



Analysis of Opportunities and Threats or Challenges in the International Trade of Handicrafts (A Case Study of Trade Between Indonesia and Japan)

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Abstract

This study examines the opportunities and threats affecting the international trade of handicrafts between Indonesia and Japan through a qualitative and non empirical conceptual case study approach. The analysis is grounded in the theoretical perspectives of international trade, international marketing, competitive advantage, strategic management, and creative economy. Data were derived from academic literature, government reports, trade statistics, industry publications, and bilateral economic cooperation documents. The findings indicate that the Japanese market offers substantial opportunities driven by demand for authentic cultural products, appreciation of craftsmanship, supportive trade relations, and the expansion of creative economy activities. The analysis also identifies major challenges including intense competition from other exporting countries, strict quality standards, limited export capabilities among small and medium enterprises, weak market intelligence, language barriers, digital capability constraints, and exposure to global economic volatility. The study further demonstrates that sustainable competitiveness requires integrated strategic responses encompassing dynamic capability development, digital transformation, knowledge management, intellectual property protection, entrepreneurship development, and social capital strengthening. The proposed framework contributes to understanding how handicraft industries can achieve long term international competitiveness while preserving cultural value and supporting sustainable economic development.

Keywords : Handicraft Trade, International Competitiveness, Creative Economy, Export Development, Indonesia Japan Trade.



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INTRODUCTION

The expansion of the global creative economy has transformed handicrafts from locally embedded cultural products into internationally traded commodities that generate economic value, strengthen cultural identity, and support sustainable development agendas across emerging and developed markets. Contemporary discussions on international trade increasingly recognize that creative industries possess strategic importance because they combine symbolic value with commercial potential, allowing countries to leverage cultural assets as instruments of economic competitiveness and soft power (Howkins, 2013). Within this context, handicrafts have gained renewed attention as consumers worldwide demonstrate growing preferences for authentic, culturally distinctive, and environmentally conscious products. Indonesia occupies a significant position in this landscape due to its rich cultural diversity and extensive artisanal traditions, while Japan represents a sophisticated market characterized by high quality standards, strong appreciation of craftsmanship, and stable purchasing power. Recent trade statistics indicate that the handicraft sector continues to contribute to Indonesia's export performance despite fluctuations in global demand and increasing market competition (Badan Pusat Statistik, 2024). Simultaneously, market intelligence reports suggest that Japan remains an attractive destination for imported creative products because consumers increasingly value products that embody cultural narratives and artisanal authenticity (Japan External Trade Organization, 2024). These developments place the Indonesia and Japan handicraft trade relationship within a broader global transformation in which cultural products are becoming central components of international economic exchanges.

Previous studies have provided important insights into the determinants of competitiveness and sustainability within handicraft and creative industry ecosystems. Research has demonstrated that innovation capability, pricing strategy, and the creation of competitive advantage significantly influence

the international performance of exporting firms, suggesting that export success depends not only on product uniqueness but also on firms' strategic capacities to respond to dynamic market conditions (Rezazadeh et al., 2023). Studies conducted in tourism and cultural development contexts further reveal that handicrafts contribute substantially to inclusive economic growth because they create employment opportunities, preserve cultural heritage, and stimulate local entrepreneurial activities (Tapfuma et al., 2024). Evidence from Ethiopia shows that handicrafts can evolve into core economic products when supported by institutional commitment, market access, and community participation, although persistent operational constraints often limit their development potential (Wondirad et al., 2022). The literature also emphasizes the increasing relevance of intellectual property protection and cultural asset management as mechanisms for enhancing the value creation process within creative sectors, particularly in countries seeking to strengthen regional economic resilience through cultural industries (Saputro et al., 2025). Collectively, these studies suggest that international competitiveness in handicraft industries emerges from the interaction between innovation, market orientation, institutional support, and cultural value preservation rather than from production capacity alone.

Despite these contributions, the existing literature remains fragmented in its treatment of international handicraft trade because most studies focus on entrepreneurship, tourism development, innovation management, or cultural preservation as separate analytical domains. Research concerning entrepreneurial resilience has highlighted how small business actors face multidimensional challenges associated with resource limitations, market uncertainty, and institutional constraints, yet these analyses rarely connect such challenges to international trade dynamics and cross border market relationships (Rahman et al., 2023). Studies examining export performance generally prioritize manufacturing firms and technologically intensive sectors while paying limited attention to handicraft products whose competitive advantage is rooted in cultural authenticity and artisanal production processes (Rezazadeh et al., 2023). Existing investigations into handicraft development frequently emphasize local production challenges and tourism outcomes rather than the strategic opportunities and threats emerging within specific bilateral trade relationships such as those linking Indonesia and Japan (Tapfuma et al., 2024; Wondirad et al., 2022). Consequently, the literature provides insufficient understanding of how cultural products navigate international market structures where economic, institutional, cultural, and regulatory dimensions interact simultaneously.

This gap becomes increasingly significant because the global handicraft market is currently shaped by intensifying competition, shifting consumer preferences, stricter quality requirements, digital commercialization, sustainability concerns, and expanding intellectual property considerations. Industry reports indicate that Indonesian handicraft producers continue to face substantial pressures associated with market penetration, product standardization, branding capabilities, and international competitiveness despite possessing considerable cultural and creative resources (Himpunan Industri Mebel dan Kerajinan Indonesia, 2024). At the same time, Japanese markets impose sophisticated expectations regarding product quality, design consistency, authenticity, and compliance with commercial standards, creating both opportunities and barriers for foreign exporters (Japan External Trade Organization, 2024). The inability to understand how these opportunities and threats interact may constrain policy effectiveness, reduce export growth potential, and weaken the long term sustainability of artisan based industries. From a scholarly perspective, unresolved questions regarding the interplay between cultural value creation and international trade competitiveness continue to limit theoretical advancement within international marketing and creative economy research (Cateora et al., 2020; Howkins, 2013).

Within this context, the present study positions itself at the intersection of international marketing, creative economy studies, and international trade analysis by examining handicraft trade between Indonesia and Japan as a specific empirical setting through which broader theoretical questions can be explored. Rather than treating handicrafts solely as cultural products or tourism assets, this study conceptualizes them as internationally traded goods whose performance is shaped by opportunities and threats emerging across multiple institutional and market environments. Such a perspective enables a more comprehensive understanding of how export potential, consumer demand, innovation capacity, cultural authenticity, regulatory requirements, intellectual property considerations, and competitive pressures collectively influence international trade outcomes. By focusing on a bilateral trade relationship characterized by cultural complementarity and economic asymmetry, this research

addresses the need for context sensitive analyses capable of capturing the complexity of contemporary creative product exchanges.

The objective of this study is to analyze the opportunities and threats or challenges associated with the international trade of handicrafts between Indonesia and Japan and to develop a deeper understanding of the factors that shape the competitiveness and sustainability of handicraft exports in this bilateral context. The study contributes theoretically by integrating perspectives from international marketing, creative economy, and trade competitiveness into a unified analytical framework for examining handicraft trade. It also contributes methodologically by employing a case based approach that allows for a nuanced exploration of the interactions between market opportunities, institutional conditions, and strategic constraints affecting export performance. Through this approach, the research seeks to enrich the scholarly discourse on creative industry internationalization while providing practical insights for policymakers, exporters, and industry stakeholders seeking to strengthen the global position of handicraft products.

RESEARCH METHODS

This study adopts a qualitative and non empirical research design based on a conceptual case study approach to examine opportunities and threats in the international trade of handicrafts between Indonesia and Japan. The analytical framework is grounded in theories of international trade, international marketing, competitive advantage, strategic management, and creative economy, which collectively provide the conceptual foundation for understanding the dynamics of handicraft trade in cross national markets (Krugman et al., 2018; Cateora et al., 2020; Porter, 1985; David et al., 2019; Howkins, 2013). The literature selection process followed a purposive strategy emphasizing scholarly relevance, theoretical significance, and policy applicability. Sources consisted of peer reviewed academic publications, international trade theories, strategic management literature, government reports, trade statistics, industry publications, and bilateral economic cooperation documents. Key documentary sources included reports issued by the Indonesian Ministry of Trade, the Japan External Trade Organization, the Indonesian Furniture and Handicraft Industry Association, and the Indonesia Japan Economic Partnership Agreement documentation, which collectively provided evidence regarding market conditions, export performance, institutional arrangements, and competitive challenges affecting handicraft trade between the two countries (Himpunan Industri Mebel dan Kerajinan Indonesia, 2024; Japan External Trade Organization, 2024; Kementerian Perdagangan Republik Indonesia, 2024; Ministry of Foreign Affairs of Japan, 2008). Consistent with qualitative inquiry principles, the selected literature was evaluated according to credibility, relevance, and its contribution to explaining strategic opportunities and threats within the studied trade relationship (Creswell & Poth, 2018).

The analytical procedure employed a qualitative content analysis combined with a strategic evaluation framework derived from opportunity and threat assessment within international business environments. Data interpretation was conducted through iterative coding and thematic categorization to identify recurring patterns associated with market opportunities, competitive advantages, institutional support mechanisms, regulatory conditions, consumer preferences, and barriers to export development. Subsequently, the identified themes were synthesized using a strategic analysis perspective informed by competitive advantage theory and international marketing principles to explain how external environmental factors influence the international performance of Indonesian handicraft products in the Japanese market (Porter, 1985; Cateora et al., 2020). Analytical rigor was enhanced through source triangulation across academic literature, industry reports, and official policy documents, allowing convergence of evidence from multiple perspectives. The interpretative process emphasized contextual understanding and theoretical coherence, enabling the development of a comprehensive explanation regarding the interaction between opportunities and threats that shape the sustainability and competitiveness of handicraft trade between Indonesia and Japan.

RESULTS AND DISCUSSION

Strategic Market Opportunities for Indonesian Handicrafts in the Japanese Market

The qualitative content analysis indicates that Japan represents one of the most promising destinations for Indonesian handicraft exports because consumer preferences increasingly emphasize authenticity, cultural uniqueness, and artisanal value. This tendency aligns with the growing

significance of the creative economy in international trade where symbolic and cultural dimensions influence purchasing behavior alongside functional attributes (Howkins, 2013). The Japanese market demonstrates strong appreciation for products that embody craftsmanship and cultural narratives. Such characteristics create favorable conditions for Indonesian handicrafts that are deeply rooted in local traditions and indigenous knowledge systems.

The identified opportunity is reinforced by the structural characteristics of Japanese consumers who tend to associate handmade products with quality, heritage, and exclusivity. International marketing theory suggests that cultural differentiation can serve as a powerful source of market positioning when products compete in mature markets characterized by high consumer sophistication (Cateora et al., 2020). Indonesian handicrafts possess substantial differentiation potential because they integrate artistic expression with cultural identity. The value proposition extends beyond product utility and enters the domain of experiential consumption.

The analysis also reveals that bilateral economic relations contribute to a supportive institutional environment for trade expansion. The Indonesia Japan Economic Partnership Agreement established mechanisms that facilitate economic cooperation and reduce barriers affecting cross national commercial exchanges (Ministry of Foreign Affairs of Japan, 2008). International trade theory explains that institutional arrangements can enhance market accessibility and lower transaction costs for exporters (Krugman et al., 2018). Such conditions increase the attractiveness of Japan as a strategic export destination for Indonesian handicraft producers.

Another significant opportunity emerges from the increasing integration of cultural products into tourism and lifestyle markets. Research demonstrates that arts and crafts are increasingly connected with creative tourism experiences and cultural consumption patterns that generate additional economic value (Tapfuma et al., 2024). Similar observations have been reported in handicraft development contexts where cultural products become essential components of destination attractiveness and cultural preservation (Wondirad et al., 2022). The Japanese market reflects many of these tendencies because consumers often seek products associated with authentic cultural experiences.

Market opportunities are further strengthened by the existence of knowledge intensive consumer segments that prioritize sustainability and ethical production. Contemporary business environments increasingly reward products associated with responsible production systems and cultural preservation practices (Beamond et al., 2026). This trend is particularly relevant because Indonesian handicrafts frequently originate from community based production systems. Such characteristics create alignment between consumer expectations and product attributes.

Table 1. Strategic Opportunities Identified in the Indonesia Japan Handicraft Trade Relationship

Strategic Opportunity	Analytical Interpretation
Preference for authentic products	Demand for cultural uniqueness and artisanal identity
Bilateral economic cooperation	Reduced institutional barriers and stronger market access
Growth of creative tourism	Increased demand for culture based products
Sustainability oriented consumption	Positive perception of community based production
Digital market expansion	Greater international visibility and market reach

Source: Synthesized by the author from Ministry of Foreign Affairs of Japan (2008), JETRO (2024), Howkins (2013), Cateora et al. (2020), Tapfuma et al. (2024), Wondirad et al. (2022), Lerro et al. (2022), and Massa et al. (2023).

The opportunities summarized in Table 1 illustrate that competitive potential is not limited to traditional export channels. The emergence of digital technologies has transformed the mechanisms through which creative products access international markets. Studies on digital transformation indicate that technological platforms enable small producers to connect directly with global consumers while reducing dependence on conventional intermediaries (Lerro et al., 2022). Knowledge based strategies

supported by digital systems also improve market responsiveness and international visibility (Massa et al., 2023).

The findings suggest that traditional knowledge functions as an important strategic asset within international handicraft competition. Evidence from Indonesian craft industries indicates that dynamic capabilities derived from traditional knowledge contribute significantly to sustainable performance and product differentiation (Permatasari et al., 2023). Such capabilities allow producers to maintain cultural authenticity while adapting to changing market expectations. The interaction between tradition and innovation becomes an important determinant of export competitiveness.

The analysis further identifies entrepreneurial capacity as a factor influencing the ability to capture international opportunities. International entrepreneurship literature emphasizes that global mindset development and opportunity recognition enhance participation in international markets (Iddris, 2025). Handicraft enterprises that cultivate market awareness and strategic adaptability are more likely to respond effectively to emerging demand patterns. Entrepreneurial competencies therefore function as complementary assets supporting cultural and creative resources.

Product innovation also emerges as a significant mechanism through which opportunities can be converted into measurable export outcomes. Research demonstrates that innovation capability strengthens competitive advantage and positively influences international business performance (Rezazadeh et al., 2023). Innovation within handicraft industries does not necessarily imply abandoning traditional values. Strategic adaptation often involves redesigning products while preserving cultural authenticity and artistic identity.

The broader interpretation of these findings suggests that opportunities within the Japanese market originate from the convergence of cultural appreciation, institutional support, digital transformation, entrepreneurial development, and sustainability oriented consumption. Competitive advantage theory argues that sustainable success depends on the ability to create unique value that competitors find difficult to replicate (Porter, 1985). Indonesian handicrafts possess several characteristics that satisfy this condition because they integrate cultural heritage, artisanal expertise, and symbolic value. The strategic challenge is not the absence of opportunities but the capacity of producers and supporting institutions to transform these opportunities into durable international competitiveness.

Structural Challenges and Competitive Constraints in Indonesia Japan Handicraft Trade

The qualitative analysis identifies global market competition as one of the most significant constraints affecting the international performance of Indonesian handicrafts in Japan. The handicraft sector increasingly operates within highly interconnected value chains where producers from multiple countries compete for similar consumer segments (Fernandez Stark et al., 2022). Countries such as China, India, Vietnam, and Thailand have strengthened their export capabilities through production efficiency, export promotion policies, and integrated supply networks. These conditions intensify competitive pressures faced by Indonesian exporters seeking to maintain market relevance.

Competitive rivalry becomes more complex because competing countries have invested heavily in product standardization and international market positioning. International marketing literature emphasizes that successful export performance depends on the ability to align product characteristics with market expectations while maintaining competitive differentiation (Cateora et al., 2020). Indonesian handicrafts possess strong cultural value, yet cultural uniqueness alone may not guarantee market success when competitors offer comparable products with greater consistency and stronger branding. The challenge extends beyond production and enters the broader domain of strategic market competition.

Another critical barrier concerns the stringent quality standards that characterize the Japanese market environment. Documentary evidence indicates that Japanese importers and consumers place substantial emphasis on precision, durability, consistency, and product reliability (Japan External Trade Organization, 2024). Such expectations create additional burdens for small handicraft enterprises that often rely on labor intensive production systems. Market rejection risks increase when quality variation remains inadequately controlled across production batches.

The analysis further reveals that human resource limitations continue to constrain export readiness among many Indonesian handicraft enterprises. Small and medium enterprises frequently encounter difficulties related to managerial capability, workforce development, and business adaptation

in changing economic environments (Asriati et al., 2022). Similar challenges have been observed among family based and artisan centered enterprises where business continuity often depends on limited organizational resources (Rahman et al., 2023). These limitations reduce the capacity of producers to respond effectively to international market requirements.

The ability to obtain and utilize market intelligence represents another important challenge. Research on export markets demonstrates that firms require continuous access to market knowledge in order to understand customer expectations, competitive conditions, and emerging trends (Hoque et al., 2022). Many handicraft enterprises continue to rely on informal information channels that provide limited strategic insight. Weak market intelligence reduces responsiveness and increases uncertainty during international market expansion.

Table 2 Major Threats and Competitive Challenges Affecting Indonesian Handicraft Exports to Japan

Challenge	Impact on Export Performance	Strategic Consequence
High quality compliance requirements	Product rejection risk	Reduced market acceptance
Weak international branding	Low product differentiation	Limited competitive positioning
Language barriers	Communication inefficiency	Reduced business relationship quality
Limited market intelligence	Inaccurate market decisions	Restricted market penetration
Digital capability constraints	Weak online visibility	Lower international reach
Global economic volatility	Export demand fluctuations	Revenue instability
Intense foreign competition	Market share pressure	Reduced export growth

Source: Synthesized by the author from JETRO (2024), HIMKI (2024), Hoque et al. (2022), Agustina et al. (2024), Jamir (2024), Kementerian Perdagangan Republik Indonesia (2024), and Badan Pusat Statistik (2024).

The challenges summarized in Table 2 indicate that structural constraints emerge from both internal and external environments. Strategic management theory argues that organizational performance is strongly influenced by the alignment between internal capabilities and external conditions (David et al., 2019). Many Indonesian handicraft enterprises face simultaneous pressures involving capability limitations and increasingly demanding international markets. This dual challenge complicates efforts to achieve sustainable export growth.

Language and communication barriers also appear as recurring themes within the analyzed literature. Effective international business relationships require communication competencies that facilitate negotiation, trust development, and information exchange across cultural contexts (Agustina et al., 2024). Limited foreign language proficiency may reduce the effectiveness of interactions with Japanese buyers and distribution partners. Communication deficiencies can indirectly affect market access and business continuity.

Digital capability constraints constitute another obstacle with growing strategic implications. The expansion of digital commerce has transformed international business processes and increased expectations regarding technological integration within export activities (Massa et al., 2023). Many handicraft producers continue to experience difficulties related to digital marketing, online branding, and technology adoption. Similar observations have been reported within creative industries undergoing digital transformation where technological readiness remains uneven across firms (Lerro et al., 2022).

Branding limitations further weaken the international competitiveness of Indonesian handicrafts despite their rich cultural foundations. Research on marketing innovation suggests that differentiation strategies play a crucial role in strengthening the visibility and attractiveness of local products within global markets (Nazara, 2025). Weak brand development reduces the ability of handicraft products to communicate unique cultural value to international consumers. Products may become vulnerable to substitution when symbolic differentiation remains insufficiently articulated.

Global economic volatility represents a final structural challenge that influences export sustainability. Evidence from handicraft export sectors demonstrates that economic shocks and financial

instability can generate substantial disruptions in international demand patterns (Jamir, 2024). Indonesian trade statistics also indicate that export performance remains sensitive to broader fluctuations affecting international markets (Badan Pusat Statistik, 2024; Kementerian Perdagangan Republik Indonesia, 2024). The interaction between global uncertainty, competitive intensity, and internal capability limitations creates a complex risk environment that continues to constrain the long term development of Indonesia's handicraft trade with Japan.

Strategic Pathways for Sustainable Competitiveness and International Market Development

The synthesis of opportunities and challenges identified through the qualitative content analysis indicates that long term competitiveness in the Japanese handicraft market depends less on isolated export activities and more on the development of integrated strategic capabilities. Strategic management theory emphasizes that sustainable performance emerges when firms align internal resources with changing external conditions through adaptive decision making processes (David et al., 2019). In the context of Indonesian handicrafts, competitiveness requires coordinated efforts involving producers, supporting institutions, and market intermediaries. The literature consistently suggests that international success is determined by the ability to transform cultural assets into strategic economic value rather than relying solely on product uniqueness (Porter, 1985).

Competitive advantage in handicraft exports should be interpreted as a dynamic process rather than a static condition. Porter (1985) argues that enduring competitiveness originates from differentiation mechanisms that are difficult for competitors to imitate. Indonesian handicrafts possess cultural authenticity that can function as a strategic differentiator when supported by innovation and market responsiveness. The strategic challenge involves converting traditional craftsmanship into a continuously evolving source of value creation within international markets (Rezazadeh et al., 2023).

Dynamic capability development emerges as a critical strategic priority because export environments are characterized by continuous shifts in consumer expectations, technological change, and competitive pressures. Research on Indonesian craft industries demonstrates that traditional knowledge can become a source of sustainable performance when combined with adaptive organizational capabilities (Permatasari et al., 2023). Capability development enables producers to sense market changes, seize emerging opportunities, and reconfigure resources according to external requirements. Such a perspective extends beyond operational efficiency and places learning processes at the center of competitiveness.

Knowledge management represents another essential pathway for strengthening export performance. International business increasingly depends on the capacity to acquire, integrate, and utilize knowledge across organizational and geographic boundaries (Massa et al., 2023). Market information, customer feedback, regulatory updates, and competitor intelligence become strategic assets that support informed decision making. Firms that systematically manage knowledge are more capable of responding to uncertainty and maintaining relevance in demanding export markets (Kazemi et al., 2024).

The strategic themes identified through the literature synthesis are summarized in Table 3. The table illustrates how each strategic priority contributes to strengthening international competitiveness while reflecting distinct theoretical foundations. These priorities collectively indicate that sustainable export development requires multidimensional interventions rather than isolated policy measures. The strategic logic embedded in the table reflects the interaction between organizational capabilities, institutional support, and entrepreneurial development.

Table 3. Strategic Priorities for Strengthening the International Competitiveness of Indonesian Handicrafts

Strategic Priority	Expected Outcome	Theoretical Foundation
Dynamic capability development	Adaptive export performance and resilience	Permatasari et al. (2023)
Digital transformation	Expanded international market access	Massa et al. (2023); Lerro et al. (2022)
Intellectual property protection	Preservation of cultural and economic value	Saputro et al. (2025)

Knowledge management and market intelligence	Improved export decision quality	Kazemi et al. (2024)
Product innovation and differentiation	Sustainable competitive positioning	Porter (1985); Rezazadeh et al. (2023)
Social capital strengthening	Community based business resilience	Brogan and Dooley (2024)
Women empowerment initiatives	Inclusive entrepreneurial growth	Ghosh et al. (2024)
Family business sustainability	Intergenerational business continuity	Deb et al. (2026)
International entrepreneurship development	Higher global market readiness	Iddris (2025)
Long term sustainability orientation	Enduring international competitiveness	David et al. (2019); Beamond et al. (2026)

Source: Synthesized by the authors based on Porter (1985), David et al. (2019), Permatasari et al. (2023), Kazemi et al. (2024), Massa et al. (2023), Lerro et al. (2022), Saputro et al. (2025), Brogan and Dooley (2024), Ghosh et al. (2024), Deb et al. (2026), Rezazadeh et al. (2023), and Iddris (2025).

Digital transformation should be viewed as a strategic response mechanism rather than merely a technological trend. Studies within creative industries indicate that digital integration enhances organizational learning, market connectivity, and international visibility (Lerro et al., 2022). Digital systems facilitate access to customer insights, support online market engagement, and improve communication efficiency across borders. The strategic significance of digital transformation lies in its ability to strengthen organizational adaptability within increasingly complex international environments (Massa et al., 2023).

Protection of intellectual property constitutes another strategic requirement because cultural originality forms the core value proposition of handicraft products. Intellectual property mechanisms contribute to safeguarding traditional knowledge while preventing value erosion caused by imitation and unauthorized commercialization (Saputro et al., 2025). Effective protection strengthens market credibility and supports premium positioning strategies. Such measures are particularly relevant when handicraft products embody unique cultural narratives that distinguish them from mass produced alternatives.

Social capital development and inclusive entrepreneurship provide additional foundations for sustainable competitiveness. Community based networks enhance cooperation, knowledge sharing, and collective problem solving among artisans, creating stronger adaptive capacity within local production systems (Brogan & Dooley, 2024). Research on women entrepreneurship demonstrates that empowerment initiatives contribute to economic resilience and broader participation in value creation activities (Ghosh et al., 2024). Inclusive development strengthens both social sustainability and economic performance within handicraft ecosystems.

Family business sustainability also plays a significant role because many handicraft enterprises rely on intergenerational knowledge transmission. Cultural continuity and entrepreneurial persistence are closely connected within artisan communities where family structures often function as economic institutions (Deb et al., 2026). Long term viability depends on balancing heritage preservation with market adaptation. Entrepreneurial education and global mindset development can facilitate this transition by preparing future generations for international business engagement (Iddris, 2025).

The strategic synthesis generated through this conceptual analysis suggests that sustainable competitiveness emerges from the integration of capability development, knowledge management, innovation, institutional protection, and inclusive entrepreneurship. Export performance is strengthened when these strategic dimensions operate as complementary components rather than independent initiatives. A sustainability oriented perspective further requires continuous learning, responsible value creation, and adaptive governance mechanisms capable of responding to changing international conditions (Beamond et al., 2026). Such an integrated strategic pathway provides a coherent foundation for enhancing the long term position of Indonesian handicrafts within the Japanese market and the broader global creative economy.

CONCLUSION

This study demonstrates that the international trade of handicrafts between Indonesia and Japan is shaped by a complex interaction between significant market opportunities and persistent structural challenges. The analysis reveals that strong demand for authentic cultural products, supportive bilateral economic relations, expanding creative economy trends, and growing appreciation for cultural value creation provide favorable conditions for Indonesian handicraft exports in the Japanese market. At the same time, intense global competition, stringent quality requirements, limited human resource capabilities, insufficient market intelligence, weak international branding, and vulnerability to external economic shocks continue to constrain export performance and long term market expansion. The findings indicate that sustainable international competitiveness cannot be achieved solely through the exploitation of market opportunities or the mitigation of external threats. Enduring competitiveness depends on the development of dynamic capabilities, effective knowledge management systems, digital transformation initiatives, intellectual property protection mechanisms, social capital enhancement, women empowerment, family business sustainability, and international entrepreneurship development. The study contributes to the literature on international trade, entrepreneurship, and creative economy by proposing an integrated strategic framework that explains how cultural assets can be transformed into sustainable competitive advantages within highly demanding international markets.

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