ABSTRACT

Each country faces limitations in producing all the goods and services required by its population. Therefore, international trade, encompassing export and import activities, emerges as a response to the need for countries to complement each other in meeting the demand for goods and services that cannot be efficiently produced domestically. The Local Currency Settlement (LCS) policy has been introduced as a measure to promote international trade by offering lower transaction costs and simplifying the trade transaction process. Transaction costs such as SWIFT transfers, commissions, hedging, and correspondent banks can be reduced or even eliminated through this policy.

This study analyzes the impact of the real exchange rate of the Rupiah to USD, per capita income, and the LCS policy on Indonesia's exports and imports. The research method used is panel data regression with an Ordinary Least Squares (OLS) approach. The results indicate that the depreciation of Rupiah does not increase Indonesia's exports, although its effect is significant. Per capita income of partner countries has a positive and significant effect on Indonesia's exports, while the LCS policy also has a positive and significant effect. On the import side, the appreciation of Rupiah significantly increases Indonesia's imports, and Indonesia's per capita income has a positive and significant effect. However, the LCS policy does not have a significant impact on Indonesia's imports.

Keywords*: Exports, Imports, Real Exchange Rate of Rupiah to USD, Per Capita Income, Local Currency Settlement Policy*