

Study of the Potentials and Challenges of Exporting Craft Industry Products to the Global Market (Case Study: West Java, Indonesia)

^[1] Fansuri Munawar, ^[2] Ghifari Munawar*, ^[3] Didi Tarmidi

^[1] ^[3] Universitas Widyatama, Indonesia

^[2] Politeknik Negeri Bandung, Indonesia

Corresponding Author Email: ^[2] ghifari.munawar@polban.ac.id

Abstract— *The creative craft sector in West Java plays a vital role in the regional economy, contributing to job creation, income diversification, and cultural preservation. However, despite its potential, the industry faces various constraints that hinder its growth and global competitiveness. The prospect that can be utilized to accelerate West Java's creative craft industry's export growth includes abundant raw materials, diverse cultural heritage, and strong market demand. However, several challenges require attention, including limited access to international markets, inadequate infrastructure, fragmented value chains, and inadequate product design and innovation capabilities. This study aims to analyze various export potentials and challenges based on the 12 HS Code for exports of craft products from the West Java creative craft industry. Research method conducting desk studies and field studies to various relevant agencies such as the industry and trade department, the culture and tourism department, and the central bureau of statistics as well as interviews with creative craft industry players in various regions in West Java. The results can be used as a reference for creative craft industry peoples and related governments to explore the export acceleration, both its potential and challenges.*

Index Terms—*Creative Craft Industries, Export Acceleration, Potential and Challenge Analysis.*

I. INTRODUCTION

Over the last decade, the creative economy sector has become an important pillar of economic growth at the national and global levels, as identified by various researchers [1]–[5]. Its contribution, which continues to increase in this period, shows its crucial role in driving economic progress. The Creative Economy Agency (Bekraf) reports that the creative industry in Indonesia has made a significant contribution of IDR 1,105 trillion to the country's Gross Domestic Product (GDP) [6]. Not only that, this sector also positively impacts employment by absorbing more than 12 percent of the total productive workforce, especially among young people. In the creative industries, one in five workers is between 20 and 24 years old. The increase in export performance is also one of the striking achievements of the Indonesian creative industry. In 2018, the export value of this sector reached IDR 316.4 trillion, representing an increase of around 5 percent compared to the previous year. Culinary, craft, and fashion products are the main contributors to this achievement [6]. Even so, a note needs attention: around 55% of the total exports of creative economy products are still concentrated in five countries, namely the United States (US), Switzerland, Japan, Singapore, and Germany. Each of these countries received exports of creative economic products worth US\$ 6.04 billion, US\$ 2.09 billion, US\$ 1.36 billion, US\$ 1.23 billion, and US\$ 886.1 million [7]. This indicates the need to increase export market diversification so that Indonesia's creative economy products can reach a broader international market.

In addition, focusing on innovation and improving product quality is also an essential step in achieving sustainable growth for Indonesia's creative industries. By strengthening the export strategy and increasing the added value of products, it is hoped that Indonesia's creative industries can be more competitive in the global market and optimize the sector's potential, which is the backbone of the country's economy.

Handicraft, functioning as a sub-sector within the creative industry, embodies applied art that converges artistic expression and design principles. Originating from traditional heritage or contemporary concepts, it gives rise to various final products, including artworks, functional items, ornamental objects, and decorative pieces [8]. According to [9], elements of craft that promote well-being can be attributed to the artifacts created and the sense of accomplishment gained. Craft's effects include personal growth, development of physical and cognitive skills, self-control, and cultural and social awareness. Participants recognized the craft's significance as a means to reduce agony, stress and calm the mind. Holistic and ordinary art serve distinct roles in maintaining well-being [9].

Indonesia's handicraft industry is predominantly characterized by micro, small, and medium-scale enterprises, which find sustenance in available resources and raw materials. Notably, the primary stronghold of the Indonesian handicraft industry lies in regions such as West Java, East Java, Yogyakarta, Central Java, Jakarta, and Bali, making it essential to foster growth and development in other parts of the country. As a country that is developing a creative industry, Indonesia needs solution in terms of export performance and global competition. The Indonesian

government realizes that the contribution of exports from the handicraft industry is still not competitive and has not been on par with other countries [10].

Indonesia's handicraft exports to world exports amounted to only 1.09%, below countries such as the United States, which reached 34.43%, China at 8.1%, Germany at 6.4%, Japan at 4.6%, Vietnam at 3.48%, and India at 1.37% [11]. With this comparison, further efforts are needed to accelerate the export acceleration of Indonesian handicraft products internationally. Furthermore, enhancing export performance will be challenging due to various obstacles in foreign markets. These market barriers encompass internal hindrances, such as functional limitations, informational constraints, and marketing challenges, as well as external obstacles, including procedural complexities, regulatory requirements, and environmental policies [12]. The craft industry needs solution in effectively adapting to rapid changes in market dynamics, environmental factors, and technological advancements, as well as struggling to foster creative innovation in product development. Consequently, there is room for improvement in optimizing the exploitation of market opportunities, maximizing the utilization of available resources, and effectively managing risks associated with entering new markets [13].

This research aims to gain further insights into the opportunities and challenges confronting the creative industry in West Java Province, Indonesia. The outcomes of this study serve as an integral part of a more significant research endeavor aimed at formulating strategies for enhancing the performance of Indonesia's creative industry, particularly concerning its export capabilities.

II. METHODOLOGY

This study aims to describe the potential and challenges in exporting creative craft industry products in the West Java region. The descriptive research method was chosen as the most appropriate approach to achieve this goal. Descriptive studies are typically planned to gather information that describes the features of various objects (such as individuals, organizations, products, or brands), events, or situations appropriate to the field [14]. The data type used is time series data, compiled historically from year to year over seven years (2016-2022).

The data source for this study came from secondary publication data released by the West Java Industry and Trade Service (Disindag) and data from the West Java Central Bureau of Statistics (BPS).

Descriptive analysis is used as a tool to achieve the objectives of this study. In this analysis, the development of export value (net value) from year to year will be compared, especially in the period from 2016 to 2022, with a focus on export commodities related to creative craft industry products, which refer to the HS code as follows: (1) HS code 42 (Leather Articles and Travel Goods); (2) HS code 44 (Woods Products); (3) HS code 45 (Corks Products); (4) HS code 46

(Plaiting Materials and Articles); (5) HS code 61 (Knitted or Crocheted Clothes); (6) HS code 68 (Articles of Stone, Plaster, Cement, Asbestos, and Mica); (7) HS code 69 (Ceramic Products); (8) HS code 70 (Glass and Glassware); (9) HS code 71 (Pearls, Precious Stones and Metals, and Imitation Jewellery); (10) HS code 82 (Tools and Cutlery); (11) HS code 83 (Miscellaneous Articles of Base Metals); and (12) HS code 97 (Works of Art and Antique).

III. RESULT AND DISCUSSION

Based on data obtained from the West Java Trade and Trade Office, the total net value (USD) of exports in West Java in 2016-2022 was \$214,274,212,982, while for craft export products, it was \$24,737,976,896 or 11.54% of the total exports. There has been a significant increase in exports of craft products in the last seven years, amounting to \$4,012,518,433 in 2022, or 40.92% higher than in 2016, with a net value of \$2,947,364,400. The graph in Figure 1 shows the development of exports from 2016-2022 for West Java craft products.

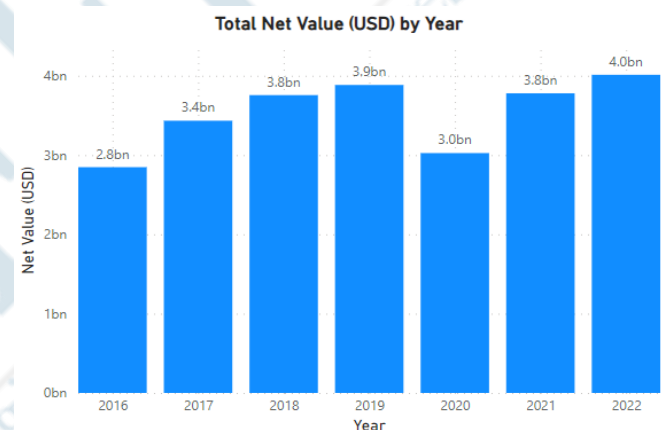


Figure 1. Total Net Value (USD) Of Creative Craft Commodities by Year

In general, there have been developments in exports that have increased from year to year, but there has been a significant decline in 2020, namely 22.12% compared to the previous year. This may have happened due to the influence of the Covid-19 pandemic, which resulted in global economic instability and impacted craft product exports that year. Some of the export commodities most affected by the decline in 2020 were HS code 71, with a decrease of -73.71%, HS code 61, with a drop of -11.2%; HS code 42, with a reduction of -20.52%, and HS code 69 with a decrease of -16.68% compared to the previous year.

The development of West Java craft product exports by commodity can be seen in Figure 2 (ordered descending from export value). The craft export commodity with the highest export value from 2016-2022 was HS code 61, which contributed 61.92% of the total exports of West Java craft products with a value of \$15,318,914,528, followed by HS code 71 with a value of \$2,019,530,032 (8.16%), HS code 42 with a value of \$1,920,351,723 (7.76%), HS code 44 with a

value of \$1,732,075,035 (7%), and the remaining 15.16% by other commodities. The largest export markets for craft products are the US, Singapore, Switzerland, Hong Kong, Australia, Germany, Netherlands, the Republic of Korea, and Japan.

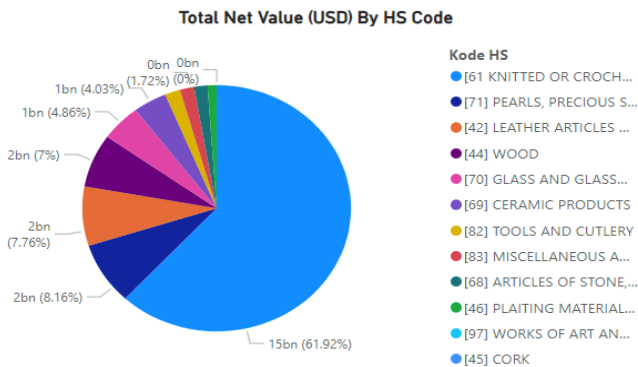


Figure 2. Total Net Value (USD) By HS Code

The export development of each commodity is explained in sub-chapters A-L, while the potential and challenges are presented in Table 1.

A. Leather Articles and Travel Goods (HS Code 42)

The export value for leather commodities increased rapidly by 74.47% from 2016 to 2022. The highest export value achievement was in 2022, with a net worth of \$368M, while the lowest was in 2016, with a \$198M acquisition. The most significant increase was between 2020 and 2021, with a 40.33% increase from \$233M to \$327M. The average export growth is $\pm 12.41\%$ per year. The US, the Netherlands, and Belgium are the three largest export destination countries for leather commodities.

B. Woods Product (HS Code 44)

The export value for timber commodities in 2022 was \$292M, the highest value compared to previous years. The export trend for wood commodities increased by 27.70% from 2016 to 2022. Decreases occurred in 2017 and 2020, with an export value of \$224M and \$232M compared to previous years. The average export development is $\pm 4.62\%$ per year, with the largest export destination countries being the US, Republic of Korea, and Japan.

C. Corks Product (HS Code 45)

The export trend for cork commodities has remained the same and has tended to be stagnant for the last six years, where the highest export value was obtained in 2018 with an export value of \$14,513 and in other years just under \$1000. The achievement of this commodity is the lowest compared to other craft commodities in West Java. The export destination countries for this commodity are Singapore, the US, and Saudi Arabia.

D. Plaiting materials and Articles (HS 46)

The average growth in exports per year for the straw commodity is $\pm 4.92\%$, where the highest increase was in

2020, with a net value of \$41.7M compared to 2019, which had a value of \$34M (a rise of 22.65%). This is different from other commodities, where in 2020, the majority experienced a decline due to the global impact of the Covid-19 pandemic. The total percentage increase in exports from 2016 to 2022 is 29.54%, with the export destination countries being the US, the Netherlands, and Germany.

E. Knitted or Crocheted Clothes (HS 61)

The export value for knitwear commodities is the largest compared to other things, with an average export growth of $\pm 5.66\%$ per year. The highest percentage increase in exports was in 2021, with a net value of 2.4bn, an increase of 26.98% compared to 2020, which had a net worth of \$1.89bn, but in the last six years, the highest value achievement was \$2.51bn in 2022 (an increase of 4.58% from 2021). Thus from 2016 to 2022, the export growth of this commodity has increased by 33.93%. Its biggest export destination countries are the US, Japan, and the Republic of Korea.

F. Articles of Stone, Plaster, Cement, Asbestos and Mica (HS 68)

The export value for stone goods commodities reached its highest value in 2021, which was \$71.8M, an increase of 47.13% compared to 2020. However, in 2022 there was a decrease of 9% with a net value of \$65.3M. From 2016 to 2022, there has generally been export growth with an annual average of $\pm 5.08\%$ and a total development of 30.48%. The countries that are the export destinations for this commodity are the Republic of Korea, the Philippines, and Japan.

G. Ceramics Products (HS 69)

The highest net value gain for ceramic commodities was 169B in 2018, but there was a significant decrease in 2019 and 2020, with a total reduction of 59.22% within two years. The average annual net value is \$ 142.5 billion. This achievement is considered stagnant compared to export growth for other craft commodities. The most significant destination countries for this commodity are the US, Japan, and the Republic of Korea.

H. Glass and Glassware (HS 70)

The export trend for glass goods increased by 56.91% in the last six years. The average annual export growth is $\pm 9.48\%$, with the highest achievement in 2022 with an export value of \$222B. The biggest consumers of this commodity are India, Japan, and Vietnam.

I. Pearls, Precious Stones and Metals, and Imitation Jewellery (HS 71)

The highest export value for this commodity was achieved in 2019 with a net worth of \$0.73bn, but the following year there was a significant decrease to \$0.19bn (73.97%). The growth of this commodity from year to year has yet to show a substantial increase and tends to be stagnant. The countries for its export destinations are Singapore, Switzerland, and Hong Kong.

J. Tools and Cutlery (HS 82)

Export growth for this commodity was 62.23% in the last six years, with export markets to the US, Japan, and Germany. This commodity includes those that have stable growth with an average increase of $\pm 10.37\%$ per year. The highest export achievement was in 2022, with a net value of \$86M, an increase of 16.22% from the previous year, which amounted to \$74M. The average annual export value is \$ 65.42 billion.

K. Miscellaneous Articles of Base Metals (HS 83)

From 2016 – 2020 there was a decrease in the export value for this commodity from \$72.5 billion to \$48.8 billion, with a total percentage decrease of 37.5%. Still, in 2021 and 2022, it increased again with a total percentage increase of 29.27%, and the export value reached \$63.9 billion in 2022. The growth trend tends to decrease with an average decrease of -1.37% per year. Export destination countries for this

commodity are Japan, Vietnam, and Thailand.

L. Works of Art and Antiques (HS 97)

The average export value from 2016-2022 was \$231.7K, with the highest achievement in 2016 with an export value of \$386K and the lowest in 2020 with an export value of \$118K. The trend of growth in this commodity tends to decline, especially in 2017, which decreased by 52.33% from 2016, and in 2020 which fell 51.24% from 2019. However, there was also a significant increase in growth, namely in 2021, with a percentage increase of 72.88% compared to 2020. Compared to the acquisition of export value in 2016, in the following years, we experienced a sharp decline in export value until it peaked in 2016. 2020. This condition resulted in this commodity experiencing a decline in export growth in West Java. The export destination countries are Singapore, Malaysia, and the US.

Table 1. Potentials and Challenges of Creative Craft Export Products in West Java

| HS Code | Trend line* | Potentials | Challenges |
|---------|-------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 42 | ↑ | <p>Market Potential: USA; Europe (Netherlands, Belgium); Indonesia- European Union Comprehensive Economic Partnership Agreement (I-EU CEPA); the Changing landscape of global leather industry competition; export development of $\pm 12.41\%$ per year</p> <p>Product Potential: Supply of raw materials; unique raw materials such as frog leather, tilapia leather, python leather, and crocodile leather; local material</p> | <p>Economic Challenge: Investation climate; Fluctuation of export demand.</p> <p>Production Challenge: Increasing labor salary; Disruption to the supply chain of materials (especially during the pandemic)</p> |
| 44 | ↑ | <p>Market Potential: USA; Asia (Saudi Arabia, Republic of Korea, Japan, and India); Non-Traditional Market; export development of $\pm 4.62\%$ per year</p> <p>Product Potential: Wood raw materials of various types; rattan and bamboo raw materials which can be formed into multiple crafts</p> | <p>Economic Challenge: Fluctuation of export demand; high competition, especially from multinational companies (IKEA, Wayfair, Tesco, American WoodMark, Home Depot, etc.)</p> <p>Production Challenge: Rising labor salary; disruption to the supply chain of materials (especially during the pandemic)</p> |
| 45 | = | <p>Market Potential: USA; Asia (Japan, Singapore, Saudi Arabia); Limited cork product exporters</p> <p>Product Potential: Increasing variety and diversification of cork handicraft products</p> | <p>Economic Challenge: Stagnation of export demand in six-year; Increasing competition in South East Asia (Vietnam and Philippines)</p> <p>Production Challenge: Eco-friendly issue in some countries like the USA</p> |
| 46 | ↑ | <p>Market Potential: USA; Europe (Netherlands, Germany); export development of $\pm 4.92\%$ per year; the highest increase was in 2020 with a net value of \$41.7M (a rise of 22.65% from 2019).</p> <p>Product Potential: Derivative variation of raw material plaiting materials and article of handicraft products; <i>pandan</i> woven, <i>mendong</i> woven</p> | <p>Economic Challenge: European Union's deforestation-free product regulations in September 2022</p> <p>Production Challenge: Need to develop diversification, product innovation, and process innovation to compete in the international market</p> |
| 61 | ↑ | <p>Market Potential: USA; Asia (Republic of Korea, Japan); Non- Traditional Market; export development of $\pm 5.66\%$ per year; the highest increase was in 2022 with a net value of \$2,4bn (a rise of 22.65% from 2020).</p> | <p>Economic Challenge: Fluctuation of export demand; price competition</p> <p>Production Challenge: Adapt to the latest market trends, increasing labor salary, rising raw material cost</p> |

| HS Code | Trend line* | Potentials | Challenges |
|---------|-------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | Product Potential: Various product diversification of knitted or crocheted clothes | |
| 68 | ↑ | Market Potential: Asia (Republic of Korea, Philippines, dan Japan); export development of ± 5,08% per year Product Potential: Overflow of raw material; the recent trend of wood fossil craft | Economic Challenge: Fluctuation of export demand; 2022, there has been a decrease of 9% with a net value of \$65.3M. Production Challenge: Rising labor salary |
| 69 | = | Market Potential: USA; Asia (Republic of Korea, Japan); Non- Traditional Market Production Potential: low gas price policy to reduce production cost | Economic Challenge: Flow of imported products; high competition (China, India, and Vietnam); in the pandemic 2019 and 2020 with a total decrease of 59.22% Production Challenge: High shipping costs |
| 70 | ↑ | Market Potential: Asia (Saudi Arabia, India, Japan, dan Vietnam); export development of ±9.48% per year, with the highest achievement being in 2022 with an export value of \$222M Production Potential: Government regulations that inhibit the entry of imported glass sheets | Economic Challenge: Exchange rate fluctuations Production Challenge: High energy cost |
| 71 | = | Market Potential: USA; Asia (UEA, Singapore, Switzerland, Hong Kong, and Japan); Europe (Turkiye, Switzerland) Production Potential: Large-scale industrial capabilities and workforce | Economic Challenge: Exchange rate fluctuations, import duty fees, high competition Production Challenge: Rising labor salary |
| 82 | ↑ | Market Potential: USA; Asia (Australia, Japan, Malaysia); Europe (Germany, France); export development of ±10.37% annually; The highest export achievement will be in 2022 with a net value of \$86M Product Potential: Various product diversification of tools and cutlery | Economic Challenge: Exchange rate fluctuations Production Challenge: Increasing raw material cost |
| 83 | ↓ | Market Potential: Asia (Japan, Vietnam, and Thailand) Product Potential: Various product diversification of miscellaneous articles of base metals | Economic Challenge: Exchange rate fluctuations; growth tends to decrease -1.37% per year Production Challenge: Increasing raw material cost |
| 97 | ↓ | Market Potential: USA; Asia (Singapore, Malaysia) Product Potential: Large-scale workforce | Economic Challenge: High competition (China, India, Thailand, and Vietnam); growth tends to decrease (in 2020 decreased sharply by 51.24%) Production Challenge: Increasing labor cost |

Notes: ↑ increase, ↓ decrease, = stagnant

IV. CONCLUSION

The creative craft sector in West Java holds significant importance for the regional economy, contributing to job creation, income diversification, and cultural preservation. Despite abundant potential, challenges such as limited access to international markets, inadequate infrastructure, fragmented value chains, and insufficient product design capabilities hinder its growth and global competitiveness. Based on the analysis, results show positive export growth,

especially in leather and knitwear commodities. However, several sectors are still stagnant or experiencing fluctuations, such as cork, ceramics, art and antiques. Several entities experienced a decline, but there has been an increase, such as goods made of base metals and jewelry. Recommendations for practitioners and the government include: focusing on superior commodities such as leather and knitwear, strengthening product innovation and design in the handicraft industry such as ceramics, diversifying export markets for stone goods and essential metal goods, strengthening

transportation and distribution infrastructure, active collaboration between government and industry, increasing the capacity of artisans through training, promotion and active marketing of West Java handicraft products in international markets in new markets.

V. ACKNOWLEDGEMENT

The authors would like to thank the Ministry of Education, Culture, Research and Technology Directorate of Research, Technology and Community Service, Directorate General of Higher Education, Research and Technology of the Republic of Indonesia for funding this research through the Research Contract Project Number: 074/E5/PG.02.00.PL/2023, 18 April 2023.

REFERENCES

- [1] K. Fleischmann, R. Daniel, and R. Welters, "Developing a regional economy through creative industries: innovation capacity in a regional Australian city," *Creat. Ind. J.*, vol. 10, no. 2, pp. 119–138, 2017, doi: 10.1080/17510694.2017.1282305.
- [2] O. A. Oyekunle, "The contribution of creative industries to sustainable urban development in South Africa," *African J. Sci. Technol. Innov. Dev.*, vol. 9, no. 5, pp. 607–616, 2017, doi: 10.1080/20421338.2017.1327932.
- [3] I. V. Skavronska, "Creative industries in ukraine: Analysis and prospects of the development," *Econ. Sociol.*, vol. 10, no. 2, pp. 87–106, 2017, doi: 10.14254/2071-789X.2017/10-2/7.
- [4] Y. Bilan, T. Vasilyeva, O. Kryklii, and G. Shilimbetova, "The creative industry as a factor in the development of the economy: Dissemination of european experience in the countries with economies in transition," *Creat. Stud.*, vol. 12, no. 1, pp. 75–101, 2019, doi: 10.3846/cs.2019.7453.
- [5] U. Daubaraitė and G. Startienė, "Creative Industries Impact on National Economy in Regard to Sub-sectors," *Procedia - Soc. Behav. Sci.*, vol. 213, pp. 129–134, 2015, doi: 10.1016/j.sbspro.2015.11.415.
- [6] Bekraf, "Laporan Kinerja Badan Ekonomi Kreatif Tahun 2019," Jakarta, 2019.
- [7] BPS, "Indonesian Foreign Trade Statistic: Export 2019," Jakarta, 2020.
- [8] Bekraf, "Ekonomi Kreatif Outlook," Jakarta, 2017.
- [9] S. Pöllänen, "The meaning of craft: Craft makers' descriptions of craft as an occupation," *Scand. J. Occup. Ther.*, vol. 20, no. 3, pp. 217–227, 2013, doi: 10.3109/11038128.2012.725182.
- [10] F. Munawar and G. Munawar, "Business Intelligence Framework for Mapping Analysis of Crafts Creative Industry Products Exports in West Java, Indonesia," in *Transdisciplinary Symposium on Business, Economics, and Communication*, 2023, pp. 792–802.
- [11] FHAN, "Export Statistics. Federation of Handicraft Associations of Nepal (FHAN)," 2015. [Online]. Available: <http://nepalhandicraft.org>
- [12] V. Narayanan, "Export Barriers for Small and Medium-sized Enterprises: A Literature Review based on Leonidou's Model," *Entrep. Bus. Econ. Rev.*, vol. 3, no. 2, pp. 105–123, 2015, doi: 10.15678/eber.2015.030208.
- [13] F. Munawar, G. Munawar, D. Tarmidi, and R. Munawar, "Developing Business Intelligence Model in Creative Craft Industry To Support Acceleration of the Craft Exporter Industry In West Java," *Res Mil.*, vol. 12, no. 2, pp. 2924–2937, 2022.
- [14] U. Sekaran and R. Bougie, *Research Method For Business: A Skill-Building Approach*, Seventh Ed. Chichester, West Sussex, United Kingdom: John Wiley & Sons Ltd., 2016.