

Indonesian Halal Tourism Transformation in its Foreign Trade Policy

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ABSTRACT

The world's halal industry shows significant growth. In Indonesia, halal tourism as the part of halal industry is growing rapidly. According to the 2019 Global Muslim Travel Index (GMTI) report which assesses the quality of halal tourism in terms of access, communication, environment, and service, Indonesia was ranked first out of 130 major Muslim-friendly tourist destinations. In 2018, Indonesia was in second place after Malaysia. This paper aims to describe the relevance of the transformation of halal tourism in Indonesia to its foreign trade policy. This study uses a qualitative approach. Sources of data used are primary data obtained from observations, interviews and documentation, as well as secondary data obtained from library sources in the form of manuscripts, written reports, journal articles, and electronic media. The data analysis technique uses an interactive data analysis model, namely data collection, data reduction, data presentation, and drawing conclusions. The results of this study indicate that the transformation of halal tourism in Indonesia is very relevant and supports the objectives of its foreign trade policy. Based on interactive data analysis, it was found that there are three transformations of halal tourism in Indonesia that need to be improved, namely technology, behavior and synergy. The overall transformation of halal tourism has an impact on the achievement of the goals of Indonesia's foreign trade policy. Thus, for the transformation of halal tourism in Indonesia in the future, it is necessary to apply technology, improve behavior, and strengthen synergies between related elements and stakeholders.

Keywords; transformation, halal tourism, Indonesia, international trade policy

INTRODUCTION

Over the last three decades many of the world's economies have become more service-sector oriented. A service sector in which both developing and less developed countries are considered to have an advantage is the tourism services sector. These advantages are partly due to their climatic conditions, geography and cultural attractions, so that the tourism sector can be considered as an

export-oriented industry that has the potential to diversify economy (Brownrigg, M; Greig, 1975).

This is because the tourism sector has a broad effect on society and can affect the economy and welfare of residents in tourist destinations (Jordan, E. J., Moran, C., & Godwyll, 2019). In addition, countries also compete, directly or indirectly, using various strategies to attract tourists. This competition arises because like other industries, the comparative advantage of the tourism sector which is based on natural resources (such as natural scenery, sunlight, sand and sea) faces challenges with the increasing role of created assets such as the entertainment, recreation and cultural attraction industries (Jensen, C., & Zhang, 2013).

The halal tourism industry has demonstrated significant performance achievements in the global market over the past decade. As its newest database, Global Muslim Travel Index 2022 launched by Mastercard-CrescentRating. This annual report is new optimism for the tourism sector after experiencing a very sharp decline due to the Covid-19 pandemic two years ago. Muslim travelers globally have reached 160 million people in 2019. After the disruption of the crisis due to the covid-19 pandemic in 2020 and 2021, the GMTI report estimates the number of Muslim tourists will reach 140 million people in 2023 and return to 2019 levels of 160 million people in 2024 (Lida Puspaningtyas, 2022).

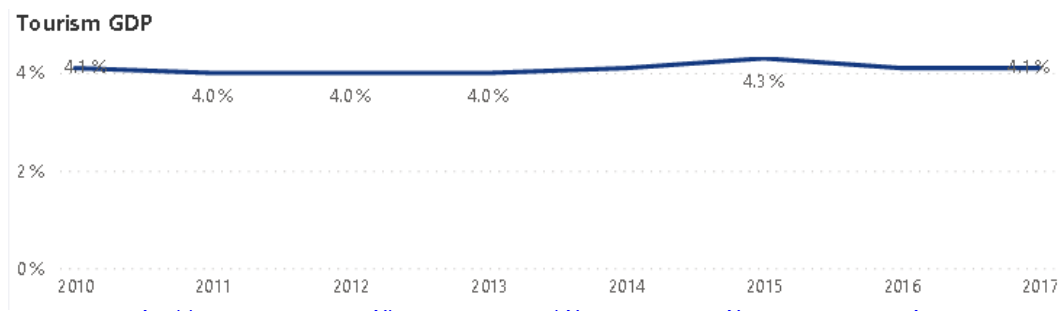
Indonesia is ranked second in the Global Muslim Travel Index (GMTI) in 2022 after the first rank was reclaimed by Malaysia. As for 2021, Indonesia was in fourth place. The second position in the 2022 GMTI is occupied by not only Indonesia but also Saudi Arabia and Turkey because they have the same score, namely 70. Meanwhile, Malaysia gets a score of 74. The next position is the United Arab Emirates with a score of 66, and Qatar with a score of 64 (Lida Puspaningtyas, 2022).

Figure 1. International Tourist Arrival



As shown in the figure above, the well-managed tourism industry by ASEAN countries in the last 10 years has resulted in an increase in the number of international tourist arrivals. In 2010, there were 70.4 million international tourists. Five years later, in 2015 there was a significant increase to 104.2 million. And at the end of 2019, before covid-19 hit the world, the peak was recorded at 138.5 million. In particular, the development of the tourism industry in Indonesia in 2020 is recorded to have absorbed a workforce of 2,565,000 people (World Tourism Organization, 2022a).

Figure 2. Tourism GDP



Based on the latest data entered in 2017, Indonesia's tourism sector has contributed 4.1% of the total GDP. The achievement of this figure was recorded consistently until the end of 2020.

A number of studies have demonstrated the importance of the tourism sector, including the research by (Hazari, R., & Sgro, 1995) who found that tourism can have a positive effect on long-term economic growth. They prove that tourism can make non-traded goods and services exportable, thus increasing domestic prosperity and economic growth. Furthermore, research by (Balaguer, J., & Cantavella-Jorda', 2002) also shows that tourism expansion has a big role in economic development. (Dritsakis, 2004) has also examined the relationship between income from the tourism sector, the real exchange rate, and economic growth, the results show that there is a role for income from tourism sector on the real exchange rate and economic growth of a country.

Economic growth driven by the tourism sector shows that the development of a country's tourism industry will eventually leads to higher economic growth through spillover and multiplier effects (Cardoso, C., & Soukiazis, 2008). Spillovers and multiplier effects from the tourism services sector can be in the form of income derived from selling souvenirs, increasing flights, hotel rental fees, and so on (Lorde, T., Francis, B., & Drakes, 2011). Especially for halal tourism as a complement to the market segment of the rapidly growing global tourism industry.

One hundred experts from around the world gathered at UNWTO Headquarters to develop the next standard for Measuring the Sustainability of Tourism (MST) (UNWTO, 2022). MST aims to provide an internationally agreed framework to measure the impacts and dependencies of tourism on the economy, society and the environment, both at national and sub national levels (World Tourism Organization, 2022b).

The global MST effort responds to the urgent need for guidance to produce more credible and comparable data on the role of tourism for people, planet and prosperity. The data framework will empower policy makers and the private sector to shape innovative policies and transform business models.

Governments, businesses and consumers require transparent and reliable metrics. These need to be produced in a harmonized way to benchmark performance, communicate progress, streamline policy, and ensure that action on the ground is aligned with broader policy ambitions. Launched in 2016 by UNWTO in partnership with leading countries, the International Labor Organization and the United Nations Statistics Division, Measuring the Sustainability of Tourism embodies tourism's response to move Beyond GDP.

In the last decade, the service sector's contribution to GDP has increased from 44 % to more than 50 %, while employment has increased by a similar amount, namely nearly 50 %. The service sectors that play an important role in

Indonesia's economic recovery from the Asian financial crisis are telecommunication services, computer and infrastructure services as well as transportation, distribution and logistics services (Manning, Chris. & Aswicahyono, 2012). Comprehensive and sustainable development of the service sector is urgently needed to support one of the visions and missions of the 2020-2024 RPJMN, namely to create a competitive nation.

From the background presented above, at a glance it can be seen that there are interrelationships and contributions that influence each other between the halal tourism service sector and foreign trade policies of a country. Hence, this paper aims to identify the relevance and contribution of the transformation of halal tourism in Indonesia to its foreign trade policies. Apart from that, this study is also aimed at formulating the most effective form of transformation for the halal tourism industry so that it is able to increase national income and welfare.

RESEARCH METHODS

This study uses a qualitative method with a concept approach to the transformation of halal tourism which will discuss Indonesia's foreign policy in improving halal tourism potential that is used as an instrument of economic transformation in order to achieve national interests for attracting tourist visits, investment, export requests and build an image as a country that is friendly to Muslim tourists, especially for countries as the target market for tourism in the Middle East.

Sources of data used are primary data obtained from observations, interviews and documentation, as well as secondary data obtained from library sources in the form of manuscripts, written reports, journal articles, and electronic media. According to Miles and Huberman theory, the data analysis technique uses an interactive data analysis model, namely data collection, data reduction, data presentation, and drawing conclusions (Sugiyono, 2019).

RESULT AND DISCUSSION

Indonesia's economic constitution is Pancasila economic system with an economic policy direction that prioritizes societal prosperity rather than individual prosperity. Hence, the implementation of social welfare is a shared responsibility between the government and the community. One can be the fundamental strategy, namely the enhancement of halal tourism industry.

The concept of halal tourism refers to product variants in the form of goods and services, and marketed tourism activities must comply with Islamic teachings. Previous studies have proven that variant products, goods and services, and all halal activities on the evaluation of Muslim tourists towards tourist destinations, for example, have a positive influence on the satisfaction of Muslim tourists and word of mouth. (Abror, A., Wardi, Y., Trinanda, O., & Patrisia, 2019). Halal tourism can increase foreign exchange earnings, create jobs, stimulate the growth of the tourism industry, therefore it can trigger economic growth, moreover it can encourage various countries to develop the halal tourism sector.

Indonesian halal tourism is a rapidly growing industry that has garnered attention from both local and international visitors. Halal tourism refers to travel and hospitality services that cater to the needs of Muslim travelers, such as providing halal food, prayer facilities, and activities that comply with Islamic principles. Indonesia, as a predominantly Muslim country, has a significant advantage in developing this sector. The country is rich in cultural and natural

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attractions that appeal to both Muslim and non-Muslim travelers, making it an ideal destination for halal tourism.

The Indonesian government has recognized the potential of halal tourism in boosting the country's economy and has implemented several initiatives to develop the industry. The Ministry of Tourism and Creative Economy launched the "Indonesian Muslim Travel Index" in 2019, which measures the readiness of Indonesian destinations to cater to Muslim travelers. The index evaluates various aspects such as halal food availability, prayer facilities, and the availability of Islamic tourism information. The government also encourages the private sector to invest in halal tourism by providing incentives and funding.

One of the most popular halal tourism destinations in Indonesia is Lombok Island, located in West Nusa Tenggara province. The island is known for its pristine beaches, beautiful waterfalls, and traditional Sasak culture. The local government has developed several halal tourism programs to attract Muslim visitors, including halal culinary festivals, halal beach resorts, and halal tour packages that include visits to Islamic sites and cultural attractions. With its beautiful natural scenery and strong Islamic identity, Lombok Island is an excellent example of the potential of Indonesian halal tourism.

Figure 3. Travel Expenditure



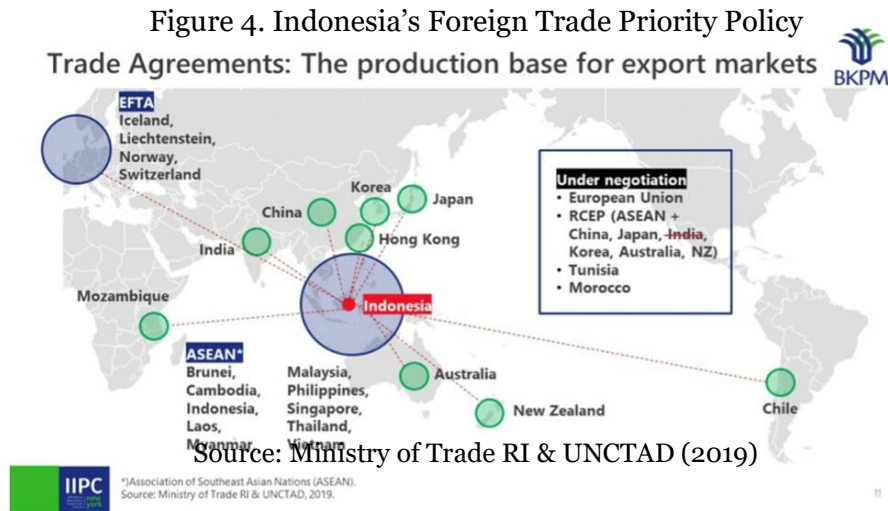
One potential market that is predicted to continue to increase from year to year is the visit of Muslim tourists. This is as stated in the Global Muslim Travel Index (GMTI 2018) report, that the share of the Muslim tourist market is growing rapidly, even predictably increase USD 220 billion in 2020 and is expected to increase by USD 80 billion to USD 300 billion in 2026.

There is a significant relationship between halal tourism and Indonesian foreign trade policy. The growth of halal tourism in Indonesia has led to an increase in international visitors and foreign investment in the tourism industry. This, in turn, contributes to the country's foreign trade by increasing the flow of foreign currency through tourism receipts and encouraging investment in the tourism sector. The Indonesian government's focus on developing halal tourism is also aligned with its foreign trade policy, which prioritizes expanding market access and promoting trade liberalization. By promoting halal tourism, Indonesia can attract more Muslim visitors from around the world and expand its market for halal products and services. This can lead to increased trade opportunities and further boost the country's foreign trade.

Indonesia's Foreign Trade Policy

Indonesia's foreign trade policy is focused on promoting international trade and investment to boost the country's economic growth. The government has implemented various policies to encourage foreign investment, such as simplifying investment regulations, providing tax incentives, and establishing special economic zones. The country's strategic location and abundant natural

resources make it an attractive destination for foreign investors, particularly in the sectors of manufacturing, mining, and tourism.



The government has also prioritized bilateral and multilateral trade agreements to expand its market access and promote trade liberalization. Indonesia is a member of the Association of Southeast Asian Nations (ASEAN) and has signed free trade agreements with several countries, including Australia, China, Japan, and South Korea. These agreements have helped increase trade and investment between Indonesia and its trading partners, leading to the growth of the country's export-oriented industries.

However, Indonesia's foreign trade policy is not without challenges. The country still faces obstacles in areas such as customs regulations, logistics, and infrastructure. The government has been working to address these issues, such as by implementing a single-window system for customs clearance and investing in infrastructure projects such as ports, airports, and highways. These efforts are essential to further enhance the competitiveness of Indonesia's foreign trade and attract more foreign investors to the country.

Indonesia's Halal Tourism Transformation

Indonesia has been actively pursuing a foreign trade policy to enhance its economic growth and strengthen its global trade relations. However, to fully support this policy, it needs a transformation in halal tourism development. The halal tourism industry is a promising market for Indonesia, with its large Muslim population and diverse tourism offerings. The development of halal tourism can attract more Muslim travelers to Indonesia, contributing to the growth of its tourism sector and the economy as a whole.

To support the foreign trade policy of Indonesia, the transformation of halal tourism development must involve the creation of a comprehensive and integrated halal tourism ecosystem. This includes the establishment of halal tourism standards, the certification of halal products and services, and the development of halal-friendly infrastructure. These measures will not only cater to the needs of Muslim travelers but also enable Indonesia to compete in the global halal tourism market.

Furthermore, the transformation of halal tourism development can also enhance Indonesia's soft power diplomacy. By promoting Indonesia as a halal tourism destination, it can strengthen its position as a leader in the Muslim world, build stronger ties with Muslim countries, and foster interfaith dialogue

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and understanding. This can contribute to Indonesia's reputation as a welcoming and inclusive country, which can attract more foreign investments and boost its trade relations with other countries.

Halal tourism has undergone a significant transformation in recent years, driven by the integration of technology into the industry. The use of online booking platforms, mobile applications, and social media has made it easier for Muslim travelers to research and book halal-friendly destinations and services. Technology has also enabled businesses to offer innovative halal tourism products and services, such as halal food delivery, prayer room locators, and halal-certified tourism experiences.

Figure 5. The Digitalisation of Halal Travel to Drive The Market Forward



Source: Mastercard-CrescentRating Halal Travel Frontier 2019 report

In addition to technological advancements, the behavior of Muslim travelers has also evolved in recent years. Halal tourism has become more than just a trend, but a lifestyle choice for many Muslim travelers. They are increasingly seeking out destinations and experiences that align with their values and beliefs, including halal food, modest fashion, and opportunities for prayer and worship. This shift in behavior has led to an increase in demand for halal tourism services, which has spurred the development of new businesses and products catering to this market.

Figure 6.
Key Drivers of
Halal Market
Growth

Source: Halal Goes
Global: International
Trade Centre (2015)



Finally, the transformation of halal tourism has also been driven by the synergy of all stakeholders in the industry. This includes the collaboration between Consumer Awareness, Food Security, Eco-Ethical, Legal, Political, Supply Chain Integrity, Social, Technology, and Economics. All of those key drivers of halal tourism market growth should be done by governments, travel agencies, halal certification bodies, and destination management organizations. The collective efforts of these stakeholders have led to the development of halal tourism infrastructure, such as the creation of halal-friendly airports, the establishment of halal tourism clusters, and the promotion of halal tourism destinations. This synergy has also created opportunities for businesses to collaborate and offer innovative halal tourism products and services, which has further contributed to the growth of the industry.

CONCLUSION

In conclusion, the transformation of halal tourism development is essential to support Indonesia's foreign trade policy. The halal tourism industry presents a significant opportunity for Indonesia to attract more Muslim travelers, enhance its tourism sector, and strengthen its position in the global halal tourism market. To fully realize this potential, Indonesia must create a comprehensive and integrated halal tourism ecosystem, including halal standards, certification, and infrastructure.

The development of halal tourism can also contribute to Indonesia's soft power diplomacy, building stronger ties with Muslim countries and promoting interfaith dialogue and understanding. This can enhance Indonesia's reputation as a welcoming and inclusive country, attracting more foreign investments and boosting its trade relations with other countries. The transformation of halal tourism development is not only a strategic move for Indonesia's foreign trade policy but also a step towards promoting sustainable and responsible tourism practices.

In conclusion, Indonesia must continue its efforts to promote halal tourism development as a means of supporting its foreign trade policy, building its economy, and enhancing its global standing. By doing so, it can become a leader in the halal tourism industry and contribute to the growth and development of the Muslim world as a whole. The overall transformation of halal tourism has an impact on the achievement of the goals of Indonesia's foreign trade policy. Thus, for the transformation of halal tourism in Indonesia in the

future, it is necessary to apply technology, improve behavior, and strengthen synergies between related elements and stakeholders.

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While conducting this research work, some limitations were encountered that may have affected the scope and depth of the study. The first limitation was the availability of data and information related to halal tourism in Indonesia. The second limitation was the geographical scope of the study. The third limitation was the reliance on secondary data sources, which may have limitations in terms of accuracy and completeness. Despite these limitations, this research work provides valuable insights into the transformation of halal tourism development in Indonesia and its potential to support the country's foreign trade policy. The limitations serve as opportunities for further research and exploration of the halal tourism industry in Indonesia.

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