

TABLE OF CONTENTS

COVER	i
UNDERGRADUATE THESIS APPROVAL	ii
STATEMENT OF THESIS ORIGINALITY	iii
PREFACE	iv
PASSED APPROVAL ON THESIS EXAMINATION	vi
<i>ABSTRAK</i>	vii
ABSTRACT	viii
TABLE OF CONTENTS	ix
LIST OF TABLES	xv
LIST OF FIGURES	xv
CHAPTER I INTRODUCTION	1
1.1 Background	1
1.2 Research Problems.....	10
1.3 Research Purposes and Advantages	11
1.3.1 Research Purposes.....	11
1.3.2 Advantages of the Research	11
1.4 Writing Systematic	12
CHAPTER II LITERATURE REVIEW	13
2.1 Theoretical Basis.....	13

2.1.1 Investment	13
2.1.2 The Definition of Foreign Direct Investment (FDI).....	14
2.1.3 The Eclectic Paradigm	18
2.1.3.1 Motives of FDI	19
2.1.3.1.1 Market Seeking	20
2.1.3.1.2 Resource Seeking	20
2.1.3.1.3 Efficiency Seeking	21
2.1.3.1.4 The Strategic Asset Seeking	22
2.1.3.2 The Locational Determinants of FDI.....	23
2.1.3.2.1 Market Size	23
2.1.3.2.2 Openness to Trade.....	25
2.1.3.2.3 Exchange Rate	26
2.1.3.2.4 Natural Resources	28
2.2 Previous Research	29
2.3 Research Framework	39
2.4 Research Hypothesis	40
CHAPTER III RESEARCH & METHODOLOGY	41
3.1 Research Variable and Definition of Operational.....	41
3.1.1 Research Variable	41
3.1.2 Definition of Operational Variable	41

3.1.2.1 Dependent Variable	42
3.1.2.2 Independent Variable.....	42
3.2 Type and Sources of Data	43
3.2.1 Data Type	43
3.2.2 Data Sources.....	44
3.3 Data Collecting Method.....	45
3.4 Method of Analysing Data.....	45
3.4.1 Panel Data Advantage	45
3.4.2 Methods for estimating panel data	46
3.4.2.1 Common Effect Model/Pooled OLS	46
3.4.2.2 The Fixed Effects Model	47
3.4.2.3 Random Effect Model.....	48
3.4.2.4 Determination of Panel Data Model	49
3.4.2.4.1 Chow Test	49
3.4.2.4.2 Lagrange Multiplier Test	49
3.4.2.4.3 Haussman Test	50
3.4.3 Research Model.....	51
3.4.3.1 Pooled OLS Model	51
3.4.3.2 Fixed Effect Model.....	51
3.4.3.3 Random Effect Model.....	51

3.4.4 Gauss-Markov Assumption.....	52
3.4.4.1 Linear in Parameters	52
3.4.4.2 Random Sampling	52
3.4.4.3 No Perfect Collinearity	52
3.4.4.4 Zero Conditional Mean.....	53
3.4.4.5 Homoscedasticity.....	53
3.4.4.6 No Serial Correlation.....	53
3.4.4.7 Normality.....	54
3.4.5 Hypothesis Testing.....	54
3.4.5.1 T-test.....	54
3.4.5.2 F-test	55
3.4.5.3 Coefficient Determinants (R²).....	55
CHAPTER IV RESULT AND DISCUSSION.....	57
4.1 General Description	57
4.1.1 Foreign Direct Investment.....	57
4.1.2 Market Size	58
4.1.3 Trade.....	59
4.1.4 Exchange Rate.....	60
4.1.5 Oil Reserves	61
4.1.6 Oil Production	62

4.2 Data Analysis	63
4.2.1 Panel Data Analysis Regression Result	63
4.2.2 Determination of Panel Data Model.....	64
4.2.3 Classical Assumption Test	65
4.2.3.1 Multicollinearity Test	65
4.2.3.2 Heteroscedasticity Test.....	66
4.2.3.3 Autocorrelation Test	66
4.2.3.4 Normality Test.....	67
4.2.3.5 Robust Standard Errors.....	68
4.2.4 Significance Test	69
4.2.4.1 Simultaneous Significance Test.....	69
4.2.4.2 Partial Significance t-Test.....	70
4.2.4.3 Coefficient Determinant Test	71
4.3 Discussion	72
4.3.1 Market Size	72
4.3.2 Openness to Trade	72
4.3.3 Exchange Rate.....	73
4.3.4 Oil Reserves	74
4.3.5 Oil Production	75
CHAPTER V SUMMARY AND SUGGESTION	76

5.1 Summary	76
5.2 Limitations	76
5.3 Suggestion.....	76
APPENDIX.....	78
REFERENCES.....	81