

ABSTRACT

Foreign Direct Investment (FDI) has a major role in increasing economic output and improving people's welfare. Investors' decision to deploy FDI capital is determined by various factors such as global economic fluctuations, barriers, and incentives that are available in the host country. ASEAN as an economic integration in Southeast Asia that has abundant resources is an attractive investment destination, but in recent years there has been a decline incoming FDI in ASEAN which has slowed the economy.

This study used the annual time series data during 2004-2020 and cross section data on 9 ASEAN countries. The data used is secondary data collected from the World Bank, International Financial Statistics, and OECD Statistics. The analysis method used is panel data regression analysis with the best model “fixed effect model”. This research is based on Keynesian Investment Theory, Dunning's Eclectic Theory, and the Mundell-Fleming Model in identifying factors that can attract FDI inflow to destination countries.

The results show that simultaneously corporate tax rate, exchange rate, financial development, interest rate, natural resources, and labor force variables affect FDI in ASEAN 9. Partially, the corporate tax rate's variable contributes significantly negative to FDI, while financial development, natural resources, and labor force have a significantly positive effect to attract FDI investment in ASEAN 9. In contrast to these four variables, the exchange rate and interest rate variables do not contribute significantly to FDI inflows to ASEAN 9 countries.

Keywords: Foreign direct investment, corporate tax rate, exchange rate, financial development, interest rate, natural resources, labor force.