

## **Digital Diplomacy in The Era of Fragmentation: Indonesia's Strategy to Keep Pace with Global Financial Hegemony Through Regional Payment Connectivity**

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### **Keywords**

interstate qris, local currency transaction (lct), structural power, financial hegemony, dedollarization

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### **Abstract**

This study analyzes the transformation of the Interstate Quick Response Code Indonesia Standard (QRIS) and the Local Currency Transaction (LCT) scheme as instruments in Indonesia's digital finance strategy, how QRIS-LCT plays a role as a means of structural resistance to the dominance of the US Dollar and Western payment systems (Visa/Mastercard), and its contribution in strengthening Indonesia's Digital Sovereignty and Financial Autonomy in the Southeast Asian region. Using the framework of International Political Economy, specifically the concept of Structural Power, this study proves that the integration of payments in ASEAN and expansion into East Asia is a manifestation of Digital Neomercantilism. This study applies a qualitative descriptive approach. Data collection is carried out through literature review and document analysis, utilizing secondary information from academic journals, official government reports (such as Bank Indonesia), credible media, and relevant international cooperation documents. The results of the study until 2025 show that the Interstate QRIS, supported by LCT, has been successfully implemented in ASEAN countries (Thailand, Malaysia, Singapore, the Philippines, and Vietnam) and has expanded to East Asia (Japan, Korea, China). These efforts serve as a significant dedollarization tool and strengthen regional macroeconomic independence. An important finding that was revealed was the geopolitical reaction from the United States (through the USTR), which showed that QRIS was considered a threat to the dominance of the existing global financial system. Nonetheless, there are still operational challenges that need to be addressed, such as imbalances in transaction volumes and digital literacy levels that must be improved.

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## **INTRODUCTION**

A more integrated and efficient digital payment system is a sign of a transformation in the world's financial architecture. This trend has led Indonesia to introduce *Quick Response Code Indonesian Standard* (QRIS) in 2019, as a mandatory standard for all Payment Service Providers (PJP) who use QR codes in the country. QRIS has played a significant role in increasing economic and financial inclusion at the domestic level, especially for Micro, Small, and Medium Enterprises (MSMEs). Based on a press release from Bank Indonesia, MSMEs using QRIS reached 39.3 million in the first quarter of 2025, which is the largest number of total 58.3 million QRIS users throughout Indonesia with 6.05 billion transactions worth 5769 trillion rupiah. In addition to accelerating transactions, QRIS is also a counter-cyclical tool,

which allows small purchases without obstacles and supports daily economic flows amid a decline in people's purchasing power (Warjiyo & Juhro, 2022).

QRIS initiative *Cross-Border* or Interstate QRIS shows how important QRIS is so that it can reach beyond national borders. This initiative shows the development of the digital system from a domestic means of payment to a bridge of regional connectivity with the aim of facilitating tourism and trade transactions. Interstate QRIS carefully supports interoperability of payments between countries, with the primary goal of strengthening macroeconomic stability that leverages local currencies in bilateral transactions (*Local Currency Settlement/LCS*) (G. B. Indonesia, 2023). Starting with the expansion of QRIS to Thailand (2022) then Malaysia, Singapore, the Philippines, Vietnam (2023) and Japan (2025). Until the end of 2025, the six countries have carried out full implementation. Meanwhile, China and South Korea are in the MOU and trial stage and are scheduled for implementation in the 1st quarter of 2026 (InteractiveQRIS, 2026). Several other countries such as Saudi Arabia, the United Arab Emirates and India are in the exploration stage. This confirms Indonesia's desire to show strength at the regional and global levels.

The argument in this study is that the implementation of Interstate QRIS, supported by the *Local Currency Transaction (LCT) scheme*, is not only an effort to improve technical efficiency, but also a proactive strategy from Indonesia in demonstrating Digital Sovereignty and Financial Autonomy in the Southeast Asian region (Bank Indonesia, 2023). This strategy effectively puts the global financial structure dominated by the US dollar and Western payment systems (Visa/Mastercard) under threat.

Although the study of QRIS has grown rapidly since its launch, the current literature is still dominated by two mainstream currents. First, a managerial economic perspective that focuses on transaction efficiency, MSME financial inclusion and consumer behavior (Warjiyo & Juhro, 2022). Second, the perspective of a communication study that examines QRIS as a medium for cross-cultural interaction in tourism (Chomdiyah et al., 2025). However, there is still a gap in the literature in dissecting QRIS as a strategic foreign policy instrument. Most research still views QRIS as a domestic-technical innovation, and not many have explored how this technical standardization is transformed into a tool of 'structural resistance' to global financial hegemony. Moreover, analysis of the geopolitical reactions of hegemonic actors such as the United States (through the USTR 2025 report) to regional payment systems in Southeast Asia is still very limited.

On the other hand, several recent studies have penetrated the dimension of international relations such as the one conducted by Faiz Mumtaz et al (2025) explaining the position of QRIS in the trend of global financial fragmentation (Mumtaz et al., 2025) In addition to research by Zuchroh (2025) and Dzulfian Syafrian (2025). In contrast to Faiz Mumtaz above and Zuchroh who emphasized the aspect of sovereignty resistance in general and Dzulfian Syafrian who focused on international communication, this research offers a new perspective through the lens of *Structural Power Susan Strange* and Bank Indonesia as a Neo-mercantile actor. The study also identifies a paradox of sovereignty in QRIS-LCT operations, where technical efficiency must be faced with the reality of regional transaction volume imbalances using the latest data projected for 2025-2026.

Based on the above arguments, there are two questions that require in-depth analysis and strategic impact assessment. First, how the development of QRIS through the *Local Currency*

*Settlement* (LCS) scheme serves as a structural tool of resistance to the financial power of the US dollar and the Western payment system in Southeast Asia; Second, the extent to which the implementation of Interstate QRIS has successfully supported Indonesia's Digital Sovereignty, taking into account the balance between regional interoperability (RPC) and operational challenges (such as cross-border transaction imbalances).

## **METHODS**

This research applies a descriptive qualitative method with the aim of exploring the phenomenon of digitalization in the payment system by examining QRIS as a tool for economic diplomacy and social inclusion. This method was chosen because it is able to understand the complexity of relationships, meanings and socio-political turmoil related to the policy and implementation of digital payment technology in the Asian region (Lunan et al., 2025).

Data collection was carried out entirely using secondary data, considering the nature of this research which is based on literature studies and document analysis. Data sources come from e-books, academic journals, official reports from government institutions such as Bank Indonesia and the Ministry of Communication and Digital, trusted media publications, and international cooperation documents related to digital payment systems and economic diplomacy. The researcher also examined relevant previous research reports, as well as examined national regulations and policies governing digital payment systems and interoperability between countries.

## **RESULTS AND DISCUSSION**

### **Early Regional Integration (Thailand, Malaysia, Singapore)**

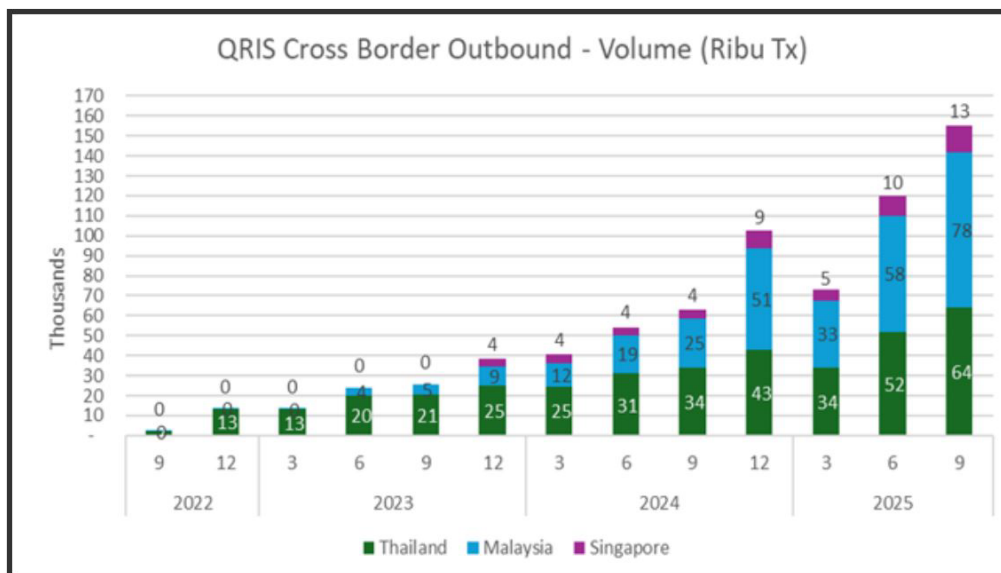
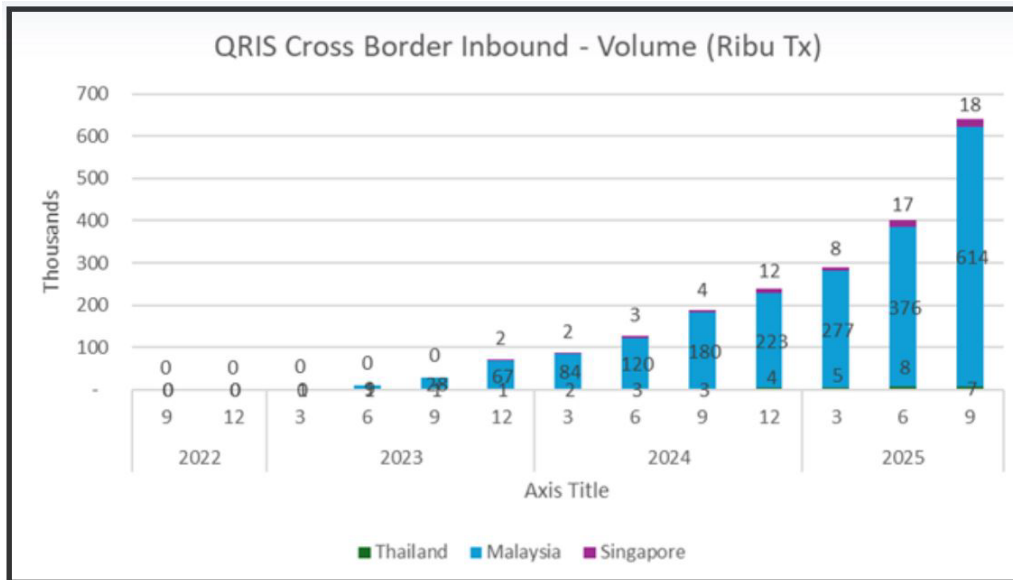
QRIS connectivity started in ASEAN countries, which served as an early example for regional integration. Indonesia and Thailand officially started the implementation of Cross-Border QR Code Payments (QRIS-PromptPay) in August 2022. This integration was technically successful, allowing transactions between countries directly with the local currency. This success was followed by Malaysia, which implemented *the DuitNow QR* integration in May 2023. Singapore then joined through NETS QR/SGQR in November 2023. The total value of QRIS transactions between Indonesia, Malaysia, Singapore, and Thailand reached IDR 1.66 trillion by June 2025.

Komdigi's press report in mid-2024 informs transactions made by foreign tourists such as Thailand in Indonesia (*inbound*) increased by 13% on a monthly basis (*month to month/mtm*) which are mostly done in Jakarta and West Java. As for Indonesian tourist transactions in Thailand (*outbound*), up 9% *mtm*. For Malaysian tourists, it increased by 4% and Singaporean tourists posted a growth of 28% *mtm* with the dominance of transactions in Jakarta and West Java as well. Only for *outbound*, decreased by 12% *mtm*.

However, the Indonesia-Thailand case study shows important findings about the imbalance in the volume of incoming transactions (*inbound*) and out (*outbound*). Cumulatively, from the launch of August 2022 to May 2024, transactions *outbound* Indonesia-Thailand through QRIS reached 409,977 transactions with a total value of IDR 174.59 billion. Conversely, transaction growth *Inbound* from Thailand to Indonesia shows much slower development. Throughout 2022 to 2023, the use of *Crossborder QR Code Payment* by Thai citizens in Indonesia is still very limited, both in terms of the number of transactions and the

nominal value. The development of transactions will only begin to appear in 2024, when transactions *Inbound* began to be recorded consistently, although the volume was still in the range of thousands of transactions per month, with a transaction value of between one and two billion rupiah. (Sianturi & Darmastuti, 2025).

The latest data on *inbound* and *outbound transaction volumes* during January-September 2025 between Indonesia and Thailand as well as two other countries, Malaysia and Singapore can be seen from the following table:



**Diagram 1:**  
**QRIS Transaction Volume Between Thailand Malaysia Singapore *Inbound Outbound***  
*(Source: Indonesian Payment System Association accessed 2025)*

From the table above, the total transaction volume *Inbound* Indonesia-Thailand around 20,000 transactions while *outbound* about 150,000 transactions. The condition is still the same

as in 2024, the total transaction volume *Inbound* smaller than *outbound*. But the conditions are different for Indonesia-Malaysia with the total transaction volume *Inbound* higher (1,267,000 transactions) than *outbound* (169,000 transactions); Indonesia-Singapore also showed total volume *Inbound* (97,000 transactions) higher than *outbound* (28,000 transactions).

The condition of the Indonesia-Thailand QR from the above data is still a record because it indicates that the integration of the QR payment system from Thailand to Indonesia is not fully optimal, and its utilization is still limited. If *the outbound* volume continues to be higher than *the inbound* volume, this could put pressure on the rupiah and could threaten the macroeconomic stability aimed at by the LCT. This phenomenon requires careful policy evaluation to ensure that QRIS not only promotes efficiency but also maintains a balance of capital flows.

In contrast to Thailand, the *surplus of inbound transactions* from Malaysia and Singapore shows that QRIS has succeeded in becoming a digital foreign exchange attraction instrument from countries with high purchasing power, which strengthens foreign exchange reserves without dependence on the US Dollar. This proves that the success of *structural power* depends not only on technical standardization, but also on the mutually beneficial economic interdependence between partner countries.

### **Projected Influence to the Indo-Pacific (Japan, China and South Korea)**

QRIS's ambition is not limited to the ASEAN framework. The expansion to countries outside ASEAN reflects the use of QRIS as a tool to balance influence in the broader Indo-Pacific region. In August 2025, Bank Indonesia officially announced the use of QRIS in Japan. The strategic partnership with Japan, a G7 economic power, signals that Indonesia is striving to become a diplomatic leader in the field of digital economy in East Asia, offering efficient solutions for Indonesian tourists.

In addition, Bank Indonesia is currently conducting a trial of QRIS connections with China through *People's Bank of China*, with the goal of full implementation before the end of 2025 (China, 2025). With South Korea, one of the leading countries in the digital field, a partnership has been carried out in early November 2025 between Bank Indonesia (BI) and *Korea Financial Telecommunication & Clearings Institute (KFTC)*, which is the governing body of South Korea's national payment system.

Connections with China, one of the world's largest economic and digital markets, and South Korea will be a significant factor in increasing transaction volumes and geopolitically strengthening Indonesia's position as a digital economy link between ASEAN and East Asia. This expansion shows that Indonesia is utilizing digital connectivity as a balancing strategy in the ever-changing geopolitical context.

The success in building bilateral QR links in ASEAN (RPC) also places Indonesia as a global pioneer demonstrating a measurable concept for larger initiatives. This model has the potential to be a reference for global cross-border frameworks such as *Project Nexus* initiated by *Bank for International Settlements (BIS, 2024)*. Indonesia's active involvement in the development of this model adds to its power of influence in determining global payment standards in the future.

### **The Role of the Private Sector as an Accelerator**

The acceleration of innovation and adoption of QRIS between countries is due to the important contribution of the private sector, especially Payment Service Providers (PJP) such as banks, digital wallets such as DANA, Gopay, and LinkAja, as well as payment aggregators such as Artajasa. They are not only system managers, but also the driving force behind the acceleration of the adoption of this technology at the regional level. In addition to facilitating interoperability and direct settlement of foreign exchange transactions, PJP is also active in innovating, for example the launch of QRIS Tap-based *Near Field Communication* (NFC), which shows significant growth in users and merchants, illustrates the readiness of the domestic ecosystem to collaborate with global technologies.

### **Geopolitical Implications and Digital Sovereignty Policy**

QRIS has triggered a geopolitical reaction that reflects its strategic importance. The U.S. government passed through *United States Trade Representative (USTR)* assess QRIS as a barrier to financial services in Indonesia (USTR, 2025). The US observed that there was a low involvement of US financial and payment service providers in the implementation of QRIS. They also expressed concern that national payment systems, such as QRIS and LCS schemes, could narrow the space for foreign companies such as Visa and Mastercard, and could trigger a defensive response from hegemonic actors. (Dzulfian Syafrian, 2025). U.S. concerns boil down to the potential loss of access to *'Big Data'* transactions of Indonesia's population and the ability to carry out global financial supervision which has the effect of weakening the effectiveness of US sanctions or diplomatic pressure in the future.

QRIS is also seen as a new battleground on the geopolitical power map. In this battle, dominance is no longer built only through military power or conventional investment, but rather through control over digital infrastructure and standards. By encouraging LCT, Indonesia directly utilizes monetary policy as a political tool to operate at the regional level. By inviting ASEAN countries and East Asian countries into the QRIS ecosystem, Indonesia is creating a new digital economy bloc that will threaten the stability of the US economy in the long term. However, efforts to ensure national independence and digital sovereignty often involve setting stringent technical standards, which can ironically increase tensions or costs for international actors. This creates an important dilemma between national self-reliance (sovereignty) and global efficiency (market openness), which must be carefully confronted.

**Table 1**  
**Comparison of QRIS and Visa/Mastercard Card Sovereignty Dimensions**

<i>Dimension of Sovereignty</i>	<i>QRIS (Domestic/Regional system)</i>	<i>Visa/Mastercard (Global System)</i>	<i>Geopolitical Implications</i>
Data sovereignty	The state (through BI) has full control	Countries have limited access	Control and supervision of data by the state for its own citizens
Transaction Settlement Mechanism	Local (LCT) with the currency of each partner country	US Dollar	Reduced vulnerability to U.S.-Dollar pressures and Increased Macroeconomic Stability
International infrastructure control	Bank Indonesia (Regulator) and PSP (Domestic)	Foreign Private Companies ( <i>U.S.-Based</i> )	Control of data flows and national cyber risks as well as the level of vulnerability to economic sanctions.
MSME Access	0% MDR (for micro and wide access)	High cost including for micro	Increasing the legitimacy of <i>soft power</i> through social inclusion
Legal/Regulatory Basis	Mandatory national regulations (BI)	Multi-Jurisdictional Regulation and Global Industry Standards	Greater policy autonomy

Source: Compiled from and related literature

The table above shows that the adoption of QRIS is a tangible form of digital protection with the aim of ending information asymmetry between countries and global financial corporations. In the global card system, there is an extraction of values and data that comes out of national jurisdictions. On the contrary, QRIS ensures that the digital economic footprint of the community remains within the space of Indonesian sovereignty. According to Gilpin (1987), this is in line with the logic of neomercantilism which views that critical economic infrastructure such as payment systems must be under state control in order to prevent vulnerability to geopolitical pressures and external monetary shocks.

### **Digital Sovereignty, Cybersecurity, and Data Control**

The Digital Sovereignty represented by QRIS provides important freedoms in infrastructure. By ensuring the development and regulation of payment standards nationally, Indonesia can maintain control over the transaction data processed. This reduces reliance on overseas networks, which at the same time reduces the threat of foreign cyber infiltration and potential data misuse, making it critical to national cybersecurity.

At the global level, the achievement of QRIS is not only a technical innovation, but also a diplomatic advance that creates a new way of dealing between countries: Technical Standard Diplomacy. When countries such as Japan or China adopt technical standards that can be integrated with QRIS, they indirectly receive technical and regulatory influence from Indonesia. This shifts the way the state shows strength in diplomacy from traditional negotiation to norm-setting in technology.

Through the Ministry of Foreign Affairs and Communication and Informatics, Indonesia proactively promotes the digital diplomacy agenda in multilateral meetings. This includes support for a sustainable and inclusive FinTech ecosystem and promoting digital governance. This active participation strengthens Indonesia's position as a key actor in creating inclusive global digital management.

### **Policy Tensions and Operational Challenges**

Despite having a solid technical foundation, the implementation of QRIS between countries faces several operational challenges. The difference in transaction volume that occurs in the Indonesia-Thailand context requires serious policy attention. If there is no balance between *LCT* and inbound *outbound* transactions, the macroeconomic goal of reducing pressure on foreign exchange could be threatened. This requires more coordinated action to strengthen Indonesia's tourism and trade in QRIS partner countries.

Another challenge faced is the need for extensive socialization and education to the public and Payment Service Providers (PJP) so that the advantages of Interstate QRIS, such as convenience, cost efficiency, and security, can be utilized to the fullest. Low levels of digital literacy can hinder widespread adoption, especially among underbanked and neglected groups, which are the focus of economic inclusion efforts. Therefore, the long-term success of QRIS as a digital diplomacy tool is highly dependent on solving these operational problems and structural imbalances.

### **CONCLUSION**

This study concludes that: First, QRIS is not only a national digital payment method but also a tool to build international digital financial strength through network power rather than through coercion. The analysis shows that QRIS has transformed into Indonesia's Digital Financial Geostrategy that has succeeded in achieving domestic inclusion, macroeconomic autonomy through LCT so that cross-border transactions no longer require double conversion to US Dollars. This strategy reduces Indonesia's macroeconomic vulnerability to US monetary policy fluctuations, as well as leadership at the regional level through the RPC. This success can be seen from the development of connectivity in ASEAN countries and expanding to East Asia (Japan, China and Korea). The geopolitical response that emerged with the US defensive reaction suggests that this mechanism is structurally beginning to threaten the dominance of global finance, the US Dollar.

Second, in the dimension of digital sovereignty, Indonesia has managed to balance regional interoperability (RPC) while maintaining national control through technical standardization. However, important findings show that there is a risk of 'Fragile Sovereignty' due to an imbalance in *inbound* and *outbound transaction* volumes. Without the independence of balanced transaction flows, digital sovereignty risks backfiring on the economy. Therefore, the effectiveness of digital diplomacy must be supported by strengthening the real sector, especially tourism and MSME exports, to ensure sustainable digital sovereignty amid global fragmentation.

As a concluding note, the appearance of the latest trade agreement between Indonesia and the United States in February 2026 in the *International Payment Network and Chip Standard* articles, marks a new chapter in digital financial diplomacy. This shows that

Indonesia's financial sovereignty through QRIS is not only confrontational to hegemony, but also adaptive through strategic negotiations. This phenomenon is a crucial new space to be explored by further research.

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