

Trade and Industrial Dynamics in the Heyday of the Abbasid Dynasty: Historical Relevance to Contemporary Indonesian Economic Development

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Abstract

This research discusses the dynamics of trade and industry during the heyday of the Abbasid Dynasty (750–1258 AD) and its relevance to contemporary Indonesian economic development. The Abbasid period is known as the golden phase of Islamic civilization which was characterized by the advancement of science, technology, and an integrated economic system. The Abbasid economy grew rapidly thanks to a combination of agricultural, manufacturing, and financial services sectors supported by strong institutions such as baitul mal and hisbah, as well as an efficient cross-regional trade system. Through a comparative historical approach, the study found that the success of the Abbasid economy rested on market integration, production specialization, and inclusive institutional governance. In the Indonesian context, the results of this study show that the national industrial and trade sectors still face the challenges of low added value, dependence on imported raw materials, and weak synergy between sectors. The Abbasid learning emphasizes the importance of strengthening economic institutions, developing logistics infrastructure, technological innovation, and improving the quality of human resources. By adapting the principles of efficiency, morality, and equity applied during the Abbasid period, Indonesia can strengthen the foundation of a competitive, inclusive, and sustainable industrial and trade economy in the era of globalization.

Keywords: Abbasid dynasty, trade, industry, Islamic economy, Indonesian economic development.

Abstrak

Penelitian ini membahas dinamika perdagangan dan industri pada masa kejayaan Dinasti Abbasiyah (750–1258 M) serta relevansinya terhadap pembangunan ekonomi Indonesia kontemporer. Periode Abbasiyah dikenal sebagai fase keemasan peradaban Islam yang ditandai dengan kemajuan ilmu pengetahuan, teknologi, dan sistem ekonomi yang terintegrasi. Perekonomian Abbasiyah tumbuh

pesat berkat kombinasi sektor agraris, manufaktur, dan jasa keuangan yang didukung oleh kelembagaan kuat seperti baitul mal dan hisbah, serta sistem perdagangan lintas-wilayah yang efisien. Melalui pendekatan historis komparatif, penelitian ini menemukan bahwa keberhasilan ekonomi Abbasiyah bertumpu pada integrasi pasar, spesialisasi produksi, dan tata kelola kelembagaan yang inklusif. Dalam konteks Indonesia, hasil kajian ini menunjukkan bahwa sektor industri dan perdagangan nasional masih menghadapi tantangan nilai tambah rendah, ketergantungan bahan baku impor, serta lemahnya sinergi antar sektor. Pembelajaran dari Abbasiyah menegaskan pentingnya penguatan kelembagaan ekonomi, pengembangan infrastruktur logistik, inovasi teknologi, dan peningkatan kualitas sumber daya manusia. Dengan mengadaptasi prinsip efisiensi, moralitas, dan pemerataan yang diterapkan pada masa Abbasiyah, Indonesia dapat memperkuat fondasi ekonomi industri dan perdagangan yang berdaya saing, inklusif, dan berkelanjutan di era globalisasi.

Kata kunci: Dinasti Abbasiyah, perdagangan, industri, ekonomi Islam, pembangunan ekonomi Indonesia.

INTRODUCTION

Trade and industry constitute two fundamental pillars in shaping a nation's economic strength. Historically, the Abbasid Dynasty (±750–1258 AD) demonstrated remarkable progress in both sectors, positioning economic activity as a central component of civilizational advancement. During this period, major urban centers such as Baghdad emerged as hubs of transcontinental trade networks, while industrial and handicraft activities flourished under the support of well developed infrastructure, state institutions, and market regulation. The Abbasid era was therefore not only distinguished by its cultural and scientific achievements but also by its practical economic organization in trade, production, technology, and financial institutions. Industries such as textiles, ceramics, paper, and metalwork played a significant role in supporting regional economic expansion and strengthening interregional exchange (Hutapea, 2024).

Long distance trade conducted through both land caravans and maritime routes became the backbone of Abbasid economic prosperity. This expansive commercial network was supported by standardized coinage systems, early financial instruments such as letters of credit, and large scale markets in Baghdad and its surrounding regions, all of which facilitated the mobility of goods, technology, and ideas across vast territories (Shuriye, 2016). Structurally, the Abbasid economy integrated agricultural production, manufacturing activities, and financial services into a relatively coherent system. Fiscal reforms and public financial management through institutions such as baitul mal enabled effective tax collection, redistribution of wealth, and investment in infrastructure, including irrigation canals, markets, and ports, which in turn strengthened production capacity and trade efficiency. In addition, socio religious economic institutions such as waqf functioned as long term financing mechanisms for education, healthcare, and public facilities, thereby supporting human capital development and productivity (Nirwasita & Kamilla, 2023).

Within the framework of Islamic economics, trade (*tijarah*) and industry (*sina'ah*) were not merely profit oriented activities but were embedded in ethical and spiritual objectives aimed at achieving *falah* or holistic welfare. Economic activities were regarded as part of social worship, guided by moral responsibility and social accountability. One of the most significant institutional manifestations of this principle was the *hisbah* system, a market supervision mechanism responsible for ensuring honesty in trade, controlling product quality, and maintaining price stability. Historically, *hisbah* functioned as an early form of market governance that emphasized ethical conduct and consumer protection, making it a conceptual precursor to modern regulatory institutions (Mukhtar, 2024). Alongside trade regulation, industrial activity in the Abbasid period emphasized skill development, innovation, and technological advancement. Islamic work ethics served as a moral foundation that encouraged productivity, creativity, and sustainable innovation, thereby reinforcing the growth of industry and commerce during this era (Raies, 2022).

The dynamics of Abbasid trade further reflected an advanced level of economic organization. Baghdad, as the imperial capital, became a global commercial center linking the East and West, with trade routes extending from the Mediterranean to the Indian Ocean and encompassing regions such as India and the Malay Archipelago. The Abbasid government developed financial institutions through *baitul mal* to manage state revenues derived from taxes, *zakat*, and other sources, which not only fulfilled fiscal functions but also supported capital circulation among merchants and entrepreneurs. Business partnerships based on principles such as *mudharabah* and *musharakah* facilitated collaboration between capital owners and business actors, representing an early form of inclusive finance that resonates with contemporary Islamic financial practices, particularly in the context of MSME financing in Indonesia (Salimudin, 2025).

Industrial development during the Abbasid period was equally significant and closely linked to advances in science and technology. Major industries such as textiles, metalwork, glass, leather, and paper production flourished in cities like Baghdad, Basrah, and Kufa, which became prominent industrial centers in the Islamic world. The establishment of paper mills in Samarkand and Baghdad marked a crucial milestone in the dissemination of knowledge and the expansion of education. Notably, industrial progress was not driven solely by market demand but was also supported by state policies that encouraged research, innovation, and technological experimentation. Institutions such as *Bayt al Hikmah* played a strategic role in fostering collaboration among scholars, craftsmen, and engineers, illustrating an early form of synergy between government, knowledge institutions, and industry that parallels the contemporary concept of a knowledge based economy (Nirwasita & Kamilla, 2023).

In the context of contemporary Indonesia, the manufacturing and foreign trade sectors face persistent challenges, including low value added production, limited integration into global value chains, suboptimal labor absorption, and insufficient technological and institutional capacity. Despite Indonesia's substantial demographic and resource potential, empirical studies indicate that employment absorption in the manufacturing sector remains relatively weak, highlighting structural inefficiencies that hinder inclusive economic growth (Nababan & Purba, 2023). These challenges underscore the need for policy innovation and strategic learning from historical experiences of other civilizations, including the Abbasid model, in order to revitalize national industrial and trade development strategies.

From this perspective, the Abbasid economic experience offers relevant insights for contemporary Indonesia, particularly as a country with the largest Muslim population in the world. Institutional mechanisms such as *hisbah* may inform the strengthening of market supervision and halal industry governance, promoting transparency and preventing monopolistic or cartel practices. Moreover, the integration of state authority, social institutions, and religious based economic instruments such as *zakat* and *waqf* in the Abbasid period provides a historical reference for developing an inclusive and socially just economic system. The orientation toward equitable wealth distribution that characterized Abbasid economic policy can be adapted through the optimization of *Zakat*, *Infaq*, *Sadaqah*, and *Waqf* (ZISWAF) as pillars of a modern people centered economy in Indonesia (Salimudin, 2025).

Against this backdrop, this study adopts a comparative historical approach to examine the dynamics of trade and industry during the Abbasid period and to assess their relevance for Indonesia's contemporary economic development. Such an approach is important because historical experience often reveals institutional models, market mechanisms, and production distribution relations that remain conceptually relevant despite differences in geographical, technological, and political contexts. Fundamental principles such as specialization of production, integration of distribution networks, market regulation, and ethical governance continue to offer valuable lessons for addressing current economic challenges.

METHOD

This study adopts a qualitative research design employing a historical comparative approach to examine the dynamics of trade and industry during the Abbasid Dynasty and to analytically relate these experiences to contemporary economic conditions in Indonesia. The historical method is utilized to reconstruct the patterns, institutions, and policy frameworks that characterized Abbasid economic development through an in depth review of classical Islamic historical texts, scholarly

works on Islamic economic history, and relevant modern academic studies. These sources are treated as primary and secondary materials that provide insight into the organization of production, trade networks, financial institutions, and regulatory mechanisms operating during the Abbasid period. By situating economic practices within their broader socio political and religious contexts, this approach enables a contextualized understanding of how economic institutions functioned as part of a coherent civilizational system.

The comparative dimension of this study is conducted by systematically examining the convergences and divergences between the Abbasid economic system and Indonesia's current economic structure, particularly with regard to industrial organization, trade policies, institutional governance, and strategies for enhancing national competitiveness. Data analysis is carried out using a descriptive analytical technique, whereby historical findings are first articulated in a structured narrative and subsequently interpreted in light of contemporary economic challenges faced by Indonesia. This analytical process allows historical insights to be transformed into reflective frameworks rather than normative prescriptions, thereby generating strategic considerations and policy relevant lessons that can inform discussions on sustainable and inclusive economic development in the present context.

RESULT DAN DISCUSSION

Trade and Industry Dynamics in the Abbasid Period

The Abbasid dynasty was founded by Abdullah as Saffah ibn Muhammad ibn Ali ibn Abdullah ibn al Abbas, who was genealogically connected to the Prophet Muhammad through his uncle Abbas ibn Abdul Muttalib ibn Hashim, and he became the first Abbasid caliph. The Abbasid rule lasted for approximately five centuries, from 132 AH (750 AD) to 656 AH (1258 AD), and marked one of the most glorious periods in Islamic history, particularly in the fields of science, economics, wealth, and political power. Economic progress during this era played a crucial role in shaping the overall welfare and prosperity of society. One of the most significant foundations of Abbasid economic strength was the rapid development of the agricultural sector, especially in the early period of the dynasty, as the center of government was located in the fertile region of Sawad along the southern banks of major rivers, which enabled intensive agricultural production and sustainable food supplies (Azisah, "Economic Concepts During the Abbasid Dynasty").

Agriculture at that time functioned as the main source of state revenue, with land cultivation largely carried out by local populations whose social and economic status improved under the new Abbasid regime. Previously neglected farmlands and devastated villages were gradually restored, while new irrigation canals were constructed to support agricultural expansion. This agrarian revival

significantly contributed to the prosperity of the population, which reached its peak during the reign of Harun al Rashid and continued under his son al Mamun. During Harun al Rashid's leadership, economic development was further strengthened through expansive trade activities involving a wide range of industrial and agricultural products, such as wheat imported from Egypt and dates from Iraq, which circulated through well organized domestic and international trade networks (Meriyati, "The Development of Islamic Economics During the Abbasid Period").

Under the rule of al Mamun, the Abbasid economy experienced a distinctive transformation characterized by the integration of intellectual advancement and economic growth. Known for his deep appreciation of knowledge, al Mamun established the Bayt al Hikmah as the largest intellectual center of its time, while simultaneously encouraging economic activities such as gold mining and long distance trade that accelerated economic circulation. The abundance of state wealth during this period was channeled into various public sectors, including social welfare, education, health services, scientific development, and the construction of public facilities. As a result, multiple fields reached their golden peak, reflecting a strong correlation between economic surplus and civilizational progress (Meriyati, "The Development of Islamic Economics During the Abbasid Period"). Throughout its history, the Abbasid government continuously adapted its administrative and economic systems in response to political, social, and cultural changes, demonstrating a flexible governance model that supported long term stability.

At the height of Abbasid power, the dynamics of trade and industry illustrated a remarkable synergy between cross regional economic activity, institutional governance, and technological as well as infrastructural development. This period became one of the most productive phases in the history of Islamic economics, as the Abbasids successfully built an adaptive and integrated economic system oriented toward public welfare. Industrial growth was not confined to Baghdad as the political center, but also expanded to regions beyond the rivers, such as Khurasan and Samarkand, where textile, glass, paper, and furniture industries flourished. This expansion was supported by the availability of local raw materials, a skilled and organized labor force, and extensive market access through interconnected land and sea trade routes (Fathiha, "Peradaban Islam Masa Dinasti Abbasiyah").

Such economic achievements were inseparable from the institutional and fiscal policies implemented by the Abbasid state. The sustainability of Abbasid economic growth was largely determined by the effective management of public finances through baitul mal institutions, the establishment of an efficient fiscal system, and the development of economic infrastructure such as caravan routes, ports, and international marketplaces along major trade corridors. These

infrastructures functioned as the backbone of industrial and commercial activities that connected the eastern and western regions of the known world, thereby reinforcing the Abbasid position within the global economic system (Hasibuan et al., “The Development of Islam in the Age of Bani”).

Baghdad during the Abbasid era emerged as a major transit and distribution hub linking regions such as India, East Africa, and Southern Europe. The trade networks centered in the city facilitated the exchange of commodities including spices, silk textiles, and precious metals, while simultaneously creating a complex and efficient economic ecosystem. Baghdad thus functioned as the caravan terminus of global trade routes, indicating a highly advanced logistics and distribution system for its time. Institutionally, the Abbasid Dynasty succeeded in building a relatively stable economic structure through the implementation of fair taxation, transparent market price regulation, and the empowerment of social institutions such as waqf. These waqf institutions played a strategic role in sustaining the community economy, particularly by financing education, public services, and the development of local handicraft industries. Market regulation and public financial institutions fostered a high level of trust among domestic and international traders, which in turn ensured long term economic stability and sustainability.

Overall, the dynamics of trade and industry during the Abbasid period reflect a structurally and culturally integrated economic system. Cross regional integration enabled production specialization that generated high economic added value, while advancements in handicraft industries such as textiles, paper, and glass demonstrated the Abbasid society’s capacity for innovation and adaptation to international market demands. Supported by strong institutions, effective regulations, and robust infrastructure, the Abbasid economy not only endured for centuries but also evolved into a model that balanced efficiency, moral values, and social prosperity (Azisah, “Economic Concepts During the Abbasid Dynasty”).

Industrial and Trade Conditions in Contemporary Indonesia

Turning to the contemporary Indonesian context, the dynamics of economic development reveal complex structural and policy challenges, particularly within the manufacturing sector and global trade integration. Despite various strategies implemented to enhance national economic competitiveness, the transformation toward a value added economic system remains relatively slow and insufficiently inclusive. Over recent decades, the Indonesian government has attempted to integrate the national manufacturing industry into Global Value Chains (GVC), yet a persistent gap remains between domestic production capacity and the ability to create and capture economic value

optimally. This condition indicates that Indonesia's participation in global markets has not yet translated into a strong position in value creation and technological mastery.

Although several Indonesian manufacturing firms have entered GVC networks, the distribution of value within these chains remains highly unequal. Local suppliers are generally confined to roles as production executors with low profit margins, while lead firms that control design, technology, branding, and distribution networks capture the majority of added value. This imbalance reflects Indonesia's subordinate position in the global production system, where industrial integration has not yet fostered genuine national industrial independence or strengthened domestic innovation capacity (Kadarusman, 2020). As a result, Indonesia's manufacturing productivity during the 2010–2022 period continues to be constrained by limitations in key production factors, including raw materials, labor quality, energy availability, and capital. Empirical findings indicate that inefficiencies persist due to low levels of technological innovation and limited adoption of digitalization in production processes. Furthermore, the high dependence on imported raw materials exposes domestic industries to global price volatility and supply chain disruptions, which in turn increases production costs and undermines export competitiveness, ultimately weakening the manufacturing sector's contribution to national economic growth.

From a policy perspective, the launch of the Making Indonesia 4.0 strategy represents a significant milestone in efforts to revitalize the national manufacturing industry. This strategy emphasizes the adoption of digital technologies, automation, and artificial intelligence to enhance industrial competitiveness and strengthen Indonesia's position within global value chains. Nevertheless, its implementation continues to face substantial challenges, including inadequate digital infrastructure, limited investment in research and development, and weak synergy among government, industry, and educational institutions. Consequently, despite its progressive orientation, the policy has yet to generate a substantial increase in productivity or structural upgrading within the manufacturing sector (Miftahudin & Sudiarto, 2025).

Overall, the core challenges facing Indonesia in strengthening its trade and industrial sectors can be traced to three interrelated factors. First, the low added value of export products reflects the limited capacity of domestic industries to innovate and master high value production technologies. Second, production efficiency remains constrained by shortages of raw materials, insufficient skilled labor, and high energy and logistics costs. Third, continued dependence on imported raw materials and technology restricts Indonesia's ability to develop sustainable national industrial independence. Although various industrialization policies such as the Masterplan for the Acceleration and Expansion of Indonesia's Economic Development (MP3EI) and Making

Indonesia 4.0 have been introduced, implementation barriers including limited investment, overlapping regulations, and weak intersectoral coordination continue to hinder sustainable industrial growth (Miftahudin & Sudiarto, 2025).

This condition underscores the importance of learning from historical economic models, such as that of the Abbasid Dynasty, where economic strength was built through cross regional integration, strong synergy between trade and industry, and robust institutional support. In the contemporary Indonesian context, strengthening modern institutions that are transparent, adaptive, and oriented toward public welfare may serve as a key foundation for improving production efficiency, enhancing value creation, and ensuring a more equitable distribution of economic benefits within the framework of globalization.

The Historical Relevance of the Abbasid to Indonesia's Trade Industry Policy

In mapping the historical relevance between the experience of the Abbasid Dynasty and Indonesia's current economic conditions, it becomes evident that several key mechanisms driving economic dynamics during the Abbasid era have meaningful parallels and adaptive potential within Indonesia's contemporary industrial and trade development framework. Industrial and commercial transformation in the Abbasid period unfolded alongside rapid urbanization, technological innovation such as papermaking and advanced irrigation techniques, and intense cross cultural mobility. In today's Indonesian context, these dynamics can be translated into efforts to strengthen locally based industrial clusters with export capacity and integration into global networks. Equally important were the institutional foundations of the Abbasid economy, including trust among traders, a reliable financial system, and efficient logistics infrastructure, which collectively enabled production to reach wide markets and generate maximum added value. Without such institutional support, production may still occur, but market expansion and value creation remain limited (Setyorini, "The Progress of Islamic Civilization").

Although the geographical, technological, and temporal contexts of the Abbasid era and modern Indonesia differ substantially, common threads can nevertheless be identified. Cross regional or global market integration, specialization of local production oriented toward broad or export markets, and strong supporting institutions emerge as three interdependent pillars shaping economic success. For Indonesia, which seeks to increase the contribution of manufacturing and trade to national economic growth, this framework can serve as a policy foundation, provided it is adapted to contemporary challenges related to technology, human capital, regulation, and positioning within global value chains.

Connecting the economic dynamics of the Abbasid golden age with present day Indonesian industrial and trade development reveals several forms of historical relevance that can function as strategic reflections for strengthening the national economy. The Abbasid experience demonstrates that civilizational prosperity depends not merely on production capacity, but also on the ability to construct efficient trading systems, robust institutions, and close integration between production and markets. From this perspective, Indonesia can reassess its industrialization and global trade strategies through a historical lens that underscores the importance of synergy among distribution networks, production specialization, and regulatory reinforcement.

The Abbasid period illustrates the central role of efficient cross regional trade networks and broad market access in sustaining economic growth. Caravan routes and maritime trade corridors linking Baghdad with Andalusia in the West and China in the East formed an integrated transcontinental economic system. Major cities such as Basrah, Damascus, and Samarkand functioned as transit and distribution hubs, facilitating the global circulation of locally produced goods including textiles, paper, glass, and metal products. This historical condition highlights how interregional connectivity and export market penetration underpin production scale expansion and industrial competitiveness. For Indonesia, this lesson reinforces the urgency of strengthening logistics infrastructure, developing internationally competitive ports, and diversifying export markets beyond traditional partners toward regions such as Africa, the Middle East, and Latin America. The expansion of trade networks and improvements in domestic global logistics efficiency thus become prerequisites for Indonesian manufacturing products to compete sustainably in the global market (Nirwasita & Kamilla, "The Islamic Economic System in the Abbasid Period and Its Potential in Today's Economy").

Another important relevance lies in the principle of production specialization and the integration of production with trade. During the Abbasid era, industrial activities were not limited to fulfilling domestic demand but were oriented toward interregional exchange and export markets. Specialized crafts such as silk production in Khurasan, papermaking in Baghdad, and glassmaking in Egypt reflect a clear division of labor and the creation of high added value based on local excellence. Production oriented toward broad markets stimulated improvements in quality and competitiveness. For Indonesia, which possesses abundant natural resources, a large labor force, and a substantial domestic market, this lesson emphasizes the need to develop a more focused and specialized industrial structure grounded in comparative advantage. Downstreaming initiatives in sectors such as nickel, palm oil, and agricultural commodities should therefore extend beyond

primary processing toward the creation of high value final products capable of penetrating global markets and contributing significantly to national economic growth.

The success of the Abbasid economy was also closely linked to the presence of supportive institutions and regulatory frameworks. The Abbasid government developed an organized public finance system through *baitul mal*, implemented proportionate fiscal policies, and maintained market stability through price regulation and trader protection. Institutions such as *hisbah* functioned as moral and economic supervisors, ensuring fairness in transactions, product quality, and honesty in trade. In the Indonesian context, these institutional principles remain highly relevant for strengthening modern industrial and trade governance. Institutional reform encompassing investment regulation, protection of production rights, product quality standardization, export facilitation, and logistics infrastructure development represents a strategic pathway toward building an efficient, fair, and competitive economic ecosystem. Without transparent institutions that support productivity and innovation, the sustainability of national industry will remain difficult to achieve.

Ultimately, a crucial lesson drawn from Abbasid economic dynamics is that sustainable growth is supported not only by production itself, but by the ability to transform added value and embed it within a supportive institutional system. During the Abbasid period, synergy among production, trade, and institutions generated an inclusive and dynamic economic civilization. For Indonesia, this implies that industrialization and integration into Global Value Chains must be accompanied by institutional transformation and human capital capacity building in order to generate higher added value. Strengthening technological capabilities, research and innovation, and collaboration among government, industry, and academia becomes essential to enhancing national competitiveness. In this way, historical reflection on the Abbasid experience offers strategic inspiration that modern economic development is not solely about industrial expansion, but about fostering harmony between production, trade, and institutions oriented toward welfare and social justice (Fahmi, “Global Trade Transformation”).

The Historical Relevance of the Abbasid to Indonesia's Trade Industry Policy

Based on the preceding discussion, several strategic policy recommendations can be formulated as a foundation for strengthening Indonesia's economic and industrial structure in the era of globalization. The historical experience of the Abbasid Dynasty offers important inspiration regarding how a civilization was able to construct an efficient, inclusive, and highly competitive system of trade and industry. One key lesson that remains highly relevant is the central role of logistics infrastructure and interregional connectivity. During the Abbasid period, land based

caravan routes and maritime trade networks functioned as the backbone of the economic system, enabling the rapid and regular flow of goods, information, and capital across regions. In the contemporary Indonesian context, this underscores the urgency of sustained investment in transportation infrastructure, port development, digital logistics networks, and export import connectivity, so that domestic and international distribution chains become more efficient and capable of supporting increased national industrial competitiveness in global markets.

At the same time, industrial development strategies need to be directed toward sectoral specialization that generates high added value and is oriented toward exports. The Abbasid experience demonstrates that economic success was not determined solely by trade volume, but by the capacity to produce goods with high value that were demanded by international markets. Accordingly, Indonesia needs to strengthen local resource based industries such as agroindustry, the halal industry, and the creative economy by integrating modern technology and sustainable innovation in order to compete globally. These efforts must be balanced with improvements in production efficiency, enhancement of industrial human resource quality, and the creation of a synergistic research and innovation ecosystem linking government, industry, and higher education institutions.

In addition, the strengthening of industrial and trade institutions constitutes a key factor in sustaining long term competitiveness. Regulatory frameworks that facilitate investment, protect domestic production, and enforce export quality standardization in line with international norms need to be reinforced. During the Abbasid period, institutional stability and adaptive fiscal policies were among the main pillars of economic progress. Similarly, in Indonesia, bureaucratic reform and the digitalization of public services in the industrial and trade sectors are essential to creating a more efficient, transparent, and competitive business environment (Mahri et al., *Islamic Development Economics*, 2021).

Furthermore, Indonesia must ensure deeper integration into Global Value Chains with a role that goes beyond that of a mere raw material supplier. Lessons from the Abbasid economy highlight the importance of mastering the value chain from upstream to downstream, including stages of design, innovation, branding, and global marketing. Achieving this requires strengthening domestic technological capacity, providing investment incentives for downstream industries, and pursuing proactive economic diplomacy to improve Indonesia's strategic position within global value chains.

Finally, industrial and trade development cannot be separated from the human dimension as the primary actor within the economic system. The Abbasid Dynasty was able to maintain a

balance between economic progress and social stability through the reinforcement of moral, scientific, and institutional values within society. In the Indonesian context, this principle translates into the need to enhance workforce quality through vocational education, industry based training, and inclusive as well as equitable labor policies. Strengthening the social and moral foundations of economic development is essential to ensure that industrial progress generates not only economic growth, but also equitable welfare across all levels of society.

Thus, the inspiration drawn from the Abbasid period can serve as a reflective foundation for the development of Indonesia's contemporary economy, namely the construction of an industrial and trade system that is not only structurally robust, but also adaptive to global change, socially just, and grounded in scientific principles and Islamic economic morality oriented toward the common good.

CONCLUSION

The economic success of the Abbasid Dynasty was the result of the synergy between the cross-regional trade system, industrial innovation, and strong economic institutions based on Islamic moral values. The Abbasid economy succeeded in creating a balance between market efficiency and social justice through the implementation of the hisbah system, the management of baitul mal, and support for science and technology. The economic system not only creates material prosperity, but also social sustainability and strengthening human capacity. In the Indonesian context, Abbasid economic principles have strategic relevance for modern industrial and trade development. Indonesia needs to emulate the principles of market integration, specialization of production based on local excellence, and strengthening economic institutions to realize a resilient and inclusive economic system. By applying the values of efficiency, equity, and Islamic economic morality, Indonesia can build an industrial and trade system that is not only productive but also fair and sustainable.

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