

Chapter 5

Conclusion and Suggestion

First, it can be inferred that Foreign Direct Investment and International Trade have a strong link with one another, as has been demonstrated in chapter IV about the findings of tests that have been undertaken by researchers. This is demonstrated by the results of the multiple linear regression, which show values that match the criteria for a very strong correlation between two variables. This thesis examined 3 sub-variables at once, namely Export and Import, and the total of both Export and Import, to represent the dependent variable International Trade. And it is proven for the results of the test all of the variables, resulting in the same conclusion that the three variables have a strong relationship and also if FDI increases, then International Trade activities also increase.

The test results also support the conclusion that FDI and international trade have a complementary relationship. Since the tests conducted revealed a very strong correlation between the two variables, and the result showing positive correlation, it can be said that FDI and international trade are complementary rather than substitutive to one another.

From the conclusion of this test, it can be said that Foreign Direct Investment plays a very important role in the implementation of International Trade both export and import activities. With the results of this research, it is hoped that interested parties such as the government can pay attention again to the issue of Foreign Direct Investment in order to advance the country's International Trade activities.

The following suggestions might be considered by governments to increase foreign direct investment (FDI) in their countries:

- a. Rule and process simplification: Governments may make regulations and procedures easier for foreign investors in an effort to attract their capital to the country. This means cutting down on red tape, accelerating the approval process, and providing clear and concise investing instructions.
- b. Offer investment incentives: Governments may offer investment incentives to persuade international investors to invest in a country. Tax exemptions, grants, low-interest loans, and other financial perks are a few examples of these financial incentives.
- c. Governments can build crucial infrastructure, such as roads, ports, airports, and communication networks, to make it easier and cheaper for foreign investors to conduct business in a country.

- d. Governments can promote their country by highlighting its benefits, such as a skilled labour force, an abundance of natural resources, political stability, and a friendly economic environment.
- e. Governments may make it simpler for foreign investors to get finance by providing credit guarantees, establishing investment funds, or working with financial institutions to give loans.
- f. Ensure political stability: Governments may ensure political stability by providing access to a stable and predictable legal and regulatory environment for international investment. This entails protecting the rule of law, respecting agreements, and defending people's legal rights.

Overall, these suggestions can help increase FDI and promote a country's economic development. But it is important to keep in mind that a variety of other factors might affect whether these projects are a success or not.

Despite all of the advantages of FDI, some foreign investors are nevertheless apprehensive to participate in this activity. To embrace foreign investors more to do FDI, here are some reason to consider:

- Access to new markets is one of FDI's primary advantages. Foreign investors can access markets and customers that they might not have otherwise been able to through FDI. This is particularly crucial for businesses looking to grow internationally. Businesses may expand their operations and boost their income by making investments in other nations where they can access new markets and clients. By encouraging exports and imports in a variety of ways, FDI may have a considerable influence on a country's foreign trade.
- FDI may help businesses by giving them access to new markets as well as benefits related to diversification. Businesses may diversify their risk across markets and economies by making investments abroad. This might lessen the effects of economic downturns or other unfavorable occurrences that could happen in a certain market.
- Cost savings are another advantage of FDI. Companies may frequently benefit from cheaper labor expenses and other cost benefits by making investments abroad. This can assist businesses in lowering total expenses and boosting profitability.

Foreign investors should thus think of FDI as a method to expand their businesses and accomplish their long-term objectives. To find prospects for FDI, researcher advise foreign

investors to thoroughly analyze possible overseas markets. In order to better grasp the local market and forge a significant presence in the foreign nation, they should also think about forming partnerships with regional businesses. By doing this, foreign investors may profit from FDI and accomplish their long-term business objectives.

Overall, FDI is a potent instrument that may assist businesses in growing internationally, cutting expenses, and diversifying their holdings. Foreign investors can attain their long-term business objectives and expand their company globally by thinking about FDI and benefiting from its advantages.



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APPENDIX

Appendix A

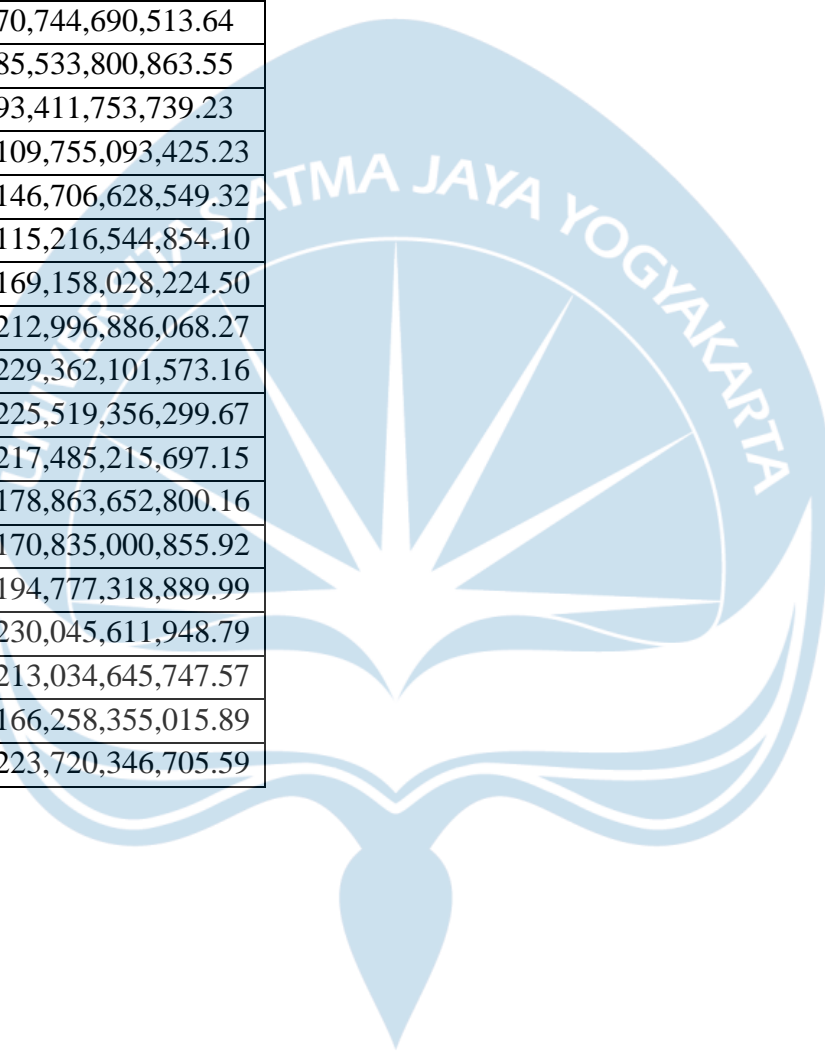
Development Growth of Indonesia International Trade Activities and FDI

Appendix A1: Export Activity in Indonesia

YEAR	EXPORT (on USD)
2000	\$67,621,169,165.83
2001	\$62,625,875,833.91
2002	\$63,956,798,804.50
2003	\$71,553,141,044.99
2004	\$82,744,351,781.02
2005	\$97,387,627,234.84
2006	\$113,143,424,880.16
2007	\$127,226,102,177.01
2008	\$152,090,401,421.80
2009	\$130,357,798,591.19
2010	\$183,480,563,627.39
2011	\$235,095,130,017.57
2012	\$225,744,402,474.11
2013	\$218,308,408,827.84
2014	\$210,820,082,760.73
2015	\$182,158,299,305.40
2016	\$177,886,012,771.60
2017	\$204,924,485,587.55
2018	\$218,905,647,471.41
2019	\$208,057,763,085.71
2020	\$182,850,626,710.37
2021	\$255,731,268,263.15

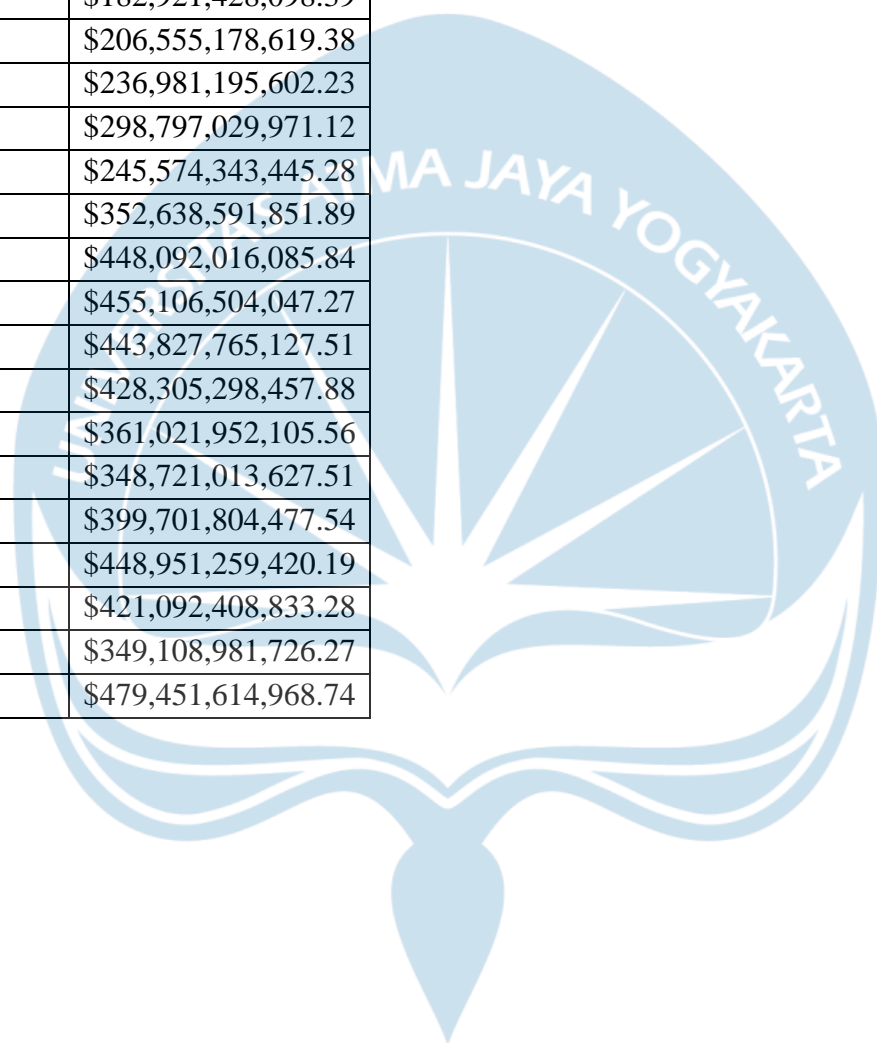
Appendix A2: Indonesia Import Activity

YEAR	IMPORT (on USD)
2000	\$50,264,686,469.79
2001	\$49,355,195,402.14
2002	\$51,638,437,160.68
2003	\$54,323,622,341.49
2004	\$70,744,690,513.64
2005	\$85,533,800,863.55
2006	\$93,411,753,739.23
2007	\$109,755,093,425.23
2008	\$146,706,628,549.32
2009	\$115,216,544,854.10
2010	\$169,158,028,224.50
2011	\$212,996,886,068.27
2012	\$229,362,101,573.16
2013	\$225,519,356,299.67
2014	\$217,485,215,697.15
2015	\$178,863,652,800.16
2016	\$170,835,000,855.92
2017	\$194,777,318,889.99
2018	\$230,045,611,948.79
2019	\$213,034,645,747.57
2020	\$166,258,355,015.89
2021	\$223,720,346,705.59



Appendix A3: Indonesia Total Export and Import

YEAR	Total EXP and IMP
2000	\$117,885,855,635.62
2001	\$111,981,071,236.05
2002	\$115,595,235,965.19
2003	\$125,876,763,386.48
2004	\$153,489,042,294.66
2005	\$182,921,428,098.39
2006	\$206,555,178,619.38
2007	\$236,981,195,602.23
2008	\$298,797,029,971.12
2009	\$245,574,343,445.28
2010	\$352,638,591,851.89
2011	\$448,092,016,085.84
2012	\$455,106,504,047.27
2013	\$443,827,765,127.51
2014	\$428,305,298,457.88
2015	\$361,021,952,105.56
2016	\$348,721,013,627.51
2017	\$399,701,804,477.54
2018	\$448,951,259,420.19
2019	\$421,092,408,833.28
2020	\$349,108,981,726.27
2021	\$479,451,614,968.74



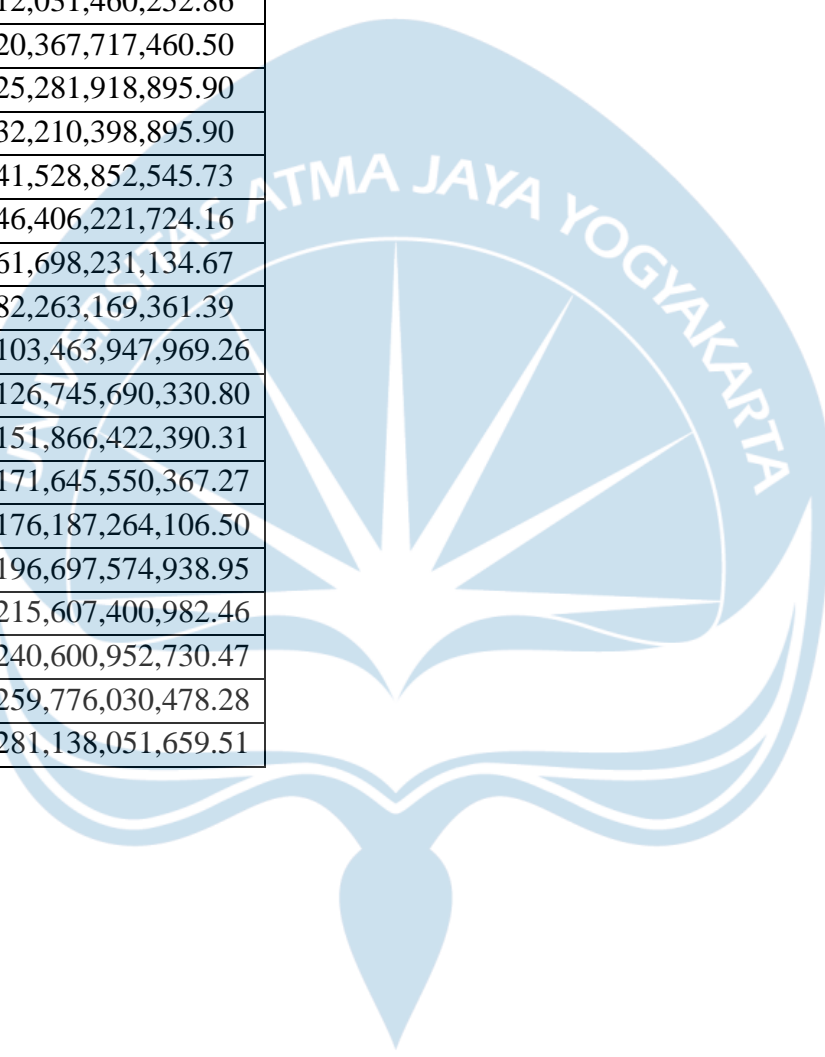
Appendix A4: Indonesia FDI Activity

YEAR	FDI (on USD)
2000	-\$4,550,355,285.71
2001	-\$2,977,391,857.14
2002	\$145,085,548.72
2003	-\$596,923,827.79
2004	\$1,896,082,770.00
2005	\$8,336,257,207.64
2006	\$4,914,201,435.40
2007	\$6,928,480,000.00
2008	\$9,318,453,649.83
2009	\$4,877,369,178.44
2010	\$15,292,009,410.51
2011	\$20,564,938,226.72
2012	\$21,200,778,607.87
2013	\$23,281,742,361.53
2014	\$25,120,732,059.51
2015	\$19,779,127,976.96
2016	\$4,541,713,739.24
2017	\$20,510,310,832.45
2018	\$18,909,826,043.51
2019	\$24,993,551,748.01
2020	\$19,175,077,747.81
2021	\$21,362,021,181.23



Appendix A5: Indonesia AFDI

YEAR	AFDI
1999	\$1,865,620,963.49
2000	\$6,415,976,249.21
2001	\$9,393,368,106.35
2002	\$9,538,453,655.07
2003	\$10,135,377,482.86
2004	\$12,031,460,252.86
2005	\$20,367,717,460.50
2006	\$25,281,918,895.90
2007	\$32,210,398,895.90
2008	\$41,528,852,545.73
2009	\$46,406,221,724.16
2010	\$61,698,231,134.67
2011	\$82,263,169,361.39
2012	\$103,463,947,969.26
2013	\$126,745,690,330.80
2014	\$151,866,422,390.31
2015	\$171,645,550,367.27
2016	\$176,187,264,106.50
2017	\$196,697,574,938.95
2018	\$215,607,400,982.46
2019	\$240,600,952,730.47
2020	\$259,776,030,478.28
2021	\$281,138,051,659.51



Appendix B

Normality Test Results

Appendix B1: InExport Normality Test Result

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		22
Normal Parameters ^{a,b}	Mean	0E-7
	Std. Deviation	.06407000
Most Extreme Differences	Absolute	.145
	Positive	.070
	Negative	-.145
Kolmogorov-Smirnov Z		.682
Asymp. Sig. (2-tailed)		.741

a. Test distribution is Normal.
b. Calculated from data.

Appendix B2: Table 4.3 InImport Normality Test Result

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		22
Normal Parameters ^{a,b}	Mean	0E-7
	Std. Deviation	.09359703
Most Extreme Differences	Absolute	.112
	Positive	.068
	Negative	-.112
Kolmogorov-Smirnov Z		.523
Asymp. Sig. (2-tailed)		.947

a. Test distribution is Normal.
b. Calculated from data.

Appendix B3: InYt Normality Test Result

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		22
Normal Parameters ^{a,b}	Mean	0E-7
	Std. Deviation	.07456538
Most Extreme Differences	Absolute	.116
	Positive	.077
	Negative	-.116
Kolmogorov-Smirnov Z		.546
Asymp. Sig. (2-tailed)		.927

a. Test distribution is Normal.
b. Calculated from data.

Appendix C

Heteroscedastic Test Result

Appendix C1: lnYt Heteroscedasticity Test Result

Coefficients ^a													
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics		
	B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF	
1	(Constant)	-.744	1.483										
	lnFDI	-.005	.018	-.129	-.299	.768	-.043	.032	.048	-.070	-.070	.294	3.396
	lnAFDI	-.019	.041	-.470	-.450	.658	-.105	.068	.056	-.105	-.105	.050	20.006
	lnGDP	.052	.100	.637	.518	.611	-.158	.261	.080	.121	.121	.036	27.655

a. Dependent Variable: Abs_RES

Appendix C2: lnEXt Heteroscedasticity Test Result

Coefficients ^a													
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics		
	B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF	
1	(Constant)	-.621	.802										
	lnFDI	-.003	.010	-.128	-.306	.763	-.023	.017	.179	-.072	-.070	.294	3.396
	lnAFDI	-.011	.022	-.510	-.502	.622	-.058	.036	.210	-.117	-.114	.050	20.006
	lnGDP	.038	.054	.836	.700	.493	-.075	.151	.241	.163	.159	.036	27.655

a. Dependent Variable: Abs_RES2

Appendix C3: lnIMt Heteroscedasticity Test Result

Coefficients ^a													
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics		
	B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF	
1	(Constant)	-.744	1.066										
	lnFDI	-.004	.013	-.133	-.314	.757	-.031	.023	.111	-.074	-.072	.294	3.396
	lnAFDI	-.017	.030	-.582	-.563	.580	-.079	.046	.119	-.132	-.130	.050	20.006
	lnGDP	.048	.072	.820	.676	.508	-.102	.199	.151	.157	.156	.036	27.655

a. Dependent Variable: Abs_RES3

Appendix D

Durbin Watson Test Results

Appendix D1: lnYt Durbin Watson Test Result

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.989 ^a	.979	.975	.08054	1.782

a. Predictors: (Constant), lnGDP, lnFDI, lnAFDI
b. Dependent Variable: lnYt

Appendix D2: lnEXt Durbin Watson Test Result

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.991 ^a	.982	.979	.06920	1.814

a. Predictors: (Constant), lnGDP, lnFDI, lnAFDI
b. Dependent Variable: lnEXP

Appendix D3: lnIMt Durbin Watson Test Result

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.986 ^a	.972	.968	.10110	1.692

a. Predictors: (Constant), lnGDP, lnFDI, lnAFDI
b. Dependent Variable: lnIMP

Appendix E

Pearson Correlation Test Results

Appendix E1: Pearson Correlation Test Result of Export, Import, Total Export Import, and FDI

		InFDI	InEXP	InYt	InIMP
InFDI	Pearson Correlation	1	.848**	.847**	.844**
	Sig. (2-tailed)		.000	.000	.000
	N	22	22	22	22
InEXP	Pearson Correlation	.848**	1	.999**	.995**
	Sig. (2-tailed)	.000		.000	.000
	N	22	22	22	22
InYt	Pearson Correlation	.847**	.999**	1	.999**
	Sig. (2-tailed)	.000	.000		.000
	N	22	22	22	22
InIMP	Pearson Correlation	.844**	.995**	.999**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	22	22	22	22

**. Correlation is significant at the 0.01 level (2-tailed).

Appendix E2: Pearson Correlation Export, Import, Total Export Import, and AFDI Test Result

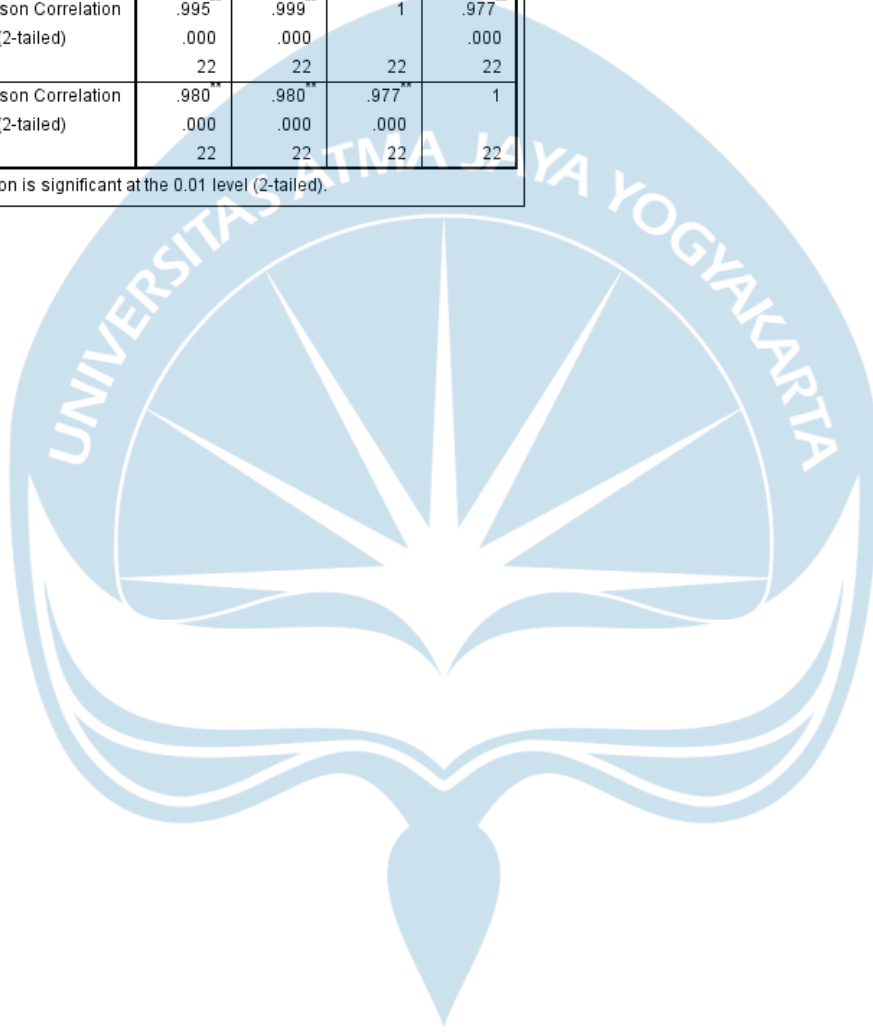
		InEXP	InYt	InIMP	InAFDI
InEXP	Pearson Correlation	1	.999**	.995**	.915**
	Sig. (2-tailed)		.000	.000	.000
	N	22	22	22	22
InYt	Pearson Correlation	.999**	1	.999**	.918**
	Sig. (2-tailed)	.000		.000	.000
	N	22	22	22	22
InIMP	Pearson Correlation	.995**	.999**	1	.919**
	Sig. (2-tailed)	.000	.000		.000
	N	22	22	22	22
InAFDI	Pearson Correlation	.915**	.918**	.919**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	22	22	22	23

**. Correlation is significant at the 0.01 level (2-tailed).

Appendix E3: Pearson Correlation Export, Import, Total Export Import, and GDP Test Result

Correlations					
		InEXP	InYt	InIMP	InGDP
InEXP	Pearson Correlation	1	.999**	.995**	.980**
	Sig. (2-tailed)		.000	.000	.000
	N	22	22	22	22
InYt	Pearson Correlation	.999**	1	.999**	.980**
	Sig. (2-tailed)	.000		.000	.000
	N	22	22	22	22
InIMP	Pearson Correlation	.995**	.999**	1	.977**
	Sig. (2-tailed)	.000	.000		.000
	N	22	22	22	22
InGDP	Pearson Correlation	.980**	.980**	.977**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	22	22	22	22

** . Correlation is significant at the 0.01 level (2-tailed).



Appendix F

Multiple Linear Regression Test Result

Appendix F1: Multiple Linear Regression Test, Dependent Variable: lnYt

Coefficients ^a													
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	3.757	2.009		1.870	.078	-463	7.976					
	lnFDI	.049	.024	.127	2.010	.060	-.002	.100	.847	.428	.069	.294	3.396
	lnAFDI	-.124	.056	-.340	-2.227	.039	-.241	-.007	.918	-.465	-.076	.050	20.006
	lnGDP	.907	.135	1.209	6.726	.000	.623	1.190	.980	.846	.230	.036	27.655

a. Dependent Variable: lnYt

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.989 ^a	.979	.975	.08054	1.782

a. Predictors: (Constant), lnGDP, lnFDI, lnAFDI
b. Dependent Variable: lnYt

Appendix F2: Multiple Linear Regression Test, Dependent Variable: lnEXt

Coefficients ^a													
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	4.238	1.726		2.456	.024	.613	7.864					
	lnFDI	.041	.021	.116	1.972	.064	-.003	.085	.848	.421	.063	.294	3.396
	lnAFDI	-.135	.048	-.402	-2.816	.011	-.236	-.034	.915	-.553	-.090	.050	20.006
	lnGDP	.881	.116	1.277	7.607	.000	.638	1.124	.980	.873	.243	.036	27.655

a. Dependent Variable: lnEXt

Appendix F2: Multiple Linear Regression Test, Dependent Variable: lnIMt

Coefficients ^a													
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	1.733	2.521		.687	.501	-3.564	7.030					
	lnFDI	.057	.031	.135	1.873	.077	-.007	.121	.844	.404	.074	.294	3.396
	lnAFDI	-.112	.070	-.280	-1.596	.128	-.259	.035	.919	-.352	-.063	.050	20.006
	lnGDP	.936	.169	1.141	5.529	.000	.580	1.291	.977	.793	.217	.036	27.655

a. Dependent Variable: lnIMP

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.986 ^a	.972	.968	.10110	1.692

a. Predictors: (Constant), lnGDP, lnFDI, lnAFDI
b. Dependent Variable: lnIMP

