

IMPACT OF THE TAIWAN-CHINA WAR, ON INDONESIAN TRADE

Junaedi

¹ Government Study, University of Muhammadiyah Makassar,

*Correspondence author: junaedi@unismuh.ac.id

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ABSTRACT

Risks of China versus Taiwan War Indonesia needs to be aware of the tension between China and Taiwan, which has heated up again after being triggered by Nancy Pelosi's trip to Taiwan as chairman of the US House of Representatives (DPR), the conflict between the two could have an impact on trade performance, tensions between China and Taiwan are also now is attracting the attention of the world. This geopolitical conflict needs to be watched out for by Indonesia, considering that China-Taiwan has been Indonesia's important trading partner in the last two decades because it will have an impact on Indonesia's trade and good relations with the two countries; Indonesia needs to minimize trade risks due to the conflict between the two countries by looking for export destinations. as well as sources of imports from other countries. China is Indonesia's leading trading partner, with an import-export contribution of more than 20% in 2021. This contribution places China as Indonesia's number 1 export destination with an export value of USD 53.8 billion. In the same year, China was also the most significant import destination country, with an import value of USD 56.3 billion. Indonesia's trade with Taiwan also continues to grow every year. In 2021, Indonesia's exports to Taiwan were worth USD 7.0 billion, placing Taiwan as the ninth largest export destination for Indonesia.

Keywords: Impact of War, China-Taiwan, Indonesian Trade

INTRODUCTION

Geopolitical disputes have typified the relationship between China and Taiwan, with China claiming Taiwan as a Chinese province and leaving open the prospect of a military invasion. The purpose of this study is to give light on how serious the dispute is and what effects it could have. Understanding the possible influence on Indonesian commerce requires an understanding of Taiwan's historical context as well as the current tensions between the two nations. So far, the Chinese government has continued to claim Taiwan as a Chinese province, with the possibility of conquering it by force (Beckley, 2017). Then, what has led to this stage in the China-Taiwan relationship, and how severe is the possibility of conflict? Background History of Taiwan at the conclusion of the Chinese Civil War in 1949, the defeated Kuomintang government fled to the island of Taiwan, according to the Guardian. Taiwan asserts that Chinese ships and aircraft have started staging mock assaults (Buszynski, 2012). They created the Republic of China's (ROC) exiled government (Garcia, 2019). The People's Republic of China was created by the Chinese Communist Party (CCP) on the Chinese mainland. Many nations began to move their official connections from the ROC to Beijing beginning in the 1970s, and today just about 15 global states recognize the ROC (Taiwan) as a country.

Air Defense Identification Zone (ADIZ) and Taiwan Strait Central Line, 2 (two) Locations of Conflict with China Taiwan has never been controlled by the CCP, and it has enjoyed de facto independence since the Civil War's conclusion. Since the end of the lengthy martial law era in the 1980s, Taiwan has developed into a vibrant democracy with free elections and the media (Garcia, 2019). Unification is the main goal of Chinese President Xi Jinping in terms of relations with Taiwan. Taiwan's president, Tsai Ing-Wen, said, "Taiwan has become a sovereign country without the need to declare independence." (Dreyer & DeLisle, 2021) Tensions between China and Taiwan add to the list of concerns of the world at this time, including Indonesia. If war breaks out, Indonesia will have terrible luck. We must be aware of this development because China and Taiwan are important in international trade. Because the two countries are Indonesia's main

trading partners, China alone takes a share of 20% of total trade. While Taiwan's portion is not large, it has a vital role in supplying electronic components.

Based on foregoing, the problem formulation in this research is: The Impact of the China-Taiwan War on Indonesian Trade. Aside from the problem formulation above, the goal of this research is to be able to examine and assess the Impact of the China-Taiwan War on Indonesian Trade. The following are the academic, theoretical, and practical benefits of this research: This research is useful for academically in terms of the Impact of the China-Taiwan War on Indonesian Trade. In theory, this research can contribute to the literature on the Impact of the China-Taiwan War on Indonesian Trade.

METHODS

Online Data Search / Internet Searching

Internet searching is a technique for acquiring information that makes use of tools and search engines on the internet, where all available material from various eras. Researchers can locate a file or data where the speed, completeness, and availability of data from different years are accessible by using the easy and effective internet search tool. On the internet, information may be discovered through searching, browsing, surfing, or downloading.

Data Type/Secondary & Collection Technique

Secondary data is information derived from sources other than field data, such as literature found in books, journals, the internet, and the results of previous studies. Both primary data and secondary data are used. The secondary data used in this study were found in books and on the internet by academics. This study was conducted using journals, books, websites and news articles on the internet, media reviews, and other pertinent sources.

RESULTS & DISCUSSION

Tensions between China and Taiwan add to the list of concerns in the world at this time, including Indonesia (Radjendra et al., 2022). If war breaks out, Indonesia will have terrible luck. We must be aware of this development because China and Taiwan are important in international trade. The two countries are also the country's main trading partners. China alone takes a share of 20% of total trade. While Taiwan's portion is not large, it has a vital role in supplying electronic components.

The Geopolitics of China and Taiwan Have Become Very Strategic Trade

So far, the Chinese government has continued to claim Taiwan as a Chinese province, without ruling out a military takeover (Zhao, 2022). How severe is the possibility of confrontation, and what has led to this point in the China-Taiwan relationship? Background History of Taiwan at the conclusion of the Chinese Civil War in 1949, the defeated Kuomintang government fled to the island of Taiwan, according to the Guardian. Taiwan claims that Chinese ships and aircraft are staging mock assaults. In exile, they set up the Republic of China (ROC) government. On the Chinese mainland, the People's Republic of China was founded by the Chinese Communist Party (CCP). Less than 15 international states still recognize the ROC (Taiwan) as a country, having moved their formal ties from the ROC to Beijing starting in the 1970s (Shattuck, 2020).

Tsai Ing-Wen, Taiwan's democratically elected president, has long been viewed by Beijing as a separatist (Rigger, 2021). Analysts believe that under Xi's leadership, the risk of a confrontation between China and Taiwan and aggression towards Taiwan has increased to its highest level in decades. According to reports, hundreds of PLA aircraft were sent to Taiwan's air defense identification zone. This is a portion of the much enlarged "grey zone" activity, which is situated close to a conflict but does not constitute actual hostilities. In an effort to prevent Xi and the CCP from acting, Taiwan is also striving to modernize its military and is acquiring substantial quantities of military equipment and weapons from the US.

China-Taiwan War

The China-Taiwan conflict has been heating up lately and has become a worldwide concern. The conflict was triggered by the arrival of the Chairman of the United States (US) House of Representatives (DPR), Nancy Pelosi, who visited Taiwan in early August. It also triggered Beijing to hold a massive military drill parade starting on August 4, 2022. China also fired missiles during the military exercise parade targeting parts of the territorial waters bordering Taiwan. Some of the missiles fired even fell in Japan's territory's Exclusive Economic Zone (EEZ), making Tokyo worried.

This conflict is predicted to cause large-scale losses for many parties and can change the order of the world's geopolitical system; even internal losses from both countries will undoubtedly be huge. 5 (five) Chinese Ballistic Missiles Fall in Japan's EEZ The tension between the two countries certainly impacts Indonesia. Taiwan is still considered a Chinese province by the Chinese government. Tingshu Wang/Reuters Taiwan remains a flashpoint between the two parties. This is because Taiwan is still considered to be a province of China by the Chinese government. A military invasion of Taiwan is still a possibility for China. How severe is the possibility of confrontation, and what has led to this point in the China-Taiwan relationship? Background History of Taiwan at the conclusion of the Chinese Civil War in 1949, the defeated Kuomintang government fled to the island of Taiwan, according to the Guardian.

In exile, they established the Republic of China (ROC) government. The People's Republic of China was created by the Chinese Communist Party (CCP) on the Chinese mainland. Many nations began to move their official connections from the ROC to Beijing beginning in the 1970s, and now, less than 15 (fifteen) international states recognize the ROC (Taiwan) as a country. Each of the ten (ten) Chinese and Taiwanese warships confronted each other on the high seas. Taiwan has never been controlled by the CCP, and since the end of the civil war, it has enjoyed de facto independence. Since the end of the lengthy martial law era in the 1980s, Taiwan has developed into a vibrant democracy with free elections and the media. Relations between China and Taiwan Chinese President Xi Jinping's top priority is unification. Taiwan has achieved independence without having to declare it, according to the president of the island, Tsai Ing-Wen. Beijing, however, views Taiwan's democratically elected administration as a separatist one.

Under Xi's leadership, there is a higher chance of a conflict between China and Taiwan and more aggressiveness toward Taiwan, according to experts. Recently, the People's Liberation Army dispatched a large number of fighter aircraft to Taiwan's air defense identification zone. This is a portion of the vastly expanded "grey zone" activity, which is close to conflict but falls short of declaring war. In an effort to prevent Xi and the Chinese Communist Party (CCP) from acting, Taiwan is likewise modernizing its military and purchasing substantial quantities of military equipment and weaponry from the US.

Jakarta: Indonesia has been warned that it needs to be wary of tensions between China and Taiwan, which flared up again after being triggered by the visit of the Chair of the United States (US) House of Representatives (US) Nancy Pelosi to Taiwan. Researcher Center for Indonesian Policy Studies (CIPS) Hasran (18/8/2022) explained that the conflict between the two could impact trade performance. "In addition to the Russia-Ukraine conflict, tensions between China and Taiwan are also currently attracting worldwide attention. This geopolitical conflict needs to be watched out for by Indonesia, considering that the two countries have been Indonesia's important trading partners in the last two decades.

China: Taiwan Independence Means War. However, he continued, it should be underlined that the impact on the trade sector will only occur when the conflict escalates to the level of war and a more comprehensive economic embargo. Currently, the conflict between the two countries does not have much impact on Indonesia's trade, and trade flows between the two countries are still acceptable. Hasran explained that China is Indonesia's leading trading partner, with an import-export contribution of above 20% in 2021. This contribution places China as Indonesia's number 1 export destination with an export value of USD 53.8 billion. In the same year, China was also the most significant import destination country, with an import value of USD 56.3 billion.

Indonesia's primary export commodities to China include nickel, coal, lignite, vegetable oil, and steel. Chinese Army Promises to Destroy Taiwan Separatists Meanwhile, Chinese items are imported by Indonesia in the form of steel, electrical, and transmission equipment replacement parts. "China is also part of strategic projects in the country, such as the high-speed rail project, smelters, dams and factories," added by Hasran.

In addition to China, Indonesia's trade with Taiwan continues to grow yearly. In 2021, Indonesia's exports to Taiwan were worth USD 7.0 billion, placing Taiwan as the ninth largest export destination for Indonesia. Therefore, Hasran, Indonesia needs to minimize trade risks due to the conflict between the two countries by looking for export destinations and import sources from other countries. "This approach can be done by maximizing the free trade agreements that have been built, both multilateral and bilateral."

China-Taiwan Relations on Indonesian Trade

Beijing-The value of Indonesia-China trade during the January-September 2021 period has reached 85.3 billion US dollars (approximately IDR 1.2 quadrillion), the highest achievement in the 20 years of bilateral cooperation between the two countries. "The value of the trade rose 52.8% compared to last year's achievement in the same period". Currently, Indonesia is in the 4th position as the largest exporting country among ASEAN member countries; among all export partner countries to China, Indonesia's position has increased one rank compared to 2020. "Before we were in 14th position, now we are in 13th position. Hopefully, with hard work together, it is hoped that by the end of 2021 our trade value can reach 100 billion US dollars with a surplus in Indonesia," said Djauhari, the former Indonesian Ambassador to Russia.

Indonesia's exports to China reached US\$42.8 billion (around Rp. 610.9 trillion) in January-September 2021 or grew 59.7 percent compared to January-September 2020. Meanwhile, Indonesia's imports from China rose 46.5 percent to 42.5 billion US dollars (around Rp. 606.6 trillion). However, Indonesia's trade deficit against China in the January-September 2021 period fell to 109.2 percent. In 2022 the January-July period, the value of China-Indonesia trade experienced a significant increase. "We can generate a surplus for Indonesia of 208.1 million US dollars," said the Indonesian Embassy in Beijing's Trade Attache Marina Novira Anggraini. Some of Indonesia's leading products that experienced an increase in export value of more than 60 percent were mineral fuels and their refined products, which rose 86.7%, iron and steel (86.2 %), animal or vegetable fats and oils (118.9 percent), various chemical products ((105.1 %), residues and residues from the food industry (111.1 percent), coffee, tea, mate and spices (96.6 %), as well as nickel and its derivatives (546.4 %).

Economists also predict the impact on Indonesia could be more devastating than the current invasion of Russia and Ukraine. Director of the Center of Economic and Law Studies (HELIOS) Bhima Yudhistira said Indonesia has more excellent trade relations with China and Taiwan than with Russia and Ukraine. He said that China and Taiwan are Indonesia's traditional export destinations with 21% and 11% of total exports, respectively, which means that 32% or one-third of Indonesia's exports are threatened and might potentially lower the excess in the trade balance. Using information from the CSA (Central Statistics Agency), China is the largest destination for non-oil and gas exports, worth USD 5.09 billion. China was also the largest supplier of imported non-oil and gas goods from January - June 2022, valued at USD32.08 billion or 33.17% of total imports. Meanwhile, Indonesia's exports to Taiwan last year reached around USD 6.9 billion, with exports of iron and steel of around USD 2.7 billion and Mineral Fuel (HS 27) reaching USD 1.8 billion.

CONCLUSION

The likelihood of a conflict between China and Taiwan has grown as a result of Xi's administration's aggressiveness towards Taiwan. Concerns are raised by the People's Liberation Army's escalating activity in Taiwan's air defense identification zone. The potential impact on Indonesian commerce is considerable given that China and Taiwan are important commercial

partners for Indonesia. Taiwan, a developing export market, and China, Indonesia's top trading partner, both make significant contributions to the country's trade performance. By looking into alternative trading partners and diversified its trade portfolio, Indonesia must actively reduce trade risks. By taking full use of current free trade agreements, Indonesia can strengthen its resistance to the Taiwan-China dispute.

Aggression towards Taiwan has grown during Xi's administration, and observers say the prospect of invasion is at its greatest in decades. The People's Liberation Army has dispatched hundreds of aircraft to Taiwan's air defense identification zone. This is a portion of the much enlarged "grey zone" activity, which is situated close to a conflict but does not constitute actual hostilities. In an effort to prevent Xi and the CCP from acting, Taiwan is also striving to modernize its military and is acquiring substantial quantities of military equipment and weapons from the US. This geopolitical conflict needs to be watched out for by Indonesia, considering that the two countries have been Indonesia's important trading partners in the last two decades. China is Indonesia's leading trading partner, with an import-export contribution of more than 20% in 2021. This contribution places China as Indonesia's number 1 export destination with an export value of USD 53.8 billion. Not only that, in the same year, China was also the most significant import destination country with an import value of USD 56.3 billion, Indonesia's trade with Taiwan also continues to grow every year. In 2021, Indonesia's exports to Taiwan were worth USD 7.0 billion, placing Taiwan as the ninth largest export destination for Indonesia.

Indonesia needs to minimize trade risks due to the conflict between the two countries by looking for export destinations and sources of imports from other countries (Pangestu, 2019; Taufikurahman & Firdaus, 2019). "This approach can be done by maximizing the free trade agreements that have been built, both multilateral and bilateral." China and Taiwan are Indonesia's traditional export destinations with 21% and 11% of total exports, respectively, which means that 32% or a third of Indonesia's exports are threatened and can potentially reduce the trade balance surplus. Based on data from the Central Statistics Agency (BPS), China is the largest destination for non-oil and gas exports, worth USD 5.09 billion. China was also the largest supplier of imported non-oil and gas goods from January - June 2022, valued at USD 32.08 billion or 33.17% of total imports. Meanwhile, Indonesia's exports to Taiwan last year reached around USD 6.9 billion, with exports of iron and steel of around USD 2.7 billion and Mineral Fuel (HS 27) reaching USD 1.8 billion.

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