

ABSTRACT

In order to reduce the dependence of several countries in Asia with the USD currency in 2018, several central banks conducted LCS cooperation. LCS Cooperation is a collaboration carried out by several central banks of partner countries with a focus on using local currency as a means of payment in international trade and investment. This study aims to analyze the effect of local currency export variables, local currency imports, PMA local currency on volatility and the Rupiah exchange rate against USD in Indonesia. The research method uses panel data regression with the analytical method used ordinary least squares (OLS). The results of the research on export LC, Import LC and PMA LC variables have no significant effect on the Rupiah exchange rate against the USD in Indonesia, but the sign of the coefficient on the estimation results is in accordance with the theory of determining the exchange rate using the balance of payments. Based on this research, it can be concluded that the use of local currency which is the implementation of the LCS policy on export, import and FDI activities has indications to affect the volatility and exchange rate of the Rupiah against the USD in Indonesia, but the effect is not significant

Keywords: LC Export, LC Import, PMA LC, LCS Policy.