

## **ABSTRACT**

*The Indonesian economy is an open economy. In an open economy like this, many trade activities are carried out with other countries to meet the needs of each country. In trading activities, a measuring instrument is needed to measure the unit of goods, in this case the dollar is used as the measuring instrument. Fluctuations in the value of the Indonesian rupiah against the United States can be caused by several factors, namely the inflation rate, import-export activities, and interest rates. In addition to being used as a measuring tool, the US Dollar is also used as a world currency. This happened for historical reasons. This study aims to see how the rupiah exchange rate against the US dollar fluctuates due to changes that occur in the inflation rate, import-export activities, and interest rates. To achieve this goal, the researcher uses secondary data obtained from the website of the Ministry of Trade of the Republic of Indonesia, the Central Statistics Agency, Indonesian Economic and Financial Statistics Bank Indonesia with time series data from 2010 to 2019 using monthly data. The analytical tool used to estimate the model in this study is the Vector Error Correction Model.*

*The result in this study only export activities that are not in accordance with the theory of international trade theory, while other variables are in accordance with the theory used in this study, namely the theory of PPP, IRP, International Trade, and the Mundell-Fleming Model. In the short term only inflation has a significant effect on the exchange rate, while in the long term inflation and export activities have a significant long term relationship. To overcome the volatility of exchange rate fluctuations, the researcher provides several policy suggestions such as reducing government spending, determining the cash supply by Bank Indonesia, setting import quota policies, implementing tariff policies, and providing subsidies, and setting BI RDRR policy interest rates. The limitation in this study is the lack of data so that in future research it is recommended to add a series so that the results are more in line with the theory and previous research*

*Keyword: free trade, exchange rate, rupiah, dollar, inflation, export, import, interest*