

Strategies for Increasing Indonesian Halal Product Exports to Russia

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ABSTRACT

The global halal industry continues to grow rapidly and is projected to reach more than USD 3 trillion by 2027. Indonesia, with the largest Muslim population in the world, has great potential to become a major producer and exporter of halal products. However, Indonesia's contribution to halal exports is still relatively small, only about 3% of global trade, lagging behind Malaysia, Thailand, and Brazil. Russia, as a non-Muslim country with a significant Muslim population (20–25 million people), is showing increasing demand for halal products, including food, cosmetics, pharmaceuticals, and modest fashion. This trend is driven by the growth of halal lifestyles and the adoption of halal products by non-Muslim Russian consumers who view halal products as symbols of quality and safety. This study aims to identify obstacles and formulate strategies to increase Indonesia's halal product exports to Russia. The method used is qualitative descriptive with secondary data from government agency reports, international organisations, and academic publications. The results of the study show that the main obstacles to exports include differences in halal regulations, logistical and distribution limitations, lack of promotion and branding, and limitations in the capacity of MSMEs. The recommended strategies include product innovation and differentiation tailored to Russian consumer preferences, harmonisation of halal certification, digitalisation of promotion, strengthening of the halal value chain, bilateral economic diplomacy, and empowerment of halal SME exporters.

Keywords: Halal Product Exports, Trade Strategies, Competitive Advantages, The Russian Market, Economic Diplomacy.

I. Introduction

The global halal industry has rapidly evolved into one of the most dynamic sectors of the international economy, with projections estimating its value to exceed USD 3 trillion by 2027. Halal products, once primarily associated with Muslim consumers, are increasingly embraced worldwide for their perceived qualities of hygiene, safety, and ethical production. This trend underscores the growing significance of halal products not only as religiously compliant commodities but also as part of a broader lifestyle preference. Indonesia, home to the world's largest Muslim population, holds substantial potential to emerge as a leading exporter in this sector. However, despite its domestic strengths, Indonesia's contribution to global halal trade remains modest, accounting for only about 3%, far behind competitors such as Malaysia, Thailand, and Brazil.



Recent reports, including the State of the Global Islamic Economy (SGIE), highlight Indonesia's strong performance in halal food and modest fashion. Yet, its role as a global exporter remains constrained, particularly in penetrating non-traditional markets such as Russia. Russia, a non-Muslim majority country with a sizable Muslim population of 20–25 million, has witnessed a growing demand for halal products across food, cosmetics, pharmaceuticals, and fashion. Interestingly, this demand extends beyond Muslim consumers, reflecting a broader association of halal with quality and ethical consumption. Despite these opportunities, Indonesia's halal exports to Russia remain limited, revealing a significant gap between potential and performance.

This research seeks to address that gap by analyzing the constraints and formulating strategies to enhance Indonesia's halal exports to Russia. The study asks: What are the main challenges in exporting Indonesian halal products to Russia, and what strategies can effectively increase market penetration? By applying theories of comparative advantage, competitive advantage, and economic diplomacy, this study explores both structural and strategic dimensions of trade. The objectives are twofold: (1) to identify key barriers hindering Indonesia's halal export growth in Russia, such as regulatory discrepancies, logistical inefficiencies, and weak branding; and (2) to propose actionable strategies for government and business actors to strengthen Indonesia's competitive position. In doing so, the research contributes to the discourse on global halal trade, offering fresh insights into expanding into non-traditional yet increasingly significant markets. Ultimately, this study aims to reinforce Indonesia's position in the global halal value chain and support its ambition to become a central hub for halal production and exports.

II. Literature Review and Hypothesis Development

The study of international trade and halal product exports has grown significantly in recent years, reflecting both the global expansion of the halal economy and the increasing interest of non-Muslim majority countries in halal-certified products. Key themes that dominate this field include comparative and competitive advantage, trade theory, supply chain integration, and the role of economic diplomacy. Within this body of literature, Indonesia's position as a potential leader in halal exports is recognized, yet empirical studies highlight structural challenges in realizing this potential.

2.1. Review of Previous Research

Classical trade theories, particularly Ricardian and Heckscher-Ohlin models, emphasize comparative advantage and factor endowments as drivers of international trade (Krugman & Obstfeld, 2009; Salvatore, 2013). These frameworks have been applied to halal industries, suggesting that Indonesia's abundance of raw materials, labor force, and Muslim-majority context provides a natural advantage. However, studies also note limitations in infrastructure and technological innovation that hinder efficiency (Cavusgil et al., 2014).

Table 1. State of The Art

No	Title, Author(s), Year	Variables/Theory/Phenomenon	Findings
1	Business Process Re-engineering in Supply Chains (Belkhatir et al., 2020)	Halal supply chain, BPMI, quality & traceability	Developed a model for halal supply chain efficiency and quality improvement through coordinated processes.
2	Russian Agricultural Industry under Sanction Wars (Lukyanova & Zeynalov, 2022)	Impact of sanctions on Russian food imports, local substitution	Showed that sanctions reduced Russian food imports drastically, opening opportunities for alternative imports, including halal products.
3	Strategy for Halal Industry Development in	Halal ecosystem, digital marketing, certification	Emphasized the need for strengthening the halal

	Indonesia (Haryono, 2023)		ecosystem and digital marketing to position Indonesia as a top global halal player.
4	Halal Export Acceleration Strategy for SMEs (KNEKS, 2021)	Export training, halal certification facilitation, digitalization, and market access	Highlighted SMEs' role in contributing 61% to GDP and 93.8% of employment; export acceleration requires training, certification, and digital support.
5	The Role and Strategy of Halal Certification in Export Markets (Hendra & Fauziah, 2023)	Halal certification, international export markets	Found that halal certification enhances competitiveness and maximizes global market access for Indonesian products.
6	Opportunities, Challenges, and Strategies of the Halal Industry (Agustina et al., 2024)	Halal infrastructure, regulations, and export opportunities	Identified that Strengthening BPJPH, adaptive regulations, and marketing innovation are crucial for halal export growth.
7	Problematics and Optimization Strategies of Halal Certification (Usnan & Aisy, 2022)	Bureaucratic barriers, education, and infrastructure	Found that certification bureaucracy and lack of education hinder SMEs; suggested regulatory simplification and government support.

Research on competitive advantage (Prahalad & Hamel, 1990; Barney, 1991) stresses the importance of differentiation and value creation. In halal markets, consumer perception extends beyond religious compliance to include health, safety, and sustainability (Lada et al., 2009). Empirical findings show that branding and international certification enhance market access (Hendra & Fauziah, 2023), but bureaucratic and regulatory barriers remain a challenge (Usnan & Aisy, 2022). Recent studies highlight Russia's growing halal market amid geopolitical shifts. Lukyanova and Zeynalov (2022) demonstrate that sanctions on Western imports opened opportunities for alternative suppliers, including halal producers. Yet, Indonesian exports to Russia remain limited due to regulatory misalignment and weak promotion strategies (Agustina et al., 2024). This indicates a research gap in formulating tailored strategies for Indonesia to penetrate the Russian market.

2.2. Theoretical Framework

This study integrates multiple theoretical perspectives to guide its analysis:

- a. Heckscher-Ohlin Theory – emphasizes factor endowment differences, relevant for explaining Indonesia's natural advantages in halal production.
- b. Competitive Advantage Theory – highlights differentiation and VRIN resources (Barney, 1991), crucial for positioning halal products in Russia's competitive market.
- c. International Trade Strategy (Cavusgil et al., 2014) – stresses product adaptation, regulatory compliance, and cultural alignment.
- d. Economic Diplomacy (Bayne & Woolcock, 2011) – frames the role of state-led initiatives in facilitating market entry and mutual recognition of halal standards.

The reviewed literature reveals both opportunities and barriers in Indonesia's quest to expand halal exports, particularly into non-traditional markets like Russia. By synthesizing classical trade theories, competitive advantage, and economic diplomacy, this study positions itself to address existing gaps in knowledge and practice. The hypotheses developed above serve as the foundation for empirical and strategic

analysis, ultimately contributing to both theoretical advancement and practical policy recommendations for Indonesia's halal industry.

III. Research Method

This study focuses on Indonesia's halal industry and its potential to expand exports to the Russian market. The research setting is situated within the broader context of international trade relations between Indonesia and Russia, with emphasis on the halal sectors of food and beverages, cosmetics, pharmaceuticals, and modest fashion. Participants in this study were not individuals but rather institutions, industries, and stakeholders, including the Indonesian government (e.g., Ministry of Trade, BPJPH, KNEKS), international organizations, and halal business actors such as SMEs and multinational firms. Data were drawn from secondary sources covering the period of 2019–2025, which provides a comprehensive overview of trade performance, consumer preferences, and policy developments in both Indonesia and Russia.

3.1. Research Design and Timing

The research employed a qualitative descriptive design, suitable for examining complex socio-economic and policy-related phenomena that cannot be quantified through experimental methods (Creswell, 2014). The study was conducted between February 2025 and August 2025. The independent variable in this study is Indonesia's halal industry (including production capacity, certification systems, and branding efforts), while the dependent variable is the level of halal product exports to Russia. Contextual covariates considered include regulatory frameworks, consumer preferences, and geopolitical conditions affecting trade.

3.2. Data Collection Procedures

Data collection was carried out through secondary data analysis of reliable and authoritative sources, such as government trade reports, official statistics (BPS, Ministry of Trade), publications from the National Sharia Economy and Finance Committee (KNEKS), halal certification bodies (BPJPH, LPPOM-MUI), international reports (e.g., State of the Global Islamic Economy Report), academic journal articles, and reputable news outlets. Documents analyzed included export performance data, certification standards, consumer market reports, and case studies of Indonesian and Russian halal trade relations. The use of multiple sources was intended to enhance the comprehensiveness of the study and reduce potential bias.

3.3. Data Analysis

The data were analyzed using a qualitative narrative and thematic approach. Information was organized into key themes, including: (1) barriers to Indonesian halal exports to Russia, (2) government and industry strategies, and (3) effective approaches to increase export performance. Thematic coding was applied to identify patterns across different data sources, while triangulation ensured that findings were cross-validated with multiple perspectives. The choice of a qualitative descriptive method was justified by the need to interpret contextual factors such as cultural preferences, regulatory differences, and trade diplomacy, which cannot be adequately captured through purely statistical techniques.

3.4. Validity and Reliability

To ensure validity, only peer-reviewed articles, official government reports, and institutional publications were used as data sources. Triangulation across multiple sources enhanced the credibility and reliability of findings. Internal validity was strengthened by linking observed patterns with established theories, such as comparative advantage, competitive advantage, and economic diplomacy. Reliability was

ensured by documenting each stage of the data collection and analysis process, allowing for replication by future researchers.

IV. Results and Discussion

4.1. Analysis Result

The findings of this study reveal that Indonesia possesses significant potential to expand its halal product exports to Russia, driven by the country's growing Muslim population (20–25 million) and increasing adoption of halal products by non-Muslim consumers. Export performance between 2019 and 2024 shows an average annual growth of 10.95%, with food and beverage contributing the largest share (13.24%), followed by pharmaceuticals (4.46%), modest fashion (2.45%), and cosmetics (2.39%). Nevertheless, Indonesia's market penetration in Russia remains limited, with Russia ranking only 14th among Indonesia's halal export destinations. Key barriers identified include: (1) regulatory misalignment between Indonesian and Russian halal certification systems, (2) insufficient adaptation of packaging and product taste to Russian consumer preferences, (3) lack of halal-specific logistics and distribution infrastructure, and (4) weak branding and limited digital promotion of Indonesian halal products in Russia.

a. Interpretation and Contextualization

These findings suggest that despite Indonesia's comparative advantage in halal production, structural and strategic gaps limit its competitiveness in the Russian market. The presence of a sizable Muslim consumer base and increasing Russian interest in halal products highlight a missed opportunity for Indonesia to expand beyond its traditional export destinations, such as the Middle East and Southeast Asia.

b. Comparison with Previous Research

The results align with Lukyanova & Zeynalov (2022), who noted that Russia's import substitution policies due to sanctions have created opportunities for alternative suppliers, including halal exporters. However, similar to Usnan & Aisy (2022), this study also highlights the bureaucratic complexity of certification as a major obstacle. Furthermore, the findings support Hendra & Fauziah (2023), who emphasized that international recognition of halal certification is crucial for market acceptance. Unlike prior studies that largely focus on domestic readiness (Haryono, 2023; Agustina et al., 2024), this research contributes by specifically analyzing strategies for entering the Russian market.

c. Implications

The implications are twofold. Theoretically, this study reinforces the relevance of the Heckscher-Ohlin framework in explaining Indonesia's resource-based advantages while highlighting the necessity of competitive advantage through differentiation and branding. Practically, the findings indicate that policy efforts should prioritize:

- 1) Mutual recognition of halal certification between Indonesia and Russia.
- 2) Product innovation tailored to Russian preferences (e.g., packaging, flavor, labeling).
- 3) Stronger digital promotion and participation in Russian halal expos.
- 4) Development of a halal trade corridor and logistics hubs in Eastern Europe.
- 5) Empowerment of SMEs through capacity building, subsidies for certification, and market training.

4.2. Limitations and Future Research

This study is limited by its reliance on secondary data, which may not fully capture the perspectives of individual exporters or consumers. Moreover, while the analysis identifies strategic directions, it does not

provide empirical testing of their effectiveness. Future research should employ primary data collection, such as interviews or surveys with Indonesian exporters and Russian consumers, to validate these findings. Comparative studies with other halal-exporting countries (e.g., Malaysia, Turkey, or Iran) could also provide deeper insights into best practices for market penetration. Overall, the results underscore that Indonesia's success in the Russian halal market depends not only on its natural and demographic advantages but also on its ability to innovate, align regulations, and strengthen economic diplomacy. By addressing these challenges, Indonesia can enhance its role in the global halal value chain and move closer to its ambition of becoming a leading global halal hub.

V. Conclusion

This study set out to analyze the challenges and strategies for increasing Indonesia's halal product exports to Russia. The findings reveal that Indonesia holds significant potential due to its large Muslim population, abundant resources, and established halal ecosystem. However, the country's halal exports to Russia remain limited, constrained by regulatory misalignment, weak branding, inadequate adaptation to consumer preferences, and logistical barriers. Despite an average export growth rate of 10.95% between 2019 and 2024, Russia ranks only 14th among Indonesia's halal export destinations, signaling a clear gap between opportunity and performance. Theoretically, this study contributes to the literature on international trade and halal economics by integrating classical and contemporary perspectives. The Heckscher-Ohlin model explains Indonesia's comparative advantage in resource endowment, while the competitive advantage theory emphasizes the importance of differentiation and innovation. The findings also highlight the role of economic diplomacy in facilitating certification harmonization and market access. By situating halal trade within these theoretical frameworks, the study extends existing knowledge and underscores the need to move beyond resource-based advantages toward strategic market positioning.

From a managerial standpoint, the results underline several strategic priorities for policymakers and industry actors. Government institutions must strengthen bilateral cooperation with Russia to achieve mutual recognition of halal certification standards. Exporters—particularly small and medium-sized enterprises (SMEs)—need to adapt their products to Russian consumer preferences in terms of packaging, taste, and branding. Furthermore, investment in halal logistics and digital promotion is essential to enhance visibility and competitiveness. Structured support for SMEs through training, subsidies, and international exposure will also improve Indonesia's overall halal export readiness. In conclusion, Indonesia's path to becoming a global halal hub requires not only leveraging its natural and demographic strengths but also addressing structural and strategic challenges. By adopting comprehensive strategies that align with both theoretical insights and practical needs, Indonesia can expand its halal exports to Russia and strengthen its role in the global halal value chain. This research contributes to theory, policy, and practice, while also opening avenues for future studies involving empirical testing and comparative analysis across different halal-exporting nations.

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