

## Analysis of the Role of the Halal Food Industry in Reducing Indonesia's Trade Balance Deficit

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### ABSTRAK

Penelitian ini dilatar belakangi oleh permasalahan ekonomi neraca pembayaran (perdagangan) Indonesia yang terus tercatat defisit. Sebagai negara dengan kekayaan alam melimpah dan potensi pasar yang besar masih belum membuat Indonesia bergerak untuk menjadi pusat ekspor makanan halal global. Padahal SDA pendukung yang sangat melimpah setidaknya dapat memenuhi kebutuhan masyarakat Indonesia bahkan hingga tingkat ekspor. Penelitian ini ingin mengetahui adakah peran industri makanan halal dalam menekan defisit neraca perdagangan Indonesia. Berdasarkan latar belakang tersebut, pokok permasalahannya adalah: mengapa dengan potensi industri makanan halal masih membuat Indonesia mengimpor makanan halal sehingga menyebabkan defisit neraca perdagangan Indonesia. Metode penelitian yang digunakan adalah metode penelitian kualitatif dengan sistem kepustakaan, dengan pendekatan deskriptif analisis. Data-data penelitian didapatkan dari jurnal, laporan-laporan, serta data statistik ekonomi yang dirilis oleh lembaga-lembaga terkait. Setelah dilakukan penelitian, didapatkan hasil yaitu adanya peran industri makanan halal dalam membantu menekan defisit neraca perdagangan dari sektor non-migas. Karena rata-rata produk makanan olahan dan bahan baku/penolong yang di ekspor adalah produk halal. Namun, perannya masih terlalu kecil sehingga perlu peningkatan kembali untuk memenuhi keinginan pemerintah untuk menjadikan Indonesia pusat industri halal, dimulai dari industri makanan. Masih minimnya pemanfaatan 3 sektor utama industri makanan halal, yaitu pertanian, peternakan dan perikanan menjadi tantangan untuk Indonesia mengelolanya. Kesadaran pengusaha makanan untuk mendaftar sertifikasi halal yang belum maksimal juga menjadi PR bagi pemerintah untuk memasuki pasar halal.

**Kata Kunci:** Industri Makanan, Halal, Neraca Perdagangan

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### ABSTRACT

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This research is motivated by the existence of economic problems, namely Indonesia's balance of payments (trade) which continues to be in deficit. As a country with abundant natural wealth and large market potential, Indonesia has not yet moved to become a global center for halal food exports. Even though the supporting natural resources are very abundant, at least they can meet the needs of the Indonesian people, even up to the level of exports. This study wants to find out if there is a role for the halal food industry in reducing Indonesia's trade balance deficit. Based on the above background, the main problem is: why with the potential of the existing halal food industry, Indonesia still imports halal food, causing a deficit in Indonesia's trade balance. The research method used to answer the above problems is a qualitative research method with a library system, with a descriptive analysis approach. Research data is obtained from journals, reports, and economic statistical data released by related institutions. After doing the research, the result is that there is a role for the halal food industry in helping to reduce the trade balance deficit from the non-oil and gas sector. Because the average processed food products and raw/auxiliary materials exported are halal products. However, its role is still considered too small so that it needs to be increased again so that it can fulfill the government's desire to make Indonesia the center of the halal industry, starting with the food industry. The lack of utilization of the 3 main sectors of the halal food industry, namely agriculture, animal husbandry and fisheries, is a challenge for Indonesia to manage it. The awareness of food entrepreneurs to register for halal certification which has not been maximized is also a homework for the government to enter the halal market.

**Keywords:** *Food Industry, Halal, Trade Balance*

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## Introduction

Humans in living life are never separated from daily needs. As the basis of their needs, humans need good and healthy food. The importance of food for all living things on this earth is a form of fulfilling primary needs. According to Law of the Republic of Indonesia No. 18 of 2012 concerning Food Security, it is a condition for the fulfillment of food up to the individual level, which is reflected in the availability of sufficient food in quantity and quality, safe, diverse, and affordable.

Apart from being a place to meet needs, consuming food for Muslims is also a worship to Allah SWT. Because by meeting the needs of eating and drinking, humans will get energy to worship Him. Food criteria in Islam are different from consuming other foods. Islam requires its people to consume halal and thayyib food. The Prophet once said in the hadith narrated by Al-Bukhori No. 78 about the prohibition of consumption and the necessity of avoiding haram food, "From Annas bin Malik

said, the Prophet PBUH said: "Indeed, among the signs of the apocalypse are the lifting of knowledge and the spread of ignorance and the drinking of khamr and the practice of adultery openly"". From this hadith, the Prophet commanded his people to always be in the way of Allah by consuming halal food. It is so important for Muslims to consume halal food.

Islam is currently ranked second only to Christianity with the largest population in the world. According to a report by the Pew Research Center Forum on Religion & Public Life (2017), the Muslim population will increase by 35% in the next 20 years, rising from 1.6 billion in 2010 to 2.2 billion in 2030. It is projected that the growth of the Muslim population will be faster than the growth of the global population.

Indonesia, the fourth most populous country after China, India and the United States, is a quarter of the world's total population with a Muslim population of 87.2% of the 268 million people. Quoted from the Seminar of the Coordinating Ministry for Economic Affairs of the Republic of Indonesia held on October 24,

2020, Indonesia contributes 13% of the world's Muslim population. This shows that Indonesia holds a huge potential for the sharia economy. With abundant natural resources and human resources that continue to increase in quantity and quality, Indonesia actually has a large capital to become the world's leading Sharia economic and financial center.

The expenditure of the Indonesian people for food consumption every year continues to increase. Nationally, the average per capita expenditure for monthly consumption is 1,205,862 rupiah. Compared to this figure, as many as 16 provinces have an average expenditure that is above the national figure. The province with the highest expenditure is DKI Jakarta Province at 2,322,246 rupiah while the lowest is in East Nusa Tenggara Province at 800,619 rupiah. Meanwhile, the average percentage of monthly per capita expenditure on food is 49.21 percent.

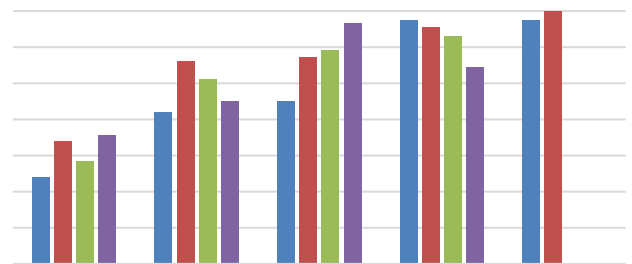
Not to be outdone by the conventional economy, the development of the sharia economy, which has recently attracted a lot of attention from economists, has experienced dynamic development turmoil. The State of the Global Islamic Economy Report 2018/2019 reports that the world's Muslim spending on halal food and lifestyle reached USD 2.1 Trillion in 2017, and is expected to continue to grow to USD 3 Trillion by 2023. This statement is supported by an increase in the number of Muslim populations which reached 1.84 billion in 2017 which is expected to continue to grow.

The Muslim world shows rapid population growth, dynamic economic development, and ever-increasing incomes. This condition can encourage an increase in consumption globally, especially the consumption of halal products. The global halal market is currently able to absorb around 16.7% of the entire global food industry. Driven by increased demand, the halal food market continues to build momentum across the global food supply chain.

Consuming halal food for Muslims is an important aspect and encouragement in Islam. The command to consume halal food is contained in the Qur'an surah Al-Baqarah verse 168 which reads:

يَا أَيُّهَا النَّاسُ كُلُوا مِمَّا فِي الْأَرْضِ حَلَالًا طَيِّبًا وَلَا تَتَّبِعُوا خُطُوَاتِ الشَّيْطَانِ إِنَّهُ لَكُمْ عَدُوٌّ مُبِينٌ

It means: "O man, eat some (food) on earth that is halal and good and do not follow the steps of Satan. Indeed, he is a real enemy to you." (QS. Al-Baqarah : 168) The food and beverage industry in Indonesia itself is generally one of the mainstay sectors in reducing the state deficit. There are three leading industrial sub-sectors that have a high growth rate above national growth, including the food and beverage industry, the electronics industry and the chemical industry.<sup>5</sup> The food and beverage processing sector has made a major contribution to Indonesia's GDP (Gross Domestic Product) over the past five years.



The Global Islamic Finance Report 2018 revealed that the number of exports of halal food in the world reached USD 124,754,129 and imports of USD 191,530,990, this is a fantastic figure. The large opportunity of the halal food market has made many non-Muslim majority countries also interested in providing halal food services. One of them is Thailand, the White Elephant country is the TOP five largest exporter of halal food to OIC countries, with a share of 8.15% and an export value of US\$6 billion and is a contributor to the country's GDP by 60%. Then there is Brazil with the main export of halal beef and poultry to the global market. Brazil is also a contributor to 55% of the total supply of halal meat worldwide and 70% of frozen chicken supplied to nearly 100 halal-certified countries.

Meanwhile, Indonesia is still far behind in 20th place with a share of 1.86% for halal food exports to OIC countries. When compared to Muslim minority countries, Indonesia should be able to win market share for OIC countries because it is the country with the largest Muslim population in the world. It is unfortunate that

Indonesia cannot compete with Muslim minority countries. Even today, some Muslim minority countries are also starting to consider consuming halal food. The Grocer media mentioned that the UK's largest superstore chain (Tesco) has plans to import Halal goods worth 148 million pounds from Malaysia. So it is hoped that Indonesia can gain trust for countries that need halal food.

The large amount of consumption of the world's Muslim community makes every country in the world compete to provide quality services that are not inferior to Muslim-majority countries. In 2018, it was recorded that halal food spending of the Muslim community reached USD 1.37 trillion, growing 5.1% from 2017. Indonesia as a country with the world's largest Muslim population and also a country with halal market potential does not make Indonesia the center of the world's halal producers. Most of the halal food consumed by Indonesian Muslims is imported from Malaysia. Thus causing a deficit in Indonesia's trade balance.

The Indonesian Ministry of Trade quoted from the 2015-2019 Food Outlook The Indonesian Ministry of Trade projects that the largest component of Indonesia's imports, is frozen meat, and then offal imports. The large amount of meat imports occurred in 2010 of 338 thousand tons. However, there are limitations for health and halal reasons, the number of imports of frozen meat and offal in the future tends to decrease, in 2013 the volume of offal imports was 34 thousand tons and in 2019 imports are projected to decrease to 18 thousand tons or a decrease of 47 percent.

The Islamic economy, especially in the halal food and beverage industry sector, is expected to support future exports to reduce the trade balance deficit. International trade is an inseparable part and is the most important part of the development of the global economy. International trade is trade carried out by residents of a country with residents of other countries on the basis of mutual agreement.<sup>9</sup> International trade allows each country to obtain products/services that are not in its own country or vice versa. From international trade activities, foreign income in the form of foreign exchange occurs.

Every time there is foreign income, this increase in foreign income will cause an increase in demand for Indonesian export goods so that in the end it will increase Indonesia's trade balance. This is the focus of the researcher in conducting this research. Good economic growth will not be produced by a country that does not make efforts to improve its economy. So that the role of all levels of society is needed to overcome the country's socio-economic problems. Based on the description above, the researcher is interested in conducting a study entitled **"Analysis of the Role of the Halal Food Industry in Reducing Indonesia's Trade Balance Deficit in the Perspective of Islamic Economics"**.

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## Literature Review

To the author's knowledge, the study of the role of the food industry in reducing Indonesia's trade balance deficit in the perspective of Islamic economics is still a new topic in the writing of scientific papers. Some previous studies that also raised the topic of the role of halal food or the Halal industry in the economy, including:

First, research by Kamila entitled "The Role of the Halal Industry in Boosting Indonesia's Economic Growth in the New Normal Era". The results of the study show that, in the New Normal Era, many people have new habits. People will stay at home to avoid the Covid-19 virus. The existence of the New Normal and the magnitude of the opportunities for the halal industry must be addressed properly which will then benefit Indonesia, which incidentally is the world's largest consumer of halal food. So during this pandemic, the government encourages five measures for the sustainability of the Halal Industry, namely, competitiveness, certification, coordination, campaign and cooperation.

Second, a Scientific Journal by Yunita with the title "A Study on the Opportunities and Challenges of the Halal Food Industry to the Economy in Indonesia". It can be concluded that the Halal Food Industry has a great influence on the Indonesian economy. In 2015-2016 the food and beverage processing subcategory contributed 8.15% of the Processing Industry to

GDP. The food and beverage subcategory is also a contributor to Indonesia's exports, of which 26.11% are halal products.

In the journal, the author also stated several opportunities for the Halal Food Industry for the Indonesian economy, namely; development of Halal Agroindustry and FMCG (Fast Moving Consumer Goods) Products, Development of E-Commerce of Halal Food Products, Development of Organic Halal Premium Products, Development of Halal Food Articles and Global Halal Food Events and Increasing Indonesia's Halal Food Exports by Maximizing Opportunities for the ASEAN Economic Community (AEC). Meanwhile, the challenges faced are; Certainty of the Success of the Implementation of Halal Product Assurance, Increasing Halal Product Assurance in Indonesia with Technological Developments, Certainty of Logistics and Supply Chain (Supply Chain), and Sharia Funding for the Development of the Halal Food Industry.

Third, research conducted by Hisam Ahyani, et al. with the title "The Potential of Halal Food on the Community Economy in the Era of the Industrial Revolution 4.0". In this study, the author focuses on three Indonesian regencies (Cilacap Regency, Ciamis Regency and Banyumas Regency). From the results of the research carried out, that in the three districts that have been researched, Halal Food has the potential to improve the economy for the community.

As we age, the need for food clothing and boards is increasing. As is the case in Wangon District, halal food applied to Getuk Goreng which eventually becomes a characteristic of traditional food in Banyumas Regency can boost the community's economy. It can be concluded from this study, namely, from the sale of halal food, the community can revive the regional and personal economy, such as being able to send their children to higher education.

However, the halal food industry does not always run smoothly, there are several similarities in the challenges of halal food in the three districts studied, namely: (1) There is no legalization of halal food produced, (2) There is no halal certification due to several factors including awareness of the importance of halal

labeling on food and the lack of socialization of the local MUI regarding halal product guarantees, and (3) Economic limitations and unfriendly prices.

## Method

### a. Types and Data Sources

The type of approach in this study is a descriptive qualitative approach in the form of a literature review. Qualitative research method is defined as a type of research in which the discovery procedure carried out does not use statistical or quantitative procedures.<sup>13</sup> The data used is secondary data without primary data (interviews, field observations). Secondary data obtained from literature, journals, scientific papers, BPS reports and the latest data related to research objectives, will be explained in the discussion chapter.

### b. Data Collection Methods

Data collection is the methods used to collect data in research

#### a) Observation

Data collection by means of observation, namely by observing the level of Indonesia's imports and exports of halal food through the media (internet) which helps in research such as:

1. <https://www.bps.go.id>
2. <https://www.statistik.kemendag.go.id>
3. <https://www.bi.go.id>
4. <https://www.kemenperin.go.id>

#### c. Data Analysis Techniques

The research data used in this study is a descriptive analysis technique with a literature study system on a qualitative approach. The descriptive data analysis technique describes the nature or circumstances that are used as the object of the research. The results of the research will be described using the literature review method, where the author will involve various kinds of information from literature such as books, journals, encyclopedias, news and other supporting documents.

In this study, the author uses the data analysis method of Miles and Huberman (1992) which has three flow of activities, namely:

- a. Data Reduction, which is the selection process, focusing on simplifying, abstracting and transforming data that emerges from the author's notes. This means that the author

will select from a lot of data in the field (downsizing) and discard (living out) data that is less relevant in the implementation of research on the role of the halal food industry in reducing Indonesia's trade balance deficit.

b. Data Display, which is the process of presenting data in the form of a set of information that allows for the drawing of conclusions. In this study, the author presents data in the form of brief descriptions, charts, tables and the like to make it easier to understand what is happening.

c. Drawing conclusions and verification, which is the process of concluding data that has been processed by the author by formulating the meaning of the research results revealed in short, concise and clear sentences. By presenting general data, in this case the theories of the research object, then describing the specific data, by describing the role of the halal food industry in reducing Indonesia's trade balance deficit which is then drawn specific conclusions.

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## Results and Discussion

### Analysis of the Potential of the Food Industry in the Global Market and Indonesia's Trade Balance

In daily life to meet their needs, humans cannot be separated from consumption activities, especially food consumption. For Muslim people, it is an obligation to consume halal and thayyib food, so it is appropriate for Muslims to pay attention to anything that enters the body. As the times develop, halal food begins to have many enthusiasts. Not only the Muslim community, but also the non-Muslim community.

As a result of the large demand for halal food and beverages, it makes it easier for consumers who need halal food and beverages because they have been widely found in the surrounding environment even in Muslim minority countries, both processed food (ready-to-eat) and auxiliary raw materials that can be imported from abroad.

Modern lifestyle changes make human tasks easier with the existence of industry 4.0. All countries are moving forward, not leaving Indonesia behind. The country, which is known for its natural wealth and culture, plans to become the center of the halal industry globally. However, it is unfortunate that the availability of abundant Natural Resources (SDA) has not made Indonesia the center of the global halal industry, especially in the field of halal food and beverage industry today.

The potential of the halal food market can be seen from the rapid expenditure of the Muslim community from US\$ 1.13 trillion in 2018 to US\$ 1.17 trillion in 2019. The impact of the Covid-19 pandemic also did not shake the halal food and beverage industry too much in 2020. The decline in halal food and beverage expenditure is estimated to be only around 0.2%.<sup>63</sup> And it is estimated that by 2024 global halal food and beverage expenditure will reach US\$1.38 trillion.

As explained in the previous chapter, the strength of Indonesia's halal food and beverage industry is used as a weapon to reduce the trade balance deficit. Not infrequently, the growth of the processed food and beverage industry is recorded higher than Indonesia's economic growth. There are several things that must be considered in the global halal market, especially Food and Beverage (F&B), including:

#### 1. Halal Certification

The first thing that must be considered in the global halal market is halal certification. Every country, especially Muslim-majority countries, has standards in halal certification. Such as the Singapore Islamic Ulema Council (MUIS), the Department of Islamic Development Malaysia (JAKIM), the Eurasia Halal Services Centre Turkey, the American Halal Foundation (AHF) USA, and so on.

The wider the halal food market, this halal certification is useful to inform the public, especially Muslim consumers, that these foods and drinks are in accordance with Islamic law and for non-Muslim consumers as a sign that the food is safe, healthy, nutritious and suitable for consumption.

## 2. Halal Logistics

What is a problem and is very worried about the global halal market is the halal food and beverage delivery process itself. When a country buys or imports food from abroad which is a Muslim country, it is very important to pay attention to the process of transportation, trading, procurement, and the receipt process. In Islam, the above processes should not be in direct contact with goods, tools and anything that indicates haram.

## 3. Trade Barriers

Trade barriers are indeed the most difficult problem in the global halal market. For example, in Saudi Arabia which stipulates food health checks, especially halal meat commodities. This inspection will start from the supervision of overall production safety, starting from the slaughtering process, bundling to transporting meat.

And in 2013 Saudi Arabia also made a regulation for exporters who import meat and poultry products to pay a registration fee before exporting meat to Saudi Arabia. If there is an organization or country that does not follow these regulations, there will be export restrictions for that organization or country.

Indonesia as the largest Muslim-majority country in Asia with abundant and continuously improving natural resources (SDA) and human resources (HR) has not been able to become a halal center, especially in the food sector. Meanwhile, countries with Muslim minorities such as Thailand, Australia and others are recorded as the largest exporters of halal food to OIC countries.

Even Indonesia is a target for exporters for halal food. In 2013, South Korea exported halal food to Indonesia reaching USD 11.6 billion and Indonesia itself imported food products from South Korea worth USD 150 million. Indonesia is also listed as the largest importer of halal meat from Australia.

87.2% of Muslims in Indonesia with the great potential of the halal food market do not guarantee a country to become a large producer

of halal food that can be exported abroad. In fact, if you look again at Indonesia's halal logistics, it is very adequate, such as Indonesia's agriculture, livestock and fisheries sectors.

## 1. Livestock Sector

When viewed from the livestock sector, the production of Indonesian broiler chicken meat in 2019 increased by 2.51 percent from the previous year. During the pandemic, chicken meat production decreased by 6.29 percent. Meanwhile, Indonesian beef production continues to increase every year, even during the Covid-19 pandemic. The average Indonesian livestock production continues to increase, and decreases during the pandemic. However, from the data above, sheep meat production continues to decline consecutively, namely 14.8 percent and 4.47 percent.

The livestock sector contributed 1.56% to GDP on a current price basis in 2018. And in the third quarter of 2019, livestock was recorded as a contributor to GDP of 1.63% based on prevailing prices. However, globally, the livestock sector has not been profitable for Indonesia's trade balance.

Sub Sectors	2017	2018	2019
			Novemb er
<b>Farm</b>			
Volume (Tons):			
Export	226.292	247.435	27.408
Import	1.648.687	1.832.309	168.563
Balance	- 1.422.395	- 1.584.874	-141.155
Value (USD):			
Export	625.144	640.171	79.198
Import	3.371.486	3.682.625	366.270
Balance	- 2.746.342	- 3.042.454	-287.072

Indonesia still imports a lot of meat from other countries.

## 2. Fisheries Sector

It is not without reason that Indonesia is called a maritime country. Almost 3/4 of Indonesia's area is the ocean. Being right on the equator is a potential for fisheries for Indonesia. In 2018 alone, the country's fish production reached 22,578,219.43 tons with a national fish consumption figure (AKI) of 50.69 kg/capita. Meanwhile, in 2020, in the midst of the pandemic, fish production reached 20,332,700.02 tons, down 9.94% from 2018. The types of fish referred to in table 9 are Milkfish, Pomfre, Skipjack, Cucut, Squid, Carp, Octopus, Snapper, Shellfish, Grouper, Other, Lais, Kite, Catfish, Lobster, Mas, Tilapia, Stingray, Patin, Turtle, Crab, Seaweed, Setuhuk, Tenggiiri, Anchovy, Toman, Cob, Tuna and Shrimp.

Exports from the fisheries sector include Squid, Cuttlefish, Octopus, Other Commodities, Crabs, Crabs, Seaweed, Tilapia, Tuna, Cob, Skipjack and Shrimp.

Sub Sectors	2018	2019	2020
Export	1.126.068.399	1.184.195.688	1.262.847.994
Import	150.710.011	35.642.248	45.060.327
Balance	975.358.388	1.148.553.440	1.217.787.667

In 2018, fishery exports reached 1,126,068,399 tons with an export value of USD 4,860,903,580. In 2020, it increased by 12.15% to 1,262,847,994 tons with an export value of USD 5,205,214,011. The fisheries sector also contributed to Indonesia's GDP by 2.60% in 2018.

Based on the data above, the trade balance for the fisheries sector shows positive numbers.

## 3. Agricultural Sector

Indonesia's agricultural sector is also not inferior to the two sectors above. Although the last two years (2019 and 2020) Indonesia's rice production has decreased, it has not reduced the quality of Indonesian rice. As the mainstay of Indonesia's halal food industry, the agricultural

sector has adequate facilities and infrastructure as a halal food supply chain.

Sub Sectors	2017	2018	2019
			November
<b>Plant Food</b>			
Volume (Tons):			
Export	286.193	487.057	19.428
Import	20.518.346	22.025.375	1.699.201
Balance	-20.232.153	-21.538.318	-1.679.773
<b>Horticulture</b>			
Volume (Tons):			
Export	394.449	435.278	28.517
Import	1.724.937	1.729.117	199.785
Balance	-1.330.488	-1.293.839	-171.268
<b>Plantation</b>			
Volume (Tons):			
Export	40.351.662	41.442.543	3.917.018
Import	5.862.732	6.582.583	311.407
Balance	34.488.930	34.859.960	3.605.611

The largest imports in 2017 from the food crop sub-sector were exports of soybeans and their processed products which reached USD 2,852,111, and the second largest was wheat and processed products of USD 2,771,792. Indonesia imports the two commodities from the United States for soybeans and Canada for wheat imports. The contribution of the agricultural sector to GDP in 2017, 2018, 2019 in the third quarter for food crops was 3.23%, 3.03% and 2.91%, respectively. Horticultural Crops 1.45%, 1.47% and 1.67% which include



Olericulture plants (vegetables), Floriculture plants (ornamental), Fruticulture plants (fruits) and Biopharmaceutical plants (medicines). Meanwhile, plantation crops contribute to GDP by 3.47%, 3.30% and 3.37%.

The three sectors above are very important to succeed the mission of Indonesia's halal food center, because the composition of halal food is based on these three sectors. To balance the trade balance, it means that Indonesia must be able to reduce the number of imports from the three sectors. So that the food industry is expected to help reduce the trade balance deficit.

In addition, consumer tastes that continue to change with the changing times are also a difficulty for halal food entrepreneurs. For example, currently Indonesian people are very fond of Korean Dramas and K-POP, so that a Korean wave was created. Many of them changed their lifestyle like Korean society, starting from food. It is unthinkable that now there are many processed Korean foods that have been labeled halal.

In Indonesia itself, there are two provinces that are intensively utilizing the halal market by exporting halal food, namely Aceh and East Java. It was recorded that Aceh's halal food exports reached USD 38,028,713, which is 43.45% of the total number of non-oil and gas exports. Meanwhile, East Java's halal food exports reached USD 83,328,398, which is 0.61% of total non-oil and gas exports.

In addition, MSME entrepreneurs are also a potential for Indonesia's halal food industry. At least on November 5, 2021, there were 31,529 business actors who applied for halal certification. In accordance with the Halal Product Assurance Law (JPH), producers are encouraged to issue products that are in accordance with religious principles, such as;

1. Halal labeling on food, Regulation of the Minister of Health and Minister of Religion of the Republic of Indonesia No. 427/Menkes/S K B/85
2. Marking of products containing pork, Regulation of the Minister of Religion of the

Republic of Indonesia No. 280/Menkes/Per/XI/76

3. Guidance and supervision on the circulation of processed foods, Presidential Instruction No. 2 of 1991

4. Slaughter of animals and meat handlers, Decree of the Minister of Agriculture No. 41 3Kpts/TM/3 I0/7/T 992

### **Analysis of the Role of the Halal Food Industry in Reducing the Trade Balance Deficit**

In Islam, food is not only an external necessity but also a spiritual necessity. Therefore, it is not permissible for a person to consume food before he really knows the halal and goodness of the food he consumes. As a country with a majority Muslim population, Indonesia holds great potential for the halal industry market, especially the food industry. In this modern era, it is very easy to find halal processed food, even some Islamic minority countries also provide a lot of halal food for Muslim travelers. It is not uncommon for Muslim minority countries to become halal food producers who are ready to supply halal food to countries in need (Muslim-majority countries).

The great potential of the halal food industry has made many countries compete to provide food that is believed to be in accordance with Islamic law. The huge growth of the world's Muslims has had a significant impact on the halal food industry, spiritual awareness for the Muslim community and safety factors for non-Muslim consumers have made a surge in demand for halal food.

Indonesia is predicted to be a large granary of halal food market potential. With its natural and spiritual wealth, Indonesia is considered capable of becoming a center for halal food exports. However, it turns out that there are still many processed foods labeled halal and halal raw materials/helpers that are still imported from abroad. The existing natural potential does not encourage Indonesia to become the world's halal food producer. Indonesia is also listed as a country that still relies on imports of consumer

goods. As a result of excessive imports, the trade balance deficit is increasing.

In the previous discussion, the data in table 8 explained the performance of Indonesia's halal food exports to countries that are members of the OIC in the midst of the Covid-19 pandemic, the January-July 2020 period. During the pandemic, export activities were severely restricted due to the spread of the SARS-CoV-2 virus, causing many countries to experience a slowdown in their trade balance due to slowing world demand and disruption of global supply chains.

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## **Conclusion**

After the research, several conclusions were obtained regarding the analysis of the role of the food industry in reducing Indonesia's trade balance deficit, including:

1. Indonesia as a country with a Muslim population of 87.7 percent holds great potential in the halal food industry with Muslim community spending on food continuing to increase by 3.5 percent per year. However, Indonesia itself has not been able to become a center for halal producers, especially in the field of halal food.
2. The halal food industry has a big role in helping to reduce Indonesia's trade balance deficit, along with the potential for agriculture, livestock and fisheries to lead Indonesia to become the world's largest halal food producer. But because of its improper management, all sectors have not developed properly.
3. Consumer perception of changing tastes throughout the development of globalization also affects consumption styles, so food producers must also consider this, so that consumers continue to choose domestic halal food products rather than imports.

Based on the conclusion above, the following are suggestions that can be implemented later:

1. The larger the global halal food market, Indonesia must be more serious because of the fierce competition in the product testing process, so the government and entrepreneurs must

continue to implement halal certificates that are globally acceptable, set quality standards on food to increase consumer confidence and determine Intellectual Property Rights (IPR).

2. Socialize MSME actors who are involved in food products, especially to carry out halal certification, because there are still many MSME actors who do not have halal certification.

3. Utilizing existing technology to introduce Indonesian halal food products so that they are famous both domestically and abroad. For example, by holding Indonesian halal food expos regularly, creating a good halal food ecosystem, and so on.

4. In addition to focusing on the OIC market, Indonesia must also consider exporting halal food or foodstuffs to countries other than countries that are members of the OIC, such as Japan, China and countries with halal food market potential.

5. Meet domestic halal food consumption standards so that domestic consumers do not prefer imported halal food products.

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## **Confession**

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