

Opportunities and threats in the commencing of APEC and AFTA agreements towards BRI foreign exchange transactions

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Abstrak

Though the need to globalize our economic activities is becoming so important, the commencing of 2003 AFTA and APEC agreements are still feared to cause discrepancy in all sectors, given that Indonesian government protection on external trade in the form of tariffs and non-tariffs will be lessen, if not eliminated. The commencing of AFTA and APEC agreements will no doubt bring about significant changes in the way BRI is using to doing its business in the country, in terms of corporate structure and corporate governance.

As a state bank, BRI is refocusing its business towards small and middle segmentation and this has become part of its Operational Restructuring Program that will lead to significant changes in BRI. One of the many BRI's activities which will be affected by AFTA and APEC agreements is its Foreign Exchange Transactions. Considering that Foreign Exchange transactions one of the most important supporting services in the corporate consumer transaction management, the agreements will effect, not only on the income from foreign exchange transactions, export import and other overseas services (which is one of fee based income sources), but even more on the existence of work unit and human resources that serves these transactions in the near future.

The removal barriers to trade, as the impact of APEC and AFTA era, not only will affect trading activities, but also affect other related industries, including banking industry, in particular its foreign exchange transactions. The impact of APEC and AFTA should be looked at, therefore, as a major impact of trade policies that permit relatively free intra-industry trade in ASEAN countries.

Relating to economic crisis in 1997-1998, a lot of Foreign FX Banks could not expand into the corporate lending business because the situation in Indonesia is not yet believed to be totally recovered. Fear of instability of politics, security and economy has restrained their strategy to open their offices in Indonesia. But there are opportunities for returns in the money market. Many experts predicts or expects that profits for Foreign FX Banks are widely open to continue, specially from trade finance and treasury activities, short term corporate lending and new individual banking initiatives that are closely linked to foreign exchange transactions.

Looking at the enormous potential market, this study analyzes and lists the threats and opportunities' BRI has to survive in the free trade era and how BRI will have to improve its Foreign Exchange service. This effort aims at ways to compete with other emerging local and international foreign exchange banks/institutions that have been improving and preparing themselves for this event by keep improving their service in Indonesia as well as all over the world. The players in Foreign Exchange transactions have been aggressively promoting its foreign exchange activities to other countries and capture those opportunities in their hand and therefore BRI has to catch up by reevaluating its strategies and utilizing all its resources. In exploring the relationship between APEC and AFTA policies towards BRI foreign exchange transactions, this study sees that AFTA and APEC agreements provide opportunities for BRI. By looking at the industry

and BRI's competitors, this study also learns that some of the threats are from regulations issued by Indonesian government in attempt to reduce rupiah fluctuations (PBI no.3/3/1999) but gave great impact on the volume trading, thus limiting the source of income. Another limitations also comes from internal policies, regarding BRI core business. In conjunction with its mission, all activities and transactions must aim at supporting, and therefore strictly followed the prudential banking principles. Last but not least, BRI's corporate culture has played a great role in determining the way it conducts its day-to-day business and this sometimes causes discrepancies in its service management.

In summary, this study learns some of the basic BRI's competitive advantage, and by looking at its strength and weaknesses, this study gives recommendations on improving BRI's internal competitive advantage and utilizing its full resource. Main findings also suggest that BRI has a lot of homework to do in order to compete in a free-barrier trade era. The room for opportunities are mainly seen in terms of service quality, wider range of products and network distribution/ cooperation with overseas bank (correspondent banks). This study includes recommendations in service management of foreign exchange transactions.

Recommendations are in line with the issues in globalization, therefore this study looks at BRI organization structure relating to international strategies, such as changing BRI's Vision and Mission- from social oriented into profit oriented, developing and enhancing its Competitive Technology, improving its service quality and implementation of the strategic recommendation such as increasing of autonomy responsibilities by setting up clear responsibilities and authorities in managing transactions, building Strategic Alliances with other Efficient Institutions (Private Financial Institutional, NGOs, etc.), expanding product innovation, offering a wide range of financial services, and utilization.