resources, and the ability of a country to process a product are factors for these countries to import some of their halal products from Indonesia. The OIC has several derivative organizations that facilitate the trade of its member countries.

So far, the form of Indonesia's economic diplomacy that has been maximized well and most often carried out is through product promotion and Indonesia's participation in various forums held by organizations under the OIC in order to support trade between OIC countries, such as discussion forums, seminars and workshops. As for agreements and negotiations, they have not been fully implemented because there are several articles in the agreement that are still in the status of

further discussion and have not been fully implemented.

The theory that the author uses in this study can help understand economic diplomacy and analyze phenomena that have occurred and their correlations in the past. In an effort to increase exports of halal products, we recommend that Indonesian government has to increase negotiations in multilateral forms and it is important for all relevant institutions such as Bank Indonesia, Ministries, the National Committee for Sharia Economics and Finance, businesses, associations, and others to strengthen cooperation. Indonesia also needs to complete the ratification process of the OIC Trade Preference System so that it can be implemented and provide direct benefits for Indonesia's trade to OIC countries so that one day Indonesia can lead global Islamic economic indicators and become a major player in the world halal industry.

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