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Indonesia's Aspiration to Become a Global Halal Hub: Opportunities and Challenges Ahead

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SYNOPSIS

*Indonesia aims to become a global halal hub, leveraging strategic investments, policy reforms, and robust certification standards to enhance its position in the international halal market. **Syed Huzaifah Bin Othman Alkaff** argues that to achieve this ambition, Indonesia must modernise its infrastructure, strengthen domestic production, and deepen international partnerships.*

COMMENTARY

On [27 February 2025](#), Friderica Widyasari Dewi, a commissioner at Indonesia's Financial Services Authority (OJK), called for Indonesia to adopt a more active and strategic role in shaping the global halal economy and Sharia-based services. Her statement highlights Indonesia's ambitious vision to leverage its demographic strength, strategic location, and deep cultural connections with the global Muslim community to become a prominent halal economic hub. This vision aligns with the recent policy reforms, strategic investments in halal-focused industrial zones, and the enhancement of robust halal certification standards, emphasising Indonesia's commitment to this rapidly expanding market.

At the [summit](#) of the Developing-8 (D-8) held on 19 December 2024, Indonesia spearheaded discussions aimed at establishing a unified halal value chain among member states. The D-8, a coalition comprising Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan, Türkiye, and Azerbaijan, collectively represents a substantial portion of the global Muslim population and accounted for a combined GDP of approximately [US\\$4.8 trillion](#) in 2023. Indonesia's leadership clearly recognises this immense economic potential. In advocating for enhanced intra-bloc halal trade, Indonesia seeks to consolidate regional resources and expertise, which would not only bolster trade flows and [strengthen economic resilience among member states](#) but also

support its own growth ambitions. This initiative could help Indonesia achieve its growth forecast of its halal economy to [US\\$281.6 billion](#) by 2025.

Indonesia's engagement with global halal industry leaders extends beyond the D-8. Strategic partnerships with the Organisation of Islamic Cooperation (OIC) and cooperation with established halal industry leaders such as Malaysia, Saudi Arabia, and Türkiye are pivotal. These countries, particularly strong in halal certification, advanced logistics, industrial infrastructure, and Islamic financial services, could provide Indonesia with essential expertise, technological knowledge, and investment capital. By tapping into these international collaborations, Indonesia seeks not only to improve its domestic halal infrastructure but also to significantly enhance its competitiveness in global markets, especially in key sectors like halal food, pharmaceuticals, cosmetics, tourism, and Islamic finance.

Yet, despite these promising opportunities, several critical challenges remain. Persistent infrastructure bottlenecks, high logistics costs, heavy reliance on imported raw materials, and fragmented integration into global halal supply chains continue to impede progress. To achieve its ambitious goal, Indonesia must strategically prioritise infrastructure modernisation, bolster domestic sourcing and production capacities, and strengthen international partnerships. Only by systematically addressing these issues will Indonesia be able to sustainably grow its halal economy and firmly establish itself as a global leader in the halal marketplace.

Rapid Growth of Global Halal Industries

Indonesia's ambition to become a global halal hub is underpinned by the rapid growth of the global Islamic economy, driven by expanding consumer spending, rising demand for Sharia-compliant products, and increased governmental support for halal certification and regulation worldwide. According to the [State of the Global Islamic Economy Report 2023](#), Muslim consumer spending on sectors including halal food, pharmaceuticals, cosmetics, fashion, tourism, and media reached approximately US\$2.29 trillion in 2022, indicating significant market potential. This figure highlights the vast opportunities Indonesia can tap into, given its unique demographic strengths and strategic positioning within the Muslim world.

At the [national level](#), Indonesia has experienced remarkable growth within its Islamic economy. Data from Bank Indonesia's Islamic Economy and Finance Study (KEKSI) shows that Islamic business activities contributed 46.71 per cent to the national GDP in the second quarter of 2023, equivalent to IDR 9,826.8 trillion (around US\$631.47 billion). Furthermore, the halal value chain (HVC) — an essential element driving this expansion — experienced robust growth of 3.93 per cent in 2023. Islamic business activities have been instrumental in Indonesia's broader economic strategy, reinforcing the centrality of Sharia-compliant business practices in national economic planning.

Moreover, significant progress has been achieved in the Islamic finance and business sectors, reflecting domestic momentum toward Sharia-based economic growth. The KEKSI reported that Islamic financing and business activities have seen substantial advancement towards achieving national targets. Notably, Islamic economic activities reached 59.88 per cent of the goals outlined in the government's Islamic Economy

and Finance Masterplan (MEKSI) 2019–2024, while Islamic financing reached 81.66 per cent of the national MEKSI and National Medium-Term Development Plan (RPJMN) targets. This progress demonstrates Indonesia’s commitment to embedding Islamic economic principles deeply within its development strategy.

These domestic achievements highlight Indonesia’s growing foundation in the halal economy, positioning the country to further leverage its considerable strengths, including the largest Muslim population globally, strategic maritime position, and a well-established network of Islamic economic institutions. Nevertheless, to translate these opportunities into global leadership, Indonesia must address several challenges.

Challenges for Growth

Indonesia’s [aspiration](#) to become a global halal economy hub faces several significant structural and logistical hurdles. Foremost among these are persistent infrastructure deficiencies, which result in substantial bottlenecks and elevated logistics costs. Indonesia currently experiences some of the highest logistics expenses in the region, accounting for a considerable portion of production costs at nearly [24 per cent of GDP](#) — significantly higher than regional peers such as [Malaysia](#) and [Thailand](#), which have far more streamlined supply chains. Such inefficiencies have been exacerbated by inadequate infrastructure, including port congestion, limited connectivity between islands, and underdeveloped transportation networks, directly impacting the competitiveness of Indonesia’s halal industry in global markets.

The halal industry’s heavy dependence on imported raw materials further deepens these vulnerabilities, leaving Indonesia susceptible to fluctuations in global prices, currency volatility, and geopolitical disruptions. The reliance on imports — particularly in sectors such as food processing, pharmaceuticals, and cosmetics — limits Indonesia’s control over supply chains and diminishes the domestic value-added potential of its halal industry. Additionally, structural limitations in Indonesia’s manufacturing sector, such as low levels of technology adoption and minimal participation in global value chains, place constraints on the industry’s overall productivity and ability to scale exports effectively.

Indonesia’s halal economy also faces significant regulatory and institutional challenges, particularly in navigating the complexities of different internationally recognised halal certification standards, coupled with domestic bureaucratic inefficiencies that hinder effective coordination between government agencies and private stakeholders. However, in a Muslim-majority country like Indonesia, consumers often assume that products are halal unless stated otherwise, making certification less of a concern for the general public. The real issue lies with the higher regulatory authorities, whose approach to certification often follows a different trajectory, creating misalignment and inefficiencies in the system, which could affect the credibility of Indonesia’s halal certification in overseas markets.

Additionally, beyond structural and logistical issues, the industry faces significant shortcomings in its international marketing and promotion strategies. Low levels of participation in digital international exhibitions and limited digital marketing capacities prevent Indonesian halal brands from achieving global visibility, particularly in the competitive, digitally driven post-pandemic market environment. Many small- and

By adopting an integrated approach that balances infrastructure development, regulatory reform, digital innovation, and international collaboration, Indonesia can overcome these challenges. This strategy will not only help the nation achieve its global halal ambitions but also drive sustainable economic growth, solidifying Indonesia's position as a key player in the global halal economy.

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