

Abstract

The background of this research was the condition of the foreign investment in Indonesia, the contribution are still relative low to the growth rate of Indonesian economic. With Taylor Rule model, the analysis of moneter policy was done to decide the choice of policy which one was the right one relating to increase the role of foreign investment. Based on variance decomposition analysis found that the fluctuation of inflation was the most influenced to the foreign investment, so that inflation targeting policy that decide the price stability as the final target policy is the most condusive policy that supporting the role of foreign investment in Indonesia.

Key word: Foreign Investment, Taylor Rule, Inflation Targeting