

TALIBAN AND ITS INFLUENCE ON INDONESIA AND AFGHANISTAN TRADE BALANCE

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Abstract

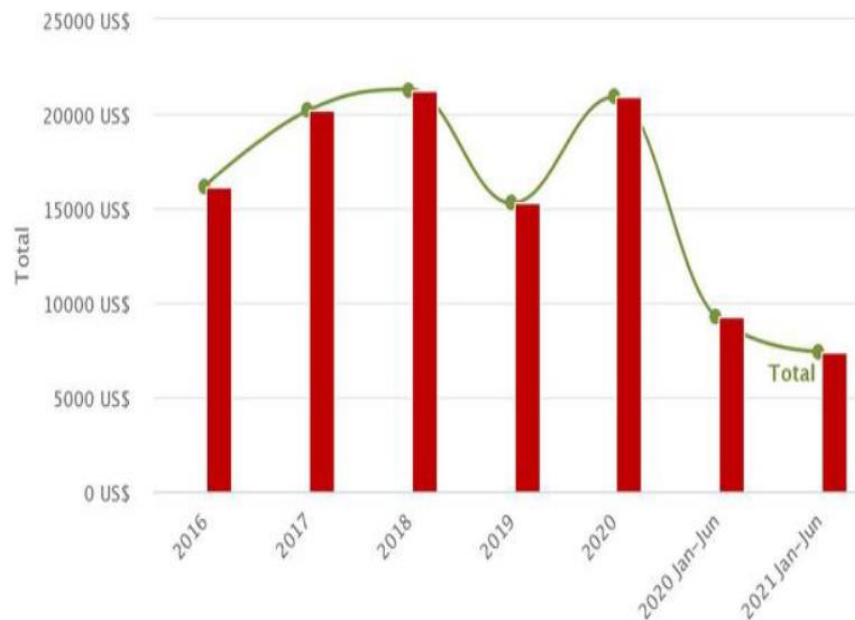
Trade balance is an accounting record that has relation with the value of export transactions and imports of goods of a country. The export component of goods is a very important activity to increase the trade balance surplus, therefore every nation will strive to produce goods and services that are able to compete in the international market. Trade relations between country have been started by Indonesia for a long time with many countries in the world, including with the State of Afghanistan. both have a close bilateral cooperation relationship since 1955. Despite frequent conflicts in Afghanistan, trade relations between the two countries continue, including the export and import of a number of commodities. The aim of the study was to determine the influence of Taliban control on the trade balance of Indonesia and Afghanistan with descriptive methods with a comparative approach. Between Indonesia and Afghanistan there was no problem in trade relations after the Taliban came to power. The Taliban continues to maintain relations with its business partners to achieve common interests.

Keywords: Trade balance, Commodities ekspor - import, Trade relations, Economic politics

1. Introduction

Indonesia and Afghanistan have had a close bilateral cooperation relationship since 1955. Despite the frequent conflicts in Afghanistan, the fire of trade relations between Indonesia and Afghanistan continues. The trade relationship includes the export and import of a number of commodities. From year to year, Indonesia's trade balance has a surplus. In 2021, for example, Indonesia's [trade balance](#) surplus reached USD 7.4 million. While the value of Indonesian imports from Afghanistan is only USD 125 thousand or tidak more than Rp 1.8 billion. Figure 1 shows a graph of the trade balance between Indonesia and Afghanistan 2016-2021. Export commodities from Afghanistan that are currently potentially fruits such as pomegranate, grapes, aprikot, and saffron spices. While from Indonesia, the mainstay products exported to

Afghanistan in the form of electronic components, soap, beans and preparations for use in hair [1]



Graphic 1. Indonesia-Afghanistan Trade Balance
(Source: kemendag.go.id)

To enhance trade cooperation, the Afghan government wants to cooperate with several cities in Indonesia within the framework of *Sister City*. There are several cities that have almost the same characteristics as:

- Herat City (cultural and economic) with Yogyakarta City
- Kabul City (economy) with Surabaya
- Kandahar City (economy) with Medan City
- Jalalabad City (economy) with Semarang city and Surabaya
- Mazar Sharif City (economy) with Banten City
- Khost City (culture) with Bandung

With the establishment of *Sister City* is expected to encourage economic growth in both cities[2]

Afghanistan is now back in control by the Taliban. This may affect bilateral relations between the two countries. However, according to former Indonesian deputy president Jusuf Kalla, diplomatic relations between the two countries will not break, because Indonesia establishes diplomatic relations with the Afghan state instead of its government[3]

This research aims to find out the impact of Afghan control by the Taliban on Indonesia's trade balance.

Center review

History of the Taliban

The Taliban began to thrive in the 1990s in Afghanistan. The group emerged along with the retreat of the Soviet army and the fall of Afghan communist regime. Members of the Taliban group were mostly madrassa students for Afghan refugees in northern Pakistan in the 1980s. The Taliban's strength is growing due to popular support,

especially the Pashtun ethnic group in southern Afghanistan and assistance from conservative Islamic elements abroad [4]

In 1994 the Taliban conquered Kandahar province in southern Afghanistan and by 2001, the Taliban controlled all of Afghanistan, except a small part of the country's north. Resistance to Taliban forces arose mainly from non-Pashtun ethnic groups, such as tajiks, Uzbeks, and Hazaras [4]

The Taliban's resilience from the invasion and the afghan central government's inability to exercise control across the country prompted the central government to seek reconciliation with the Taliban. Officials under President Hamid Karzai have met informally with Taliban leaders, and the first formal contacts were made under President Ashraf Ghani. However, the Taliban still see the central government as a fundamentally illegitimate government [4]

The Taliban was ousted from power in Afghanistan by U.S.-led forces in 2001, after 20 years of onslaught of U.S. and close allies, the Taliban militia group has remained in existence and even managed to retake power in Afghanistan since Aug. 15, 2021.

2.2. Trade Balance

Trade balance is an accounting record related to the value of export transactions and imports of goods of a country. Export transactions of goods and services are recorded on the credit side and import transactions are recorded on the debit side. In Indonesia, there is a part in the trade balance, namely oil and gas imports and non-oil and gas exports. Trade balance surplus occurs if the export value of goods and services is higher than the value of imports. If the export value of goods and services is lower than the value of imports, then the trade balance has a deficit. Whereas if the export and import of goods and atau jasa is equally large, then it can be said that neraca trade is balanced [5]

The export component of goods is a very important activity to increase the trade balance surplus. Therefore every nation will be in the form of a to produce goods and atau jasa that is able to compete in the international market. Exports can provide a boost to the economy of a nation because the activity can lead to international trade, while Impor is the activity of purchasing goods and or services from abroad into the country through cooperation between two or more countries. This activity is usually

The trade balance in addition to covering the purchase and sale of goods and atau jasa also includes the movement of capital flows. Capital account inflows are inflows of foreign and domestic asset ownership both owned by foreigners and those owned by domestic

2.3. Conflicts within the country and trade balance

Political stability has an important role in the balance of the trade balance. Political uncertainty will affect investor confidence. If a country experiences a conflict, especially military conflicts, it can cause disruption of trade flows, which has an impact on economic growth, low tax revenues and investment, as well as rising inflation. Economic growth has declined due to greater spending of resources on military spending than for spending in productive economic sectors. Inflasi will have a negative impact on the trade balance because it can increase the import ran and reduce exports. This happens because the value of imports relatively becomes cheaper and the value of exports looks to be more expensive abroad.

Inflation has resulted in a decrease in investment. Inflation leads to reduced aggregate demand and reduces competitiveness so as to reduce investor confidence levels to invest in both foreign and domestic investment, this will lead to a decrease in the demand for the country's currency, resulting in depreciation. [6] The reason a country depreciates it is to maintain its trade balance position.

2. Research Methods

The purpose of this study was to find out the influence of Taliban's mastery on the Indonesia-Afghanistan trade balance by using descriptive research methods with a comparative approach. The analysis was conducted by contrasting trade relations between Afghanistan and India, Afghanistan and Iran, Afghanistan and China.

3. Results and discussions

3.1 Trade balance of Afghanistan and India

Before being overrun by the Taliban, the largest trading partners were India, Iran, China and Pakistan, Figure 1 shows information on the value of Afghan exports and imports to and from the four countries.



Figure 1. Afghanistan's trading partner
Source: <https://www.exportgenius.in>

With the capture of Afghanistan by the Taliban, India's import activities faltered. This comes as the Taliban closed two important terminals for trade by land located on the Pakistan-Afghanistan border. Indian traders who are importers must find other ways to get the goods they need, so that domestic prices increase [7]

Before the Taliban, India was Afghanistan's largest trading partner. Afghanistan supplies more than 85% dried fruit to India and 99% figs, and other commodities such as apricot, green and black raisins, pistachios and almonds [7] The value of Indian goods exports to Afghanistan reached USD 835 million and imports reached USD 510 million.

India argues that since it was overrun by the Taliban, there has been an increase in Pakistan's influence in Afghanistan, Taliban spokesman Zabihullah Mujahid declaring that Pakistan is "like a second home" to the group. The new Afghan government still

wants good relations with India. The Taliban do not side with Pakistan against India and the Taliban do not pose a threat to them [8] But some opinion experts argue that Afghanistan will be vulnerable to Pakistan's actions to secure its western territory from the threat of Indian separatists

3.2 Trade Balance of Afghanistan and Iran

The Taliban is a Sunni, anti-Iranian group with a Sunni ideology. But at the same time, Iran has had a better perception of the Taliban. The U.S. military defeat presents several opportunities for Iran. In recent years, Afghanistan has been Iran's trading partner, with exports to Afghanistan reaching \$4 billion, while imports from Afghanistan have been \$40-\$50 million.

Iran's exports to Afghanistan are strategic, such as electricity, various fuels, building materials, food. Iran is also a shelter for millions of Afghan refugees. These refugees are expected to help in two important sectors in Iran, namely the construction and agriculture sectors.

The Taliban's rule has also caused gasoline prices in Afghanistan to spike; to meet the needs of the fuel, the Taliban has lowered fuel import tariffs by 70%. For this reason, the Iranian government lifted a ban on fuel exports to Afghanistan. Afghanistan has been importing 400,000 tonnes of fuel from May 2020 to 2021. Fuel coming from Iran amounts to 20,000 barrels per day or 1 million tons per year with a value of \$ 367 million per year. Various opinions say that Iran will be easier to trade with the Taliban compared to the previous Afghan government which limited trade with Iran, because of sanctions imposed by the United States [9]

3.3 Trade Balance of Afghanistan and China

China is an important country for Afghanistan. Between 2019 and 2020, from 2019 to 2020, the total value of Afghan exports to China reached US\$ 55.3 million. Meanwhile, the total imports reached US \$ 986.5 million [10]

Trade relations between Afghanistan and China will increase due to the fragile economy of Afghanistan after being controlled by the Taliban.

The previous administration was heavily dependent on aid from Western countries that were now cut off. But both sides hope the relationship does not stamp out the other's internal affairs, such as engaging in the issue of Uyghur Muslims and extremists in Xinjiang. The Taliban agreed to this condition because it was in dire need of investment coming from China. This cooperation with the Taliban also raises a strange view. On the one hand China is fighting Islamists at home, but, on the other hand China is embracing the Taliban

The Chinese government also provided \$31 million in aid. This was stated by Chinese Foreign Ministry spokeswoman Hua Chunying. The assistance provided by China is in the form of food, winter supplies, medicines and coronavirus vaccines (COVID-19)

3.4 Indonesia and Afghanistan Trade Balance Outlook

Before the Taliban regained power in Afghanistan, Indonesia had good trade relations with Afghanistan. By looking at the current conditions, by paying attention to trade relations between Afghanistan and other countries such as India, Iran and China, it

can be ascertained that there are no problems with trade relations between Indonesia and Afghanistan.

Indonesian Industry Minister Airlangga Hartarto said that Afghanistan is the largest non-oil and gas trading partner in Central Asia. Therefore, it is expected that in the future, more opportunities for economic cooperation can be established between Indonesia and Afghanistan so as to increase total trade and optimize comparative and competitive advantage for both countries. (Ministry of Industry go.id)

It is expected that strengthening bilateral relations will have a significant influence on each country's economic growth. "In trade between countries, from 2011 to 2015, despite fluctuations, it can grow 3.83 percent on average per year," airlangga said. In 2015, the total trade between the two countries reached USD36.5 million, even in 2014 recorded the highest achievement of USD77 million.

Referring to BKPM data, the value of Afghan investment in Indonesia in the period January 1, 2010 to June 30, 2016 ranked 34th on the list of foreign investors in Indonesia. This is greater than the investment value of New Zealand (ranked 35th), Norway (ranked 36th) or Saudi Arabia (ranked 39th) in the same period. The Taliban wants to keep in touch with its business partners to achieve common interests. This has proven to continue the ongoing trade relations with Iran and China, although each country has a different ideology. Iran has An Islamic-Shia ideology and Afghanistan has An Islamic-Sunni ideology.

Both countries argue that this ideology no longer matters. Similarly, trade relations between Afghanistan and China are still ongoing and improving. China will invest in Afghanistan, despite ideological differences between China and Afghanistan. Afghanistan does not want to interfere in the internal affairs of the Chinese state with regards to the Uyghur population who are Muslim

But for trade relations with India, the Taliban closed off all access to its export and import activities. This is likely because the Taliban have announced that they will support Pakistan in the conflict in Kashmir. The main reason that the Taliban supported Paksitan was that many Taliban leaders as supporters of Islamic nationalism were trained in Pashtun madrassas. In addition, the Pakistani government has long supported the Taliban. The support comes because the Pakistani government has border concerns about Afghanistan, and they believethe Taliban can overcome the borderproblem (Miller, 2021).

Conclusion

Taliban control of Afghanistan will not disrupt the balance of trade between Indonesia and Afghanistan, as the Taliban wants to maintain ties with its business partners to achieve common interests. The Taliban do not consider ideological differences to be important. This is evidenced by the continued export and import activities between Afghanistan and Iran, as well as China which has ideological differences. But if the country goes into conflict with Pakistan, the Taliban will shut down all its export and import activities, as happened in India. This comes as the Taliban has pledged to support Pakistan in the conflict in Kashmir.

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