ABSTRACT

Indonesian is known as one of the world's largest producers of spices and holds significant potential in global trade. However, the opportunity to export to halal market in member countries of the Organisation of Islamic Cooperation (OIC) have not yet been fully optimized. This study aims to analyze the determinants that influence Indonesia's spice exports to halal markets in OIC members countries.

This research employs a gravity model approach using panel data from thirteen OIC countries over the period 2014 to 2023. The estimation method used in the Random Effect Model (REM) with Cross-Section Seemingly Unrelated Regression (SUR) weighting to address autocorrelations across cross-sectional units. The independent variables analyzed include Indonesia's GDP, economic distance, Muslim population, spice production, comparative advantage, real exchange rate, political stability of destination country, import tariffs (MFN Tariffs), halal certification, and the COVID-19 pandemic.

The results of the study show that most variables have a significant effect on the value of Indonesian spice exports to halal markets in OIC countries. Indonesia's GDP, Muslim population, comparative advantage, political stability and the COVID-19 pandemic have a significant positive effect. On the other hand, economic distance, spice production, import tariffs, and halal certification have a significant negative effect. The real exchange rate is found to be insignificant. This results confirm the relevance of the Gravity Model in the context of halal trade and highlight the importance of improving competitiveness, logistical efficiency, and harmonizations of halal standards to expand Indonesia's spice export market.

Keywords: Spice export, halal market, Gravity Model Approach, OIC countries, panel data