ABSTRACT

This study aims to determine the effect of foreign debt, foreign investment, trade openness, labor and government spending on the economic growth of middle-lower-middle-upper-middle-income ASEAN countries in 2000-2019. The dependent variable used in this study is the economic growth of middle-lower-middle-upper-middle-income ASEAN countries, namely Indonesia, Thailand, Malaysia, the Philippines, Vietnam and Cambodia. Meanwhile, the independent variables are foreign debt, foreign investment, trade openness, labor and government spending.

This study uses panel data which is a combination of time series data and cross section data with secondary data obtained from reports published by the World Bank and the Malaysian Authority. The analysis model used in this study is a multiple linear regression model that is completed with the help of the Eviews 10 program. To see the effect of the independent variable on the dependent variable, the best estimation model is selected from the three types of models, and the best estimation model is the fixed effect model (FEM) .

The results of this study indicate that foreign debt, foreign investment, trade openness, labor and government spending simultaneously have a significant effect on the economic growth of middle-low-middle-upper-middle-income ASEAN countries in 2000-2019. Meanwhile, partially it shows that the external debt variable has a negative but insignificant effect on the economic growth of middle-lower-middle-upper-middle-income ASEAN countries. The variables of foreign investment, labor and government expenditure have a positive and significant effect on the economic growth of middle-lower-middle-upper-middle-income ASEAN countries. Meanwhile, the trade openness variable has a positive but insignificant effect on the economic growth of middle-lower-middle-upper-middle-income ASEAN countries. The unmet normality and heteroscedasticity assumptions were corrected using log transformations. Meanwhile, multicollinearity and autocorrelation problems are solved by using variable transformations. So that the variables used do not violate classical assumptions.

Key Words : Economic growth, external debt, foreign investment, trade openness, labor, government expenditures, and the fixed effect model (FEM).