

ABSTRACT

In investment activities, investors will consider various matters related to cost, profit, and convenience in order to invest their capital in Indonesia. Foreign direct investment has an important role to supporting the development in Indonesia. Furthermore, Foreign Direct Investment can also create new jobs and will increase public welfare. On the other side, there are still many obstacles faced by investor during the investment process.

This research aims to analyze the factors who affecting foreign direct investment in Indonesia. The factors in this research is interest rate, economic performance, export, import and licensing system 'One Stop Investment Licensing Service' (PTSP) in affect to foreign direct investment. Model Error Correction Model (ECM) is used to see the influence in the long term and the short term at once.

The results showed that interest rate, economic performance, exports, imports effect on foreign direct investment in the long term. While in the short term only export and import variable effect on foreign direct investment. The licensing system PTSP variable has no effect either in the long or short term. The government can give priority rights to foreign investors for the convenience and improvement of foreign direct investment in Indonesia.

Keywords: Foreign Direct Invesment, interest rate, economic performance, export, import, licensing system PTSP.