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**MASTER'S PROGRAMS IN INTERNATIONAL RELATIONS  
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## Indonesia's Economic Foreign Policy towards Thailand on Cross-Border Payment

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*The payment digitalisation leads to financial integration with the cross-border payment implemented by ASEAN. This implementation is being conducted bilaterally among ASEAN member states, for instance, between Indonesia, Malaysia, and Thailand. The Memorandum of Understanding (MoU) signed by each central bank since 2022 aims to reduce the US dollar dependency, which shows positive and progressive results. This issue is interesting to be studied further as the transaction of rupiah to ringgit is higher compared to baht, but Indonesia conducted the implementation of cross-border payment using QR Code for the first time with Thailand. Furthermore, there is a currency rate conversion between Indonesia and Thailand from each central bank. This article uses qualitative research methods with qualitative and quantitative data usage. Using the foreign economic policy, which refers to Hiscox (2014) and Yu (2023), this article found that Indonesia has been cooperating with Thailand in using QR Code due to the exchange rate agreement between IDR and THB to maintain the stability of the exchange rates of each currency, people movement to travel that showed an increment in QR Code transactions, to perceive the mutual gains and recovery for the tourism and SMEs sectors, and private sector and independent central bank involvement within this implementation.*

**Keywords:** Cross-border payment; Indonesia; QR Code; Thailand

### Introduction

The presence of globalization enables seamless goods, services, and human movement since cross borders among countries are getting blurrier. Apart from those three things, the technological advances are also directing to seamless transactions either among countries, markets, or people to people. One of the countries' efforts in achieving this stage can be seen from Indonesia's effort in raising its agenda about local currency settlement on G20 or ASEAN. Local currency settlement is a bilateral transaction

conducted through local currency, with its transaction based on jurisdiction from each country (Bank Indonesia, n.d.), and QR code implementation as the payment method is also included in the framework of local currency settlement. Indonesia brings this agenda to boost the economy through the digital economy with better practice, inclusivity, openness, fairness, and no discrimination (Rifky, Nugrahaningsih, & Suratiningsih, 2023), as well as digitalisation acceleration toward economic-financial inclusion, remittances, retail trade, and SMEs (Bank Indonesia, 2022). To realize this, Indonesia, through Bank Indonesia, is working with several partner countries in ASEAN, including Singapore, Malaysia, the Philippines, and Thailand. In addition, during Indonesia's G20 Presidency in 2022, the G20, together with the Financial Supervisory Board (FSB), agreed to achieve cross-border payment initiation by 2027 (Bank Indonesia, 2022).

After having attempts conducted by Indonesia in the G20 Presidency 2022, Indonesia is trying to implement the digitization of payments proposed to achieve the ASEAN Economic Community (Rilo, 2018). Before Indonesia collaborated with partner countries in ASEAN, Indonesia had signed a Memorandum of Understanding (MoU) with Malaysia and Thailand on August 25, 2023. The signing of the MoU began with subregional cooperation that had been carried out by the three countries, namely through the IMT-GT (Indonesia-Malaysia-Thailand Growth Triangle) since 1993 (Supadi, 2021) and represented by each central bank after a trial in the cross-border payment framework between Indonesia and Thailand in 2021, as well as Indonesia and Malaysia in 2022 in the use of QR Code (Bank of Thailand, 2023) (Medina, 2022).

On the other hand, the three countries had previously signed an MoU for the implementation of local currency settlement in 2017, encouraging the use of local currencies in transactions, especially in the Ascot Trade and Investment (ATI). The cooperation between Indonesia, Malaysia, and Thailand is based on efforts to reduce dependence on the US dollar (USD) in transactions, the similarity of historical background, that is, the economic crisis due to currency exchange rate fluctuations, and strengthening the rupiah (IDR), ringgit (MYR), and baht (THB) exchange rates (Syifa, 2024). However, although the three countries signed the MoU to implement local currency settlement in carrying out economic cooperation, the implementation is still conducted bilaterally; hence, the implementation scheme is between Indonesia and Thailand, Indonesia and Malaysia, and Thailand and Malaysia.

In addition to several ASEAN member countries, Indonesia also collaborates with other countries, one of which is China, through the People's Bank of China, in implementing local currency settlement. The cooperation was signed on September 30,

2020, and entered into force on September 6, 2021 (The People's Bank of China, 2021). China is one of Indonesia's trading partners; hence, the implementation of local currency settlement can help facilitate transactions in bilateral trade and investment between the two countries using the local currency of each country. This cooperation will also lead to a reduction of the US dollar's usage in bilateral transactions as it can help stabilize both rupiah and yuan exchange rates. Southeast Asian countries participating in the Belt and Road Initiative (BRI) are one of the reasons for implementing local currency settlement in the region to expand the initiative to cross-border trade and investment (Jia, 2021).

So far, the implementation of local currency settlement has been carried out bilaterally due to the differences in economic characteristics of each country, which are difficult to equate if implemented trilaterally or multilaterally (Ong, 2023). On the other hand, local currency settlement is closely related to a country's monetary policy, more precisely the currency exchange rate, which can affect a country's domestic economic sector; hence, the local currency settlement is still carried out bilaterally with partner countries (Kementerian Sekretariat Negara RI, 2022). The signing of the MoU regarding local currency settlement can be done multilaterally, but its implementation is still bilateral, as previously explained.

Although local currency settlement has been implemented among Indonesia, Malaysia, and Thailand, export and import transactions were still dominated by the use of US dollars in 2018 (Supadi, 2021). Local currency settlement transactions of ringgit were also higher compared to transactions of baht, which can be seen from 2018 to early 2023. In 2018, local currency settlement transactions of ringgit amounted to US\$22.5 million and increased to US\$49.6 million in 2019. Moreover, in 2021, trade between Indonesia and Malaysia within this framework also showed an increase to US\$19.5 billion, US\$27.9 billion in 2022, and reached US\$7.9 billion in the first quarter of 2023 (Shofa, 2023). On the other hand, local currency settlement transactions between rupiah and baht tend to be lower compared to ringgit. This can be seen since 2018, when transactions amounted to US\$9.2 million per month and showed an increase in 2019 to US\$13.7 million per month. Then, transactions within the framework of local currency settlement also showed an increase in 2021 to US\$16.2 billion and continued to increase to US\$19.2 billion in 2022 (Nofansya & Sidik, 2022).

Initially, local currency settlement was focused on the trade and investment sector, but nowadays it will include tourism and SME sectors to enlarge the scope of local currency settlement usage in cross-border payment (Sutrisno, 2022). Furthermore, the payment digitization effort initiated by Indonesia with partner countries is also

implemented with the QR Code usage. It is intended to achieve fast payment, which is conducted bilaterally and later will be attempted to cover multilateral (Bank Indonesia, 2022). The QR Code usage by Bank Indonesia is one of the implementations of the 2025 Indonesian Payment System blueprint, which is currently being implemented with several countries, one of which is Thailand. The Bank of Thailand stated that the integration of QR Code between Indonesia and Thailand can address the efficiency and inclusivity of cross-border payments so that QRIS and Thai QR Code, or known as Promptpay, can be implemented (IDN Financial, 2022).

With the cooperation between Indonesia and Thailand in the QR Code usage, Bank Indonesia and the Bank of Thailand have referred appointed cross-currency dealers (ACCD) in their respective countries to implement direct quotation in converting each other's exchange rates in transactions. ACCD consists of banks or non-banks as parties that provide currency conversion services between rupiah and baht directly without using foreign exchange conversion to US dollars (Bank Indonesia, 2021). The exchange rate provisions between the rupiah and the baht use floating exchange rate provisions as an effort to reduce the use of US dollars bilaterally between Indonesia and Thailand (Sari, Akbar, Yeni, Putra, & Artha, 2023). In this case, the floating exchange rate is the application of a fluctuating currency exchange rate in response to market demand and supply (Hiscox, 2014).

The purpose of this study is to understand and explain the economic foreign policy of Indonesia towards Thailand on the cross-border payment using the QR Code as the first country to be collaborated with. However, if we look at the data on local currency settlement transactions with partner countries, transactions in ringgit are higher than transactions in baht. Therefore, the research question is, "How is the implementation of Indonesia's foreign economic policy towards Thailand in the use of QR Codes in cross-border payments?"

To emphasize the novelty of this research from the written topic, this article creates two categorizations based on previous literature: 1) the cooperation between Indonesia and Thailand in the financial sector, and 2) local currency settlement implementation of Indonesia and partner countries. The referred previous literature includes Azka (2023), Nofansya and Sidik (2022), Rizki (2022), Sulfarid (2022), and Siahaan (2020), which generally discuss the cooperation effort among Indonesia and partner countries such as Malaysia, Thailand, China, and South Korea according to their respective interests within the framework of local currency settlement as an effort to improve the economy in each country. Nevertheless, there is no specific discussion about

the implementation of Indonesia's foreign economic policy towards Thailand in the QR Code usage for cross-border payments. As previously explained, the QR Code implementation trial as the form of cross-border payment in local currency settlement between Indonesia and Thailand has been conducted since 2021, while Indonesia has just integrated QRIS and DuitNow, Malaysia's QR Code, in 2023 (Bank Indonesia, 2023). It indicates that Thailand is the first country that collaborated with Indonesia in QR Code integration since it is assumed QR Code integration is cheaper and more effective compared to other payment modes (Azka, 2023).

### **Analytical Framework**

In this article, the concept used is Foreign Economic Policy, which refers to Hiscox (2014) in the subchapter "The Domestic Sources of Foreign Economic Policies." He argues that every government in a country needs to make the best choice in managing its economy. To understand how a foreign economic policy is made, there are two things that must be considered. First, identifying policy preferences from every domestic economic group. In this case, every policy preference requires economic analysis because it determines the types of assets a country owns and how the income derived from those assets is affected by various policy choices. Second, making political institution specifications to determine how policy preferences are combined or transformed into policies made by the government. On the other hand, this case requires political analysis, such as looking at how groups lobby the government, how a policy is proposed in the legislature, and how it is conducted by government institutions, which depend on the political institution structure in respective countries. Both of these things are generally referred to as a political economy approach, which combines economic and political analysis at the same time in studying policy outcomes (Hiscox, 2014).

Thirdly, foreign investment. This forms a financial transaction between citizens of different countries that transfers ownership rights of assets, such as a bank in one country lending money to a foreign company. All conducted transactions increase the availability of capital that is available for productive use in one country and decrease the stock of capital in other countries. There are two forms of foreign investment, namely: 1) short-term capital movement, including government bonds, that change rapidly in response to changes in macroeconomic conditions, and 2) long-term capital flows or foreign direct investment (FDI), which are usually carried out by MNCs and have an impact on the economy in the host country that manages its affiliates. Fourthly, exchange rate. In conducting cross-border country transactions, the main thing to consider is

converting the national currency of a country to other national currencies. The basic choice a country can take, according to Hiscox (2014), is: 1) allowing the value of the national currency to fluctuate freely in response to market demand and supply (pure float), or 2) setting the value of a currency based on another currency or an external standard (fixed). In other words, a government may set an official exchange rate and commit to buying the currency at that exchange rate if requested by a private party or foreign government. Between these two options, the government can choose a target value for the exchange rate and simply allow the currency to fluctuate in value within a certain range around the target exchange rate. By eliminating exchange rate fluctuations, price fixing makes international trade and investment cheaper for companies or individuals because they are not affected by sudden and unexpected changes in exchange rates. The essence of fixed and floating exchange rates is the choice between stability and policy control. The governments in advanced countries decide that policy control is more important than exchange rate stability. On the other hand, governments in developing countries choose exchange rate stability as more important than policy control because those countries tend to depend on foreign trade and investment as a source of economic growth (Hiscox, 2014).

In the subchapter, although Hiscox (2014) stated there are four policy preferences, this article will only focus on the exchange rate as the main policy preference. This is because, in the issue that will be discussed, trade, immigration, and foreign investment are not the main preferences in the use of QR Code that is implemented between Indonesia and Thailand. However, after the agreement on the rate exchange, those three things became the factors that supported the occurrence of QR Code transactions as a form of cross-border payment.

Furthermore, after the existence of policy preferences by the government, there are political institutions to be changed as the formation of a country's foreign economic policy. Hiscox (2014) stated that there are at least legislative processes and administrative bodies that involve the formulation and implementation of these policy preferences. However, this article will only focus on administrative and bureaucratic bodies that implement it. The rules made by administrative bodies have a significant impact on the way individuals or groups are incorporated in foreign economic policy. The rules created determine the way new policies are proposed, considered, changed, and voted on. In addition, there are also independent central banks that have full control over monetary policy independent of the political interests of market players. The government can avoid or overcome inflation feared by national or foreign private parties that have a role in the

domestic economy. Independent central banks also have an important role in shaping currency policy in interacting with other countries (Hiscox, 2014).

This article uses foreign economic policy referring to Hiscox (2014) because it assumes that there is suitability and harmony in presenting and explaining the issue of QR Code usage between Indonesia and Thailand. In addition, Hiscox (2014) also explains the importance of independent central banks' role in determining currency policies, which can further help this article to explain the role of Bank Indonesia or Bank of Thailand in implementing cross-border payment using QR Code.

To add a basis for reference in analyzing the writing of this article, the concept of the digital economy is also considered necessary as a conceptual basis. The digital economy refers to economic activities that view digital knowledge and information as the main factors of production, view modern information networks as an important method of delivering data, and are considered to be able to increase efficiency and optimize economic structures. One category of the digital economy is the adoption of a top-down approach that considers the digital economy as a result of several impacts in the era of digital transformation without economic boundaries. The OECD also emphasizes that the digital economy is inclusive of individuals and communities with companies or markets (Yu, 2023). The features of the digital economy are the integration and innovation that can be seen in the discussion of this article, namely Bank Indonesia and Bank of Thailand are trying to integrate QR Codes from each country to reach the wider community in transacting freely at merchants in Indonesia and Thailand. This is intended so that cross-border payments are not only exclusive to economic actors, such as exporters, importers, and investors, but also people in both countries can participate in the integration of cross-border payments in the use of QR Codes.

### **Research Method**

This article will use the qualitative research method referring to Neuman (2014) with an explanatory research type to elaborate and enrich the explanation of the theory or concept used with the topic and issue raised. In addition, the writing of this article will also use deductive qualitative research techniques by using concepts in International Relations in analyzing the phenomena written in this research with empirical evidence as a reinforcement of the analysis (Neuman, 2014).



To support this research, the use of qualitative data consisting of words, images, or objects from secondary sources, such as documents, data, official websites, books, articles, and other supporting data as reinforcement of the writing of this research, which will be collected through qualitative research techniques (Neuman, 2014). However, the author also does not rule out the possibility of using quantitative data, such as statistical data, which can later show the phenomena that occur in the topic raised in this research.

### **Results and Discussion**

As previously explained, one of the objectives of implementing cross-border payment within the local currency settlement framework is to reduce the dependence on US dollars. In this case, both Bank Indonesia and Bank of Thailand attempt to align regulation and payment specifications, including how to convert each country's currency in making transactions, especially when using QR Codes.

#### **Exchange Rate as Indonesia's Economic Foreign Policy Preference towards Thailand in Cross-Border Payment**

The QRIS and Promptpay implementation is based on the local currency settlement framework established by the MoU among Indonesia, Malaysia, and Thailand on December 11, 2017. Local currency settlement was aimed at addressing the economic crisis that hit Asia in the late 1990s due to dependence on the US dollar, which caused the exchange rates of the currencies of the three countries to weaken, so that the efforts made were to adopt a more flexible exchange rate policy (Sato, 2019). Even though the MoU was signed by the three countries, in practice, it is still conducted bilaterally between countries in the Cooperation Framework to promote bilateral transactions in local currency between countries (Bank of Thailand, 2023).

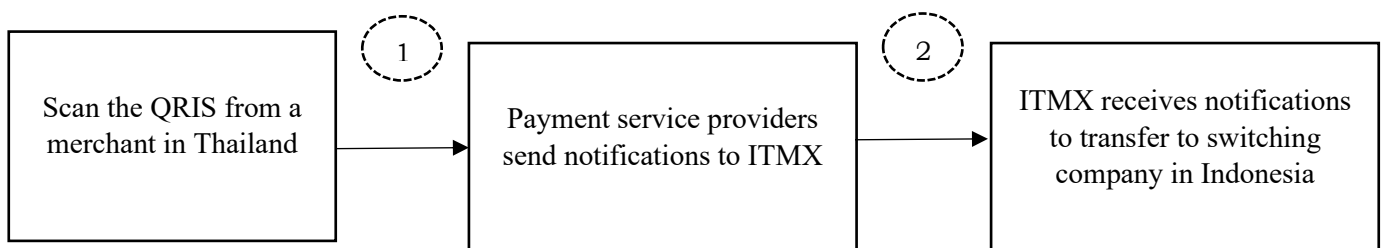
In the early implementation of this local currency settlement, the focus was still on the trade and investment sectors so that involved actors were focused on market players. However, the QR Code usage in cross-border payments conducted in trials in 2021 also targets consumers and merchants in each country so that they can transact directly. The transactions were conducted by implementing direct quotation currency conversion of each country with the appointment of ACCD from each central bank, in this case, Bank Indonesia and Bank of Thailand, with the aim of reducing transaction costs, which originally had to be converted to US dollars before exchanging from rupiah to baht and vice versa (Bank Indonesia, 2021). QR Code also shows an innovation between Indonesia

and Thailand as two large countries in ASEAN in the e-commerce market; hence, this effort is also an integration for both countries in opening and increasing opportunities in the retail industry, which still relies on MSMEs (Nunthiphatprueksa, 2019), as a form of implementation of the digital economy.

This is in line with one of the categories of the digital economy, namely the inclusivity of all actors in participating in the implementation of cross-border payments (Yu, 2023). As previously mentioned, the implementation of local currency settlement is exclusive to economic actors, such as exporters, importers, and investors, because they have large transactions. However, with the integration of QR Code between Indonesia and Thailand, these boundaries are slowly disappearing because people or consumers can participate in cross-border payment transactions. The implementation of QR Code between the two countries can also accommodate unbanked groups in both countries because they can transact using non-bank ACCD (e.g., e-wallet) without having a bank account (Medina, 2022) (Bank Indonesia, 2021).

In implementing QR Code transactions between the two countries, the application of the exchange rate is conducted using a floating exchange rate as a form of flexibility for rupiah and/or baht transactions, and is intended as a form of not being completely dependent on the US dollar. Previously, the exchange rate set for conversion to the US dollar was using a fixed exchange rate (Sari, Akbar, Yeni, Putra, & Artha, 2023). The full rollout of QRIS and Promptpay implementation was executed in 2022 (Bank of Thailand, 2022). The following is an illustration of the conversion from rupiah to baht, or vice versa, based on the local currency settlement framework.

**Table 1. Illustration of conversion of each currency between rupiah and baht based on local currency settlement (LCS) framework.**



Source: (Bank Negara Malaysia, n.d.) processed by the author (2024)

*Description:*

<sup>1</sup>Direct conversion from IDR to THB

<sup>2</sup>IDR transfer from ITMX to *switching company* in Indonesia

<sup>3</sup>*Switching company* of Indonesia will receive IDR and will forward to payment service provider in Indonesia (ACCD)

\*Conversion steps between THB to IDR also conducted at the same way

\*\*Transaction steps of QR Code between Indonesia and Thailand will be discussed in the next section.

Transactions occurring between Indonesia and Thailand are conducted through several steps as shown in the chart above. From the Thailand side, consumers can scan QRIS at Indonesian merchants, then the payment service provider sends a notification to ITMX (Interbank Transaction Management and Exchange) to accept the notification and reduce the consumers' balance. The next step is that ITMX will transmit to the switching company, which has been appointed by Bank Indonesia as the provider of the merchant, and the switching company will forward the payment to the payment service provider (ACCD) in Indonesia. The same steps are also conducted if Indonesian consumers scan Promptpay in a reverse transaction flow (Bank of Thailand, n.d.).

ACCD consists of either banks or non-banks, which are appointed by Bank Indonesia and Bank of Thailand to provide QRIS and Promptpay payment facilities. From the Indonesia side, ACCD consists of BNI, BCA, BRI, Bank Mandiri, Bank Pembangunan Daerah Bali, Bank CIMB Niaga, Bank Permata, Bank Mega, Bank Maybank, Bank Sinarmas, Dana (PT. Espay Debit Indonesia), LinkAja (PT. Fintek Karya Nusantara), Ottocash (PT. Transaksi Artha Gemilang), Shopeepay (PT. Airpay Internasional Indonesia), and PT. Telkom Indonesia. From the Thailand side, ACCD consists of Bank of Ayudhya (Krungsri), Bangkok Bank (BBL), and CIMB Thailand. Both Indonesia and Thailand will continuously add ACCD parties to facilitate payment through QR Code for both countries (Bank Indonesia, 2021). In the implementation of QR Code between Indonesia and Thailand, both countries also invite the private sector as ACCD, such as e-wallets and private banks, so that those who can provide QR Code scanning transaction services are banks and/or non-banks that have been appointed by each central bank.

Cross-border payments cover several aspects, such as technical, business, and legal, as well as the involvement of several parties appointed by the central bank in implementing QR Code between Indonesia and Thailand, such as ASPI (Indonesian Payment Association) from Indonesia, ITMX from Thailand acting as a switching company, ATM Bersama (Artajasa Pembayaran Elektronik), ATM Prima (Rintis Sejahtera), ATM Link (Sigma Cipta Caraka), and ATM Alto (Daya Network Lestari) switching companies in

Indonesia (Kominfo, n.d.), and ACCD, included as a payment service provider (Bank of Thailand, n.d.) (The Jakarta Post, 2018).

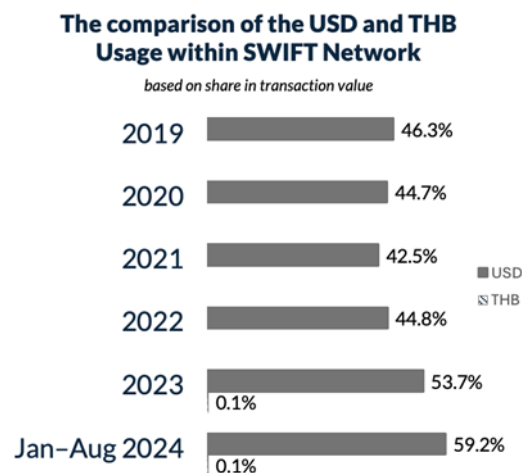
In the G20 Roadmap on improving the speed, cost, transparency, and accessibility of cross-border transfers, it was agreed that countries need to adopt and implement ISO 20022 through High-Value Payment Systems to implement fast payments, including across the SWIFT network for cross-border payments and reporting. The adoption of ISO 20022 has been implemented from March 2023 to November 2025, which allows for it to be structured (Swift, 2024). SWIFT, as one of the global payment systems, not only acts as a payment service provider for market players, but also for consumers (people-to-people) and SMEs (Swift, 2024). SWIFT not only moves funds, but also facilitates cross-border financial information flow that supports SWIFT users, such as banking institutions, companies, investment firms, and market infrastructures, and does not preclude individuals who use the SWIFT network. The SWIFT network provides communication between one bank and another bank efficiently with low cost (Jin, 2022) so that SWIFT acts as a connector between one bank and another bank for those banks that transact. Transaction fees applied depend on the type of transfer, destination country, foreign exchange fees, and tracking fees. There are at least three types of transfers in SWIFT, namely: 1) BEN, where the recipient bears all costs of the transaction received within a short time, 2) OUR, where the sender bears all costs that are usually charged separately and the transaction is received in full, and 3) SHA, where each party is charged by its respective bank with the sender being charged separately from the sending bank and the recipient paying to the receiving bank for the transactions made (Schonken, 2023).

On the other hand, cross-border implementation in local currency settlement is used to utilize the local currency of each country that has collaborated and reduce dependence on the US dollar. However, currently, there is no strong foreign exchange market for currencies in Southeast Asia, and this means that the spread between the buy and sell rates for local currency pairs in Southeast Asia can be more than double the spread between the buy and sell rates for local currencies against the US dollar (Greene, 2022). Therefore, in the context of cross-border payment cooperation between Indonesia and Thailand in the QR Code usage, a floating exchange rate system is applied, and the exchange rate between the rupiah and baht is adjusted based on the exchange rate from the organizer used by consumers in storing their funds. In contrast to SWIFT, cross-border payments are a mechanism established between countries, usually through banks or non-banks appointed according to an agreement (Schonken, 2023). The position of cross-border payments can be said to be complementary to SWIFT as an alternative transfer service

that is conducted because its form is not a replacement since the use of US dollars is still applied.

In the SWIFT network, the use of dollars still dominates from January 2019 to August 2024. Compared to rupiah and ringgit, the baht ranks 15th out of 24 countries using SWIFT in terms of total value share (Statista, 2024). Below is a comparative table of the use of US dollars and baht on the SWIFT network.

**Picture 1. The comparison of the USD and THB Usage within SWIFT Network**



Source (Statista, 2024) processed by the author (2024)

On the other hand, if it is compared to the use of digital payment between Indonesia and Thailand, the following is a comparison from 2021 to the projections to be achieved in 2024. Indonesia's total transaction value in the digital payment market, which includes mobile payments via smartphones and cross-border money transfers via the internet (digital remittance), is projected to reach US\$102.30 billion in 2024. It continuously increases from 2021 until 2024 consecutively, namely with a value of US\$71.71 billion, US\$77.54 billion, US\$88.43 billion, and US\$102.30 billion (Statista, n.d.). On the other hand, Thailand's total transaction value in 2024 is projected to reach US\$39.28 billion with Promptpay usage of THB32.742 billion in 2021, THB 43.206 billion in 2022, and THB 47.419 billion in 2023 (Statista, n.d.).

When using QR Code on QRIS and Promptpay, there are no transaction fees charged to consumers when sending money. However, in local currency settlement, there are several fees that are customized by each ACCD bank, such as: 1) Telegraphic transfer fees, which are a service that enables you to send money to an account abroad in the range of Rp35,000 to Rp75,000 (Bank Mandiri, n.d.) (BCA, n.d.), and 2) Provision fee, which is

a fee charged if the source currency of the funds is the same as the foreign currency sent (Bank Mandiri, n.d.). As previously explained, both Bank Indonesia and Bank of Thailand apply floating exchange rates, thus providing flexibility for ACCD in determining the exchange rate in transactions conducted on their systems.

Based on data from the Bank of Thailand as of April 4, 2024, the following is the cross-border payment mechanism implemented between Indonesia and Thailand in using QR Codes.

**Table 2. Cross-border payment Indonesia and Thailand**

Users from Indonesia who make transaction in Thailand		Transaction limits	Users from Thailand who make transaction in Indonesia		Transaction limits
Participating bank from Indonesia	Eligible QR payment at Thailand merchant		Participating Bank from Thailand	Eligible QR Payment at Indonesia merchant	
ACCD	Bangkok Bank, Kasikorn Bank, Krungthai Bank, SCB, Bank of Ayudhya, CIMB Thai	IDR5.000.000 per transaction	Bangkok Bank, Krungthai Bank, Bank of Ayudhya, CIMB Thai	QRIS	THB100.000 per transaction THB500.000 per day

Source (Bank of Thailand, n.d.) processed by the author (2024)

Referring to Bank Indonesia data on its social media, the development of QRIS transactions as of February 2024 inbound amounted to 368.65 million rupiah, while outbound data amounted to 10.19 billion rupiah (Bank Indonesia, 2024). Additional data also show that QRIS transactions in Indonesia as of July 2024, the increase in QRIS transactions in Indonesia was 13% month-to-month from the Thai community, while the increase in QRIS in Thailand was 9% month-to-month (Bank Indonesia, 2024). The implementation of QR Code between Indonesia and Thailand is intended to advance MSMEs as an effort to maximize the economy and digital financial ecosystem connected to Promptpay. This is one of the reasons why Indonesia chose to work with Thailand in the first cross-border implementation of QR Code. In addition, from 2018 to 2023, Indonesia's gross domestic product (GDP) was respectively US\$1,043 billion, US\$1,119 billion, US\$1,063 billion, US\$1,188 billion, US\$1,319 billion, and US\$1,417 billion, while Thailand's GDP was respectively US\$507 billion, US\$544 billion, US\$500 billion, US\$506 billion, US\$495 billion, and US\$512 billion. Indonesia ranks first in GDP income, followed by Thailand in second place (Statista, n.d.), whose main source of GDP income comes from tourism (Statista, n.d.).

**Bank Indonesia as an Administrative and bureaucratic body determines exchange rate as policy preference in International Economic Policy.**

Bank Indonesia, as the central bank, issued QRIS as one of the efforts to achieve the ASEAN Payment Connectivity Initiatives as an effort to contribute to improving the tourism sector, MSMEs, and the national digital financial economy. In line with this, Bank Indonesia has been working with several other ASEAN member countries since 2022. However, Indonesia has been conducting trials with Thailand in implementing QR Code since 2021 (Kementerian Sekretariat Negara RI, 2022). At the G20 forum, the implementation of cross-border payments was planned to use the SWIFT network to achieve fast payments between countries by implementing ISO 20022 on High-Value Payment Systems. The adoption of ISO 20022 has been in effect from March 2023 to November 2025 (Swift, 2024).

In addition to achieving the ASEAN Payment Connectivity Initiatives, the implementation of cross-border payments is also planned on a global scale, which was discussed through the G20, namely Advancing Regional Digital Payment Connectivity in Bali, November 14, 2022. In the regional scope, Indonesia has collaborated with Malaysia, Singapore, Thailand, and the Philippines through their respective central banks. The cross-border payment mechanism in ASEAN is considered one of the commitments towards digital transformation (Kementerian Koordinator Bidang Kemaritiman dan Investasi, 2022). In addition, the signing of the MoU between the five countries will implement several things, including QR Code through QRIS, fast payments, and Real Time Gross Settlement (RTGS), which were discussed at the 43rd ASEAN Summit in Jakarta. Other ASEAN countries are planned to sign the same MoU after the development and strengthening of their domestic payment systems are considered capable of implementing this (Kominfo, 2023).

The implementation of QR Code specifically between Indonesia and Thailand can be seen from the gross digital payment value in the six largest countries in ASEAN reaching US\$806 billion in 2022, increasing 14% YoY and is expected to increase to nearly US\$1.2 trillion in 2024. The availability of smartphones and increasing internet usage play an important role in the widespread adoption of online banking, mobile money, and e-wallet services. In 2022, bank account ownership or registration with a mobile money provider increased from 12% to 62% since 2011. On the other hand, e-wallet usage in ASEAN is one of the largest in the world in terms of e-wallet penetration, namely Thailand (92%), Vietnam (91%), the Philippines (88%), Malaysia (86%), and Indonesia (82%) (World Economic Forum, 2023).

The implementation of QRIS and Promptpay between Indonesia and Thailand is addressed to shape an effective payment ecosystem among market players, mainly in the tourism sector and MSMEs, so that it is not limited to only big market players, such as business-to-business entities. However, this also does not prevent the implementation of cross-border trade settlements, investments, and remittances, as well as other economic transaction activities that create inclusiveness of transactions in the region. Indonesia and Thailand are collaborating on cross-border payments to facilitate transactions between market players, especially in the tourism and SMEs sectors (Chandran, 2023). The existence of QRIS and Promptpay is also intended to foster a competitive attitude in the global market, which can be seen from Indonesia's efforts at the G20 regarding cross-border payments (World Economic Forum, 2023). In implementing QRIS and Promptpay, fees and exchange rates are determined based on a mutual agreement between Indonesia and Thailand through their central banks. Then, the central bank will provide flexibility for ACCD in charging these fees in the exchange rate conversion process between rupiah and baht (Chandran, 2023)

The purpose of Indonesia and Thailand, through their respective central banks, in implementing QR Code is to facilitate the tourism sector as the main focus, including helping MSMEs in the tourism area, increasing payment inclusion, digital economic inclusion, and e-commerce transactions (Bank Indonesia, 2021). In 2022, there were 61,128 Thai tourists visiting Indonesia (Badan Pusat Statistik, 2023), while Indonesian tourists visiting Thailand in 2022 were 355,000 (Pusparisa, 2024). Data from Bank Indonesia shows that transactions using the Thailand QR Code by Indonesian tourists reached 14,555 transactions equivalent to 8.54 billion rupiah, and transactions by Thai tourists using QRIS amounted to 492 transactions with a value of 114 million rupiah in 2023 (ASEAN Indonesia, 2023). In addition, the integration of QRIS and Promptpay is also intended to improve the retail industry compared to wholesale between Indonesia and Thailand because the retail industry of both countries still relies on MSMEs, so that it is expected that MSMEs can also digitize the economy (Nunthiphatprueksa, 2019) (Yu, 2023) using QR Codes in cross-border transactions that have been facilitated by Bank Indonesia and Bank of Thailand.

Although the current efforts being made are still bilateral, Bank Indonesia, as Indonesia's central bank, plans to collaborate with the Bank for International Settlements and Project Nexus to expand the scope of cross-border payment implementation, either regionally or globally. This payment system will be standardized to connect other payment systems that will be connected to Nexus. This network will protect SWIFT with



two-factor authentication (2FA) to prevent fraud or hack attacks when one party makes a transaction to the destination bank (Nexus, n.d.). On the other hand, the use of Nexus allows reaching the entire system globally and avoiding the creation or use of special bilateral links (World Economic Forum, 2023) (BIS, 2024).

Although the MoU implementation looks promising, there are still several challenges that must be recognized by Bank Indonesia and Bank of Thailand, one of which is the awareness and knowledge of market players, especially in the MSME sector, to use QR Codes in transactions. The mechanism for using QR Codes is still largely unknown to market players, and from the Indonesian side, there are several fees charged to merchants of 0.3% for micro-businesses and 0.7% for other transactions, known as the merchant discount rate (MDR) (CNBC Indonesia, 2023). In addition, other challenges to achieving regional payments are also found due to differences in domestic payment systems that apply different technical standards, message formats, and process flows. Although ISO 20022 has been implemented, these systems are often adjusted in an incompatible way, and this technical factor adds to the complexity of the relationships that will be formed by countries in implementing cross-border payments (World Economic Forum, 2023). Therefore, this requires collective action from stakeholders and market players to implement a payment ecosystem using QR Codes.

### **Conclusion**

Indonesia's foreign economic policy towards Thailand in cross-border payments using QR Code is implemented by considering the exchange rate in the conversion of exchange rates between rupiah and baht with the appointment of ACCD in each country by the central bank and the application of a floating exchange rate that is delegated to each bank or non-bank in applying the necessary costs. This effort is made to reduce dependence on the US dollar and strive to achieve the ASEAN Payment Connectivity Initiatives and Advancing Regional Digital Payment. Although its implementation is still being developed to produce a more positive trend in the use of QR Codes, there are several challenges faced, such as differences in domestic payment systems, as well as awareness and knowledge of market players in using the QR Code payment mode.

Indonesia also attempts to cooperate with Thailand first, compared to Malaysia, in implementing QR Code because it sees many Indonesian tourists who go to Thailand for tourism and to open and increase opportunities for the retail industry in bilateral economic cooperation with Thailand, so that the implementation of Indonesia's foreign

economic policy implements QRIS and Promptpay integration as the first step before collaborating with others on the use of QR Code in the cross-border payment framework.

This journal article only discusses the exchange rate as one of the preferences of economic foreign policy, which explains how Indonesia regulates and negotiates with Thailand in the conversion of exchange rates between rupiah and baht as a form of reducing dependence on the dollar, so that further research is needed that discusses other preferences that can explain in more detail the application of QR Code in cross-border payments, such as trade, immigration, and foreign investment, by presenting supporting data. Future papers may focus more on how the implementation of QR Codes can impact trade in each country as well as foreign investment entering Indonesia and/or Thailand as a form of local currency settlement.

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