

CHAPTER I

INTRODUCTION

1.1 Background

After the emergence of the Korean Wave or Hallyu as the means of South Korea's government in lifting their economic condition due to the Korean War in 1950, South Korea's tourism development began to increase rapidly. The success of the Korean Wave has succeeded in promoting South Korea's culture to attract the international community to visit South Korea. According to a previous study, Korean Wave has contributed to the fourfold increase of foreign tourists who visit South Korea, wherein the number leaped from around 300.000 in the first year of the Korean Wave in 1998 to 12 million in 2014 (Bae, Chang, Park, & Kim, 2017). Another data from the report of the Hallyu Future Strategy Forum held by the Ministry of Culture, Sports and Tourism of South Korea in 2012 found that the occurrence of the Korean Wave has contributed more than US\$ 5 billion to South Korea's economic value from its entertainment and cultural industry, South Korea's products, including its rapid development of tourism (Kim & Nam, 2015).

The spread of the Korean Wave expanded from the neighboring regions like China, Japan, Hong Kong, and Taiwan, to a broader part of the world such as Southeast Asia, Europe, and the United States. In Southeast Asian countries, the Korean Wave has gained a very positive response, particularly from Malaysia and Indonesia which are known as Muslim-populated countries. The success of the Korean Wave has proven to have covered all countries, both non-Muslim and Muslim countries. According to data from Pew Research Center, the growth of the Muslim population in the world reached nearly 25% in 2020 and placed second rank after Christianity which reached 31% of the total world population. Researchers expected that the Muslim population will continue to grow and will reach 35% by 2030 (Pew Research Center, 2011).

Considering that Muslim populations are coming from rapid economic growth countries like Turkey, Indonesia, and Malaysia, with high levels of education and middle-class income, this makes this group one of the important parts

of business activities including tourism (Nisa & Sujono, 2017). The number of Korean products that enter the Muslim countries' market makes people within the country more familiar with South Korea through their products. The popularity of Korean products in Muslim countries particularly from its entertainment industry has resulted in the emergence of tourism agents offering visits to South Korea are increasingly in demand. However, people from Indonesia, Malaysia, and other Muslim populated countries who visit South Korea often find several difficulties in fulfilling their basic needs during their trip. Given that South Korea is a non-Muslim country where pork and alcohol are used in people's daily consumption which is against the halal concept upheld by Muslims.

The term halal refers to an object or action which are allowed to do, use, or consume based on Sharia or Islamic law. This concept is used in many aspects of Muslims' life such as the economy, food, medicines, jobs, including tourism (Victoria, 2010). Hence, what is meant by halal tourism is any tourism activities that have, provides, and respect the values of Islamic teachings. Halal tourism is here to combine modern tourism in accordance with Islamic principles. In its implementation, countries that can offer tourism can be Muslim or non-Muslim countries as long as these tourism activities offer services and products designed according to Muslim needs (Kusumaningrum, Fairuz, Putri, & Amalia, 2017). In the case of South Korea, as a non-Muslim country, the increasing numbers of tourists from Muslim countries due to the success of the Korean wave have created challenges for the government to conduct strategy in order to capture the needs of Muslim visitors in their country. The strategy which was later on driven by the South Korean government in this matter was the Muslim Friendly Campaign which began in 2016 to promote halal tourism.

According to the data from World Bank in 2019, South Korea is home to more than 51 million people (World Bank, 2019). This number is ample to say South Korea is a densely populated country where around 500 people live per square kilometer (United Nations, 2019). Considering the big number of South Korea's population, it is quite surprising that the majority of the people have no religious affiliations. According to the data from Pew Research Center, 46% of South Korea's population identified has no religious affiliation, followed by

Christians for 29% and Buddhists for 23% (Connor, 2014). These facts and data raise questions regarding the policies issued by South Korea's government regarding the internationalization of their halal tourism industry. Given the beliefs held by the people of South Korea are Christians, Buddhists, and even the majority of the people still adhere to the beliefs of their ancestors and Confucianism, it is interesting to discuss the motive driven the South Korea's government in developing and internationalizing halal tourism in which it is closely related to the minority in South Korea population, namely Muslims. Thus, the significance of this study is to find the reason why South Korea's government internationalizing its halal tourism.

1.2 Research Question

Based on the research background given in the previous section, the research question for this study is "Why did South Korea's government decide to internationalize its halal tourism?"

1.3 Theoretical Framework

In this thesis, the author uses three theoretical frameworks in order to help the author in analyzing the problem at hand by using the concept of Commodification of Halal Tourism, National Interest, the concept of Halal Tourism, and Tourism Internationalization to answer the research question.

1.3.1 Commodification of Halal Tourism

The term commodification is defined as a transforming process of both products and services along with their values into a commodity that has an exchange value. Thus, the social context of a product is removed or replaced with something that is more economically valuable. Hence, commodification is strongly related to capitalism in which every aspect and activity of society seemed to be inseparable from the economy (Sumartono, 2016). According to Adam Smith, products can be differentiated by their use value and exchange value. The use-value comes from individual satisfaction with certain desires and needs towards specific goods. Meanwhile, exchange value is based on what the product can produce in the exchange process. Thus, commodities are a form of products in which their production is organized through the exchange process as a trade-able object.

According to Karl Marx, commodification describes the process by which something that previously has no economic value is given a value. Thus, market value can replace other social and cultural values. The products themselves as a commodity, shall not only be useful (has use-value) but also need to be marketable (has exchange value) (Smith & Evans, 2004). Commodification tends to be considered as a process rather than defined as a production of goods and services that can be traded. It is because commodification also includes the process of distribution and consumption of both goods and services (Fairclough, 1995).

As commodification is defined as the process of transforming a commodity into an object of trade. Therefore, the commodification of Halal Tourism can be understood as a transformation process of a product from a particular idea along with commercial purposes, especially in this case is related to the tourism industry. Appadurai considers that the sign of commodification is the creation of an exchange. The exchange then becomes a way for the opening of trade in the future (Appadurai, 1986). In the case of halal tourism, the term commodification refers to the transformation of an idea, and value with the intention of economic benefit. Greg Fealy assessed the commodification of Islamic values making religion and all of its symbols a commodity that can be purchased and sold for a profit (Shirazi, 2016).

Commodification is an important idea and practice for a government to diversify state revenues. It is defined as the process of changing a common object into a commodity with an exchange value to generate profit. Commodification is not a new concept, but its commodities have evolved into a variety of forms. For example, the halal concept was once limited to food and beverages, but as demand from Muslims grew, the halal industry extended to include fashion, banking, and tourism. The halal market's diversity attracts countries' interest, one of which is the development and internationalization of halal tourism. The commodification of halal tourism will help a country to attract more tourists and maintain its competitiveness as a halal tourism destination. Thus, it will lead a country to have an object to trade in order to pursue economic gain.

1.3.2 The concept of National Interest

National interest is one of the fundamental concepts in international relations. It is because national interest drives a country to establish relations with other countries. In general, national interest can be defined as a goal that a country wishes to achieve through interaction with others. According to Oppenheim, national interest refers to the goals and ideals of a country in achieving prosperity both in the economy and state security (Oppenheim, 1987). In this concept, national interest is divided into two categories, the vital and secondary interest. Vital interest is the interest that becomes the main priority and plays a pivotal role for a country, such as protecting the country's sovereignty. While secondary interest refers to the interest whose process lasts a long time and the results can be better felt in the long term. Secondary interests usually come from the people in the country by prioritizing common interests.

Former scholars such as Hans J. Morgenthau, Donald E. Nuechterlein, Charles A. Beard, and Joseph Frankle classify a country's national interest based on its four basic needs that constitute the basis of its foreign policies. There are *Defense interests*, *Economic interests*, *World Order interests*, and *Ideological interests*. Defense interest is described as efforts made by a country to protect its territory and people from all forms of threats both internally and externally. Given that a country's survival and development are not merely lied on its defense, other initiatives such as economic activities within and outside the country need to be made. Thus, these scholars defined economic interest as the country's advancement regarding its economic development to achieve the economic well-being of its people. The success of a country's economic interest in pursuing its people's well-being can be measured by its gross domestic product (GDP). There are three basic sectors in the distribution of GDP; agriculture, industry, and services. GDP helps to indicate the total value of all commodities and services that are produced by a country over a given period. Thus, the current state of a country's economy can be determined whether it is growing or declining. In order to conduct peaceful agendas both politically and economically with others, World Order interest is necessary to be made. A country needs to ensure that they and its people feel secure in operating these affairs beyond its boundaries. Thus, the preservation of an order international

political and economic framework is significant to apply. Meanwhile, Ideological interest is identified as the importance of a set of norms, values, and principles that people believe to be universally right (Nuechterlein, 1976).

The national interest is a fundamental goal and the final determining factor that drives the decision-makers of a country in formulating its foreign policy based on the needs of the nation or state (Syahrial, 2018). According to Hans J. Morgenthau, the concept of national interest is divided into three identities. First, is the protection of the physical identity of a country in which a country is required to have the ability to maintain its territorial integrity. Second, is the protection of political identity which refers to the country's capacity in maintaining its politics and economy. Third, is the protection of culture which means a country needs to be able to maintain its history and culture (Morgenthau, 1952). From Morgenthau's point of view, a country's decision-makers will formulate specific policies for other countries be it in the form of cooperation or conflict based on the country's consideration of the interaction between one another.

The national interest of a country is the major reason for the decision-maker in formulating a particular policy. Therefore, the national interests that exist in a country might be different from national interests in other countries due to differences in the desiring goals to be achieved by a country. However, the national interest of all countries in common is in matters of security and welfare. The difference lies in the way in which each country carries out its national interests that will differ from one another. In general, national interest can be interpreted as something beneficial for a nation. In the other words, the national interest of a country is typically the elements that form a country's most vital needs, such as defense, security, military, and economic prosperity (Perwita & Yani, 2005).

The formulation of the national interest of a country is always based on the country's capability. The capability of a country is seen in relation to domestic capabilities as well as in relation to the capabilities of other countries. The state's capability can be measured by national resilience and national power. National resilience is an integrated resilience from aspects of the nation's life as a whole and comprehensively includes ideological, political, economic, socio-cultural, and

defense-security resilience. Meanwhile, national power refers to the ability of the state to influence other countries in achieving its national interests (Rudy, 2002).

In the case of the national interest of South Korea's government in internationalizing halal tourism, it can be seen that the rapid growth of Muslims in the world has made the South Korean government respond to it. It is because of their consideration that South Korea is perceived to have the potential to develop halal tourism considering its economic capacity and the South Korea's government's support. The occurrence of the Korean Wave has supported South Korea's government in internationalizing its halal tourism industry considering the Korean Wave has influenced countries globally including Muslim-populated countries. For South Korea, the internationalization of halal tourism is perceived to create a beneficial opportunity to diversify their market commodity and source of income for achieving economic interest.

1.3.3 The Concept of Halal Tourism

Recently, the Islamic-based economic sector plays a pivotal role as a part of the global economy following the evolution of the halal industry in various parts of the world. The development was initially started in the food sector which later on expanded to the financial sector in the 1970s due to the increase of the petrodollar, particularly the boom in the oil and gas business in Middle East countries. In the 2000s, the halal industry began to move into various lifestyle industries, including tourism, recreation, fashion, and medical. This occurred because of the rapid growth of the Muslim population in the world and the increase in their purchasing ability. In line with the booming global halal market, the world halal tourism industry in recent decades has experienced phenomenal development (Subarkah, 2018).

The terms used in tourism in an Islamic context have also developed. There are three terms used, namely religious tourism, sharia tourism, and halal tourism. Religious tourism focuses on uniqueness, beauty, and religious value. The objects of religious tourism are in the form of visiting mosques, relics of historical buildings of religious value, pilgrimages, and others. Therefore, religious tourism is often closely related to historical tourism, which is part of cultural tourism. Sharia tourism is a tourism activity that is appropriate and does not violate the rules of

Islamic law. The objects of sharia tourism include all existing tourist objects, except those that are not in accordance with Islamic law. The objects of sharia tourism can be conventional objects such as beaches, recreational parks, and cultural arts performances that are still within the corridor of Islamic law. Meanwhile, halal tourism refers to the concept of tourism that considers the basic values of Muslims in its implementation, ranging from accommodation, and restaurants, to tourist activities that always refer to Islamic norms. Some terms for halal tourism are also called halal travel, Muslim-friendly travel destinations, halal-friendly tourism destinations, etc. The Global Muslim Travel Index defines halal tourism as tourism that is carried out in accordance with Islamic principles to provide friendly facilities and services to Muslim tourists (Global Muslim Travel Index, 2018).

From the industrial perspective, the concept of halal tourism is a complementary product and does not eliminate the conventional types of tourism. The concept of halal tourism is a form of culture-based tourism that puts forward the values and norms of Islamic law as its basic foundation. The development of halal tourism in a country's foreign policy is perceived to be used as a tool to achieve its national interest in general, and economic interest in particular by attracting Muslim visitors as its main target. There is a strong correlation between tourism and the economy as the development of tourism in an area is very possible for the development of the economy in the region. Tourism and economy have a complementary connection in which the economy will grow if it is supported by increasingly advanced tourism developments, especially for business actors around tourist destinations, both small, medium, and large enterprises. According to Cooper, the tourism economic model consists of three related elements. The first element is the consumer, which in this case is the Muslim tourists. The second is the currency as an element in economic transactions. And the third element is goods and services from the economic sector (Remi, Waluyo, & Muljarjadi, 2016). Two things construct the relationship between tourism and the economy. First, tourism has an impact on the economy because it can create jobs, affect income, the balance of payments, and foreign exchange earnings from several things, such as tourist spending, tourism development, import and export of goods, and others. Second, tourism can be a stimulus effect for certain products and can form communities that

are expected to drive the economy in a positive direction by creating new jobs and increasing regional and national income (Nizar, 2011).

Broadly speaking, tourism has an important role in improving the economic sector; local businesses will grow, jobs can be created, and source of incomes are also diverse. This has made tourism bring a significant impact on the economy of a country therefore, the economy and tourism have a very strong and mutually exclusive relationship with one another. Through the establishment of halal tourism in a country, it is expected that its development can be the economic pillar with the potential of world halal tourism that continues to increase as an alternative to driving the economy by increasing tourist visits and investment for a country with Muslims as the tourism market target.

1.3.4 Tourism Internationalization

According to Scholte, internationalization refers to the occurrence of a certain phenomenon in a region that influences another phenomenon to occur in a different place (Scholte, 2001). The definition of internationalization has gone through many interpretations. In 1959, Penrose defined internationalization as competencies and opportunities for a firm to develop its market on a global scale (Penrose, 1959). It was only after one decade, that the term internationalization was redeveloped as a process for a firm to adapt and enhance their participation in the global market. Later on, the definition of internationalization was refined by Jane Knight in 2015 that internationalization is defined as an ongoing effort to internationalize (Knight, 2003).

As the exchanges in the international economy have been increasing rapidly for over forty years, it has resulted in national economies opening up to the global economy which made the country capable of internationalizing its potential products and services to compete in the international sphere. This phenomenon has been the subject of much modern economic analysis such as the impacts of internationalization on economic policy alternatives, national competitiveness, and numerous determinants of production (Keohane & Milner, 1996). According to Frieden and Rogowski, internationalization focuses on its effects rather than its causes. The occurrence of internationalization will affect the challenges and

opportunities for both social and economic actors, particularly the government. The government will consider several policy options to determine which policies will best achieve its primary objectives (Frieden & Rogowski, 1996).

In political studies, the term internationalization also can be interpreted as an idea of cooperation among countries that shall be beneficial for everyone. This is grounded on the awareness that no single country is self-sufficient to achieve its interest due to the limitation of resources (Ahmed J. , 2020). Thus, a country that wishes to internationalize needs to establish relations with other countries to cooperate so that the internationalization can be well-implemented. The government of a country that conducts internationalization in its agenda will cooperate with another country to minimize the potential conflict and cooperate economically. This concept supports the institution of cooperation within and among countries both politically and economically. They believe that the unity of the international community across national, socio-cultural, and political boundaries in furthering common interests is essential. Thus, long-term cooperation among countries will provide more favorable results.

Based on the preceding explanation, hence, tourism internationalization can be interpreted as an effort to advance the potential tourist destination within a country to be recognized globally. Thus, these potential tourist destinations will be able to attract foreign visitors to fulfill the country's interest in the tourism sector. In its implementation, a country that wishes to internationalize its tourist destination shall take several measures to accomplish its goals. Several actions need to be initiated, particularly policy-making. One of the most common policies in promoting tourist destinations in a country is through cooperation with other countries. The internationalization of tourism will also help the country to compete for its tourism in the international realm.

1.4 Hypothesis

Based on the explanation in the theoretical framework, the hypothesis to answer the research question on why South Korea's government decided to internationalize its halal tourism, is analyzed as follows:

1. South Korea's halal tourism offers substantial potential in increasing its income structure through the diversification of its tourism by embracing the halal concept as its commodity, expanding tourism market due to the loss of Chinese tourists as their biggest visitors because of bilateral issues, as well as enhancing global cooperation with Muslim countries.

1.5 Research Objectives

The purpose of this undergraduate thesis is to provide an analysis of South Korea's government's reason for internationalizing its halal tourism amidst the competitive halal tourism across the globe.

1.6 Research Methods

a) Types of Research

The research method used by the author in this undergraduate thesis is a qualitative method with a descriptive analysis approach. This method aims to understand the specific phenomenon of what is experienced by the subject of the research, such as behavior, perception, motivation, action, holistically, by describing the form of words (Moleong, 2018). This approach requires the researchers to process the data for interpretation.

b) Data Collection Technique

Literature review and online research were used by the author to collect data in this study. This research is conducted by presenting analysis and explanation of the data chronologically to help the author in answering the research question based on the relevant concept. Types of data that is used in this study were secondary data or library research, where the data was obtained from various credible sources related to this research, such as in the form of books, journals, reports, online newspapers, and data from official websites of South Korea's government and related organizations.

c) Data Analysis Technique

The data analysis technique from Miles and Huberman is used by the author in conducting this research. According to Miles and Huberman, in qualitative research, the data analysis technique encompasses three stages; data reduction, data presentation, and conclusion (Miles, Huberman, & Saldana, 2014). These stages help the author to organize the data by

choosing the important ones to draw the precise conclusion. This technique makes the research to be best understood by both the author and readers.

1.7 Scope of Research

In order to limit the analysis of the study, the scope of this research is the motive or reason that drives South Korea to internationalize its halal tourism as its new business segmentation within the country between 2016 to 2018.

1.8 Writing Systematics

CHAPTER I: INTRODUCTION

This chapter will explain the background, research question, theoretical framework, hypothesis, research objectives, research methods, the scope of research, and the writing systematics of this study.

CHAPTER II: THE POTENTIAL AND COMMON GROUND FOR HALAL TOURISM

The explanation in this chapter will focus on the driving factors of the halal industry, including tourism. This chapter will also reveal the global potential of halal industry and its common ground for South Korea to be involved in the halal tourism industry.

CHAPTER III: THE COMPETITION OF HALAL TOURISM AND ITS IMPLEMENTATION OF SOUTH KOREA'S HALAL TOURISM

In this chapter, the author will explain the competitive halal tourism in the world and analyze the policies made by South Korea's government to internationalize its halal tourism. This chapter will also present an analysis of the reason why South Korea can compete for its halal tourism in the international arena based on the implementation of its halal tourism.

CHAPTER IV: CONCLUSION

This chapter will conclude the discussion from the previous chapters.