Advances in Economics, Business and Management Research, volume 222
Proceedings of the Eighth Padang International Conference On Economics Education, Economics, Business and Management, Accounting and Entrepreneurship (PICEEBA-8 2021)

Analysis of Factors Affecting Foreign Direct Investment (FDI) in ASEAN (Lower Middle Income) Plus Three: Market Seeking, Resource Seeking or Efficiency Seeking?

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ABSTRACT
This study aims to identify and analyse the factors that influence foreign direct investment (FDI) in ASEAN (lower middle income) plus three: market seeking, resource seeking or efficiency seeking in 2011-2019. The type of research used is descriptive and associative. The type of data used is secondary data. This study uses the Fixed Effect Model (F EM) approach. The results of this study indicate that: (1) Based on the results of research conducted, it shows that GDP (X1) has a negative and significant effect on foreign direct investment (FDI) (Y) in ASEAN (lower middle income) plus three. (2) Based on the results of the study population (X2) has a negative effect on foreign direct investment (FDI) (Y) in ASEAN (lower middle income) plus three. (3) Based on the research equations show force k Gov or to the Labour Force (X3) positive effect on foreign direct investment (FDI) (Y)) in ASEAN (lower middle income) plus three. (4) Based on the results of research on Information and Communication Technology (ICT) shows (X4) has a positive effect on foreign direct investment (FDI) (Y) in ASEAN (lower middle income) plus three. (5) Trade Openness has a significant positive effect on the five ASEAN countries (Lower Middle Income) Plus Three. (6) Inflation has a significant negative effect on FDI in the five ASEAN countries International economic growth represents a rapid transition towards an increasingly global economic system. The development of the world economy is marked by the increasing integration of the domestic economy and international economic activities. An increasingly integrated economy has made it easier for global financial markets to trade in goods, services and capital flows between countries and form associations of countries in certain regions. The purpose of this association is to create economic strength to encourage the movement of economic activity in facing the world economy. (Lower Middle Income) Plus Three.

Keywords: *FDI, GDP, Population, Labor Force, ICT, Trade Openness, Inflation*

1. INTRODUCTION

One of the associations formed by integrating into the international economic activities of certain regions, namely ASEAN (Association of Southeast Asian Nations), the establishment of this regional cooperation relationship seeks to increase regional competition in a comprehensive way in the world market and encourage economic growth. [1]

ASEAN is an organization in which Southeast Asian countries cooperate to improve the economies of ASEAN countries to become more advanced. ASEAN emerged on August 8, 1967, when it consisted of Thailand, the Philippines, Singapore,

Indonesia, Malaysia. It turned out that the five countries were the first five countries to join and create ASEAN. The five countries it signed the declaration in Bangkok. Currently, ASEAN has ten member countries, including the joining of Brunei Darussalam in 1984, Vietnam in 1995, Laos and Myanmar in 1997, and Cambodia in 1999. [1]

Countries need assistance from other countries, which are used as a basis for cooperation between these countries and other countries. In 1992, ASEAN officials promoted liberalization by establishing the ASEAN

Free Trade Area (AFTA). The aim of the AFTA agreement is to minimize product tariffs, eliminate non-tariff barriers and other cross-border restrictions. This is aimed at advancing the economies of ASEAN countries to be better than before. ASEAN, which is basically a collection of countries in Southeast Asia, cooperates with several countries in East Asia, namely Japan, South Korea, and China. This collaboration is called ASEAN Plus Three which began to form in 1997. The first ASEAN Plus Three-1 summit was held in December 1997 in Kuala Lumpur, which at that time the Asian region was experiencing an economic crisis. By realizing a real collaboration between ASEAN Plus Three, the East Asia Vision Group (EAVG) was formed which consists of intellectuals from the ASEAN Plus Three countries. A number of EAVG's proposals are the establishment of the East Asia Investment Information Network, the East Asia Free Trade Area, currency coordination, regional funding facilities and the East Asia Summit (East Asia Summit). In 1992, ASEAN officials promoted liberalization by establishing the ASEAN Free Trade Area (AFTA). The aim of AFTA is to minimize product tariffs and eliminate non-tariff barriers and other cross-border restrictions. This is aimed at advancing the economies of ASEAN countries to be better than before.

Lukman and Azam (2010) explained that investment entering a country cannot be separated from the risk of the investment destination country. From an investor's perspective, some countries need to handle economic risks wisely. Investors prefer alternative investment options to avoid risk. This is to ensure that the return on investment is maintained or increased. One of the investment options chosen by the investors is to invest in the form of Foreign Direct Investment. Investing with FDI makes it easier for foreign investors to diversify the risks or shocks of the target country, so that FDI can encourage sustainable foreign investment growth. [2]

Meanwhile, Kilikarslan (2018) believes that incoming FDI will result in various positive externalities, such as increasing capital accumulation, providing foreign currency inflows, transferring skills and providing technology, creating new jobs, and increasing productivity. So that FDI can encourage economic growth in target countries for investment. [3]

The development of FDI, which is included in developing countries in the ASEAN Plus Three Region, can be seen in the following after.

Based on this graph, several countries in the ASEAN region have increased the percentage of FDI from 2011 to 2019, except for Lao PDR which has decreased in a row for three years (2017 to 2019). As can be seen, compared to countries in the ASEAN region, the percentage of total FDI inflows to the Philippines tends to be the lowest between 2011 and 2019. Most of the FDI capital inflows are to Cambodia, followed by Lao PDR countries, Vietnam, Myanmar and the Philippines. The percentage of FDI inflows in Cambodia and Myanmar increased by 0.45% and 0.9%, respectively, which was the highest increase from 2011 to 2019. However, this did not apply to countries in Lao PDR, where the percentage of FDI decreased by 4, 15%, Vietnam with 6.15%, and the lowest is the Philippines with 2.03%. Furthermore, the ASEAN Plus Three countries also experienced fluctuations where China experienced a decrease in foreign direct investment from 2014-2017 in a row, followed by Japan, where the flow of foreign direct investment was -0.014% and experienced a drastic decline from 2016 to 2017 amounting to 0.43% and Korea experienced a decrease in foreign direct investment in 2017 to 2018 by 0.40%. Based on the description of the facts, the data makes researchers interested in studying what are some of the factors that influence Foreign Direct Investment in ASEAN Plus Three.

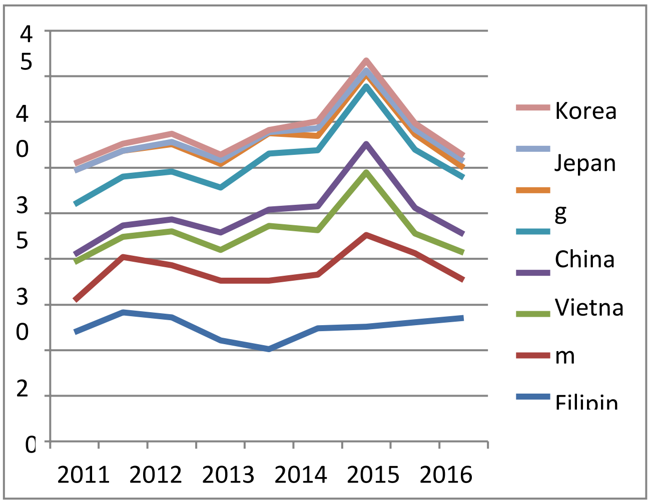

Figure 1. FDI in ASEAN (Lower Middle Income) Plus Three economies for the 2011-2019

Increasing the flow of foreign capital, especially FDI, is crucial for low- income countries, because low-income countries are countries with rapid economic growth but insufficient capital (Agung, 2014). Thus, it is hoped that the governments of low- income countries in the ASEAN region will seek to formulate economic policies that can quickly stimulate the flow of foreign capital, especially FDI. One of the actions that may be implemented is to determine policies that have the influence of factors that affect investment, especially Foreign Direct Investment (FDI).

The importance of FDI as a source of capital can complement domestic investment and motivate overall economic development in investment destination countries (Wheeler and Chowdhury, 2008). Therefore, it must be seen what factors can have an influence on FDI inflows into ASEAN, especially low- income countries or Lower Middle Income in ASEAN. After understanding several factors and their impacts, appropriate policies can be formulated in response to these factors to increase the interest of foreign investors toinvest in ASEAN in the form of FDI.

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2. LITERATURE REVIEW

Relationship between GDP and FDI According to Purvis, Steiner, and Lipsey (1992), investment is not only influenced by the degree of interest, but the degree of change in GDP is also related to investment. If GDP rises, investors should increase investment opportunities in the production of consumer goods. [6]

The statement can be written systematically as follows: $K = f(r,Y)$, Where K is investment or capital, r is the interest rate and Y is the level of output.

Based on the equation, it can be seen that GDP and investment have a positive relationship.

GDP has a positive effect on the entry of FDI into a country. Which is a representation of market size, GDP shows the purchasing power of the people of the destination country. A large GDP and sustainable growth will increase the demand for services or goods produced by investors.

Investors choose countries that have large markets to invest in, because market size is considered to represent a better degree of peer-capita income or development (Sharma & Kumari, 2017). Research conducted by Adhikary (2017) and Emily (2019) also proves that GDP has a significant positive effect on FDI. Thus, it can be concluded that there is a positive correlation between GDP and FDI Inflows. [7]

Population Relationship with FDI

Population is the number of people who inhabit an area. Large population growth can increase the number of workers and expand the production market (Rosyeti, 2009).

Based on Andy (2017), the research aims to identify the impact of institutional quality variables driven by indicators such as openness and democracy, political stability and the absence of crime or terrorism, corruption control, quality of government, law enforcement, and supervision, as well as two macroeconomic variables, namely market size and FDI flows of ASEAN+3 countries from 2006 to 2015, including the other 10 ASEAN countries, plus Japan, South Korea and China. The research method used is the dynamic panel method, one step system GMM. The results of the study prove that accountability and democracy, quality of regulations, corruption control and macroeconomic factors, namely population size or market size, have a significant influence on FDI flows in ASEAN+3, while the absence of crime and political stability, government effectiveness and law enforcement do not have a significant influence. on FDI flows in ASEAN+3 in 2006-2015 (Andy, 2017).

Labour Force with FDI

Muradi (2003) explains that according to Bukitu, it can be observed that although Malthus is a follower of Adam Smith's teachings, not all of Malthus's thoughts are in harmony with Smith's explanation. Adam is optimistic that under the positive influence of the existing division of labour or specialization, the wealth of a people will always grow. On the other hand, regarding the future of mankind, Malthus is pessimistic. According to Malthus, in many cases, the area of agricultural land is reduced because some of it is used for the construction of facilities that support human life, such as roads, houses, factories, and others. Malthus believed that humans could develop faster that the production of agricultural products to meet one's needs. On the other hand, Malthus also did not believe that technology could develop faster than the human population, so he had to limit the population.

The labour force can have an impact on direct investment, because the more labour force supplies, the easier it is to attract foreign investors. Because the greater the productivity of employees, the greater the company's profits. In countries where there are no skilled workers and less innovation, multinational companies will have lower profits because they produce lower quality and less competitive products (Sarna, 2005). [8]

The labour force with a partial positive and insignificant effect on foreign investment entering Central Java has a significance value of 0.858 > 0.05. Based on previous research and theory, a large workforce is associated with an increase in foreign direct investment in the country's economy. In processing data from the results of this study, the workforce has a positive influence, namely the number of workers is high and foreign investment increases. Therefore, the hypothesis "the labour force has a positive influence on foreign investment in Central Java" is accepted. However, if you observe the significance value of the workforce of more than 0.05, it means that the workforce does not have a significant effect on foreign investment in Central Java, which may be due to the large number of workers who do not meet all the criteria. Foreign investors or companies seek or do not meet their desired criteria (Sri Vahyuni, Sri Markhaeni Salsiya, Faisal Haris Pratama, 2015). [9]

Relationship between ICT Development Index and FDI

Information and communication technology has crucial importance for the economic development of a country because ICT can accelerate economic growth, increase productivity, and reduce poverty and unemployment by creating new income and employment opportunities. There are several reasons why ICT is important for economic growth. The use of technology makes it easier to obtain technology and knowledge, and provides the possibility for companies to communicate faster and better to increase productivity and reduce production costs (Firtescu, Toader, Anton, and Roman, 2018). [10]

According to Economou (2008), ITC has an indirect impact on FDI through other determinants of FDI. The ITC has a positive impact on entrepreneurship and innovation by attracting foreign direct investment, especially high-tech FDI. The existence of an advanced ICT infrastructure will also attract investors to invest in export-oriented FDI. Logistical support is provided to foreign investors who wish to serve international or local markets to facilitate exports. ITC also has the possibility of growers to coordinate or regulate production activities across national borders in order to increase profits, reduce costs, increase competitiveness or efficiency. [11]

The optimal development of ICT in a country is the superiority of resources obtained by investors. Investors invest according to 3 criteria, namely market seeking, efficiency seeking and resources seeking or assets seeking. Due to abundant resources and low prices used in production, investors are attracted to invest because they believe that the use of affordable factors of production can reduce production costs and increase profits. The positive influence between the ICT Development Index and FDI is in accordance with research conducted by Adhikary (2017). [12] The research was carried out using the variable telephone subscribers per 1000 population which became an indicator that explained the infrastructure variable. The results of the study prove that telephone consumers per 1000 population have a significant positive effect on FDI. Research by Asongu, Akpan, Isihak (2018) [13] also proves that there is a significant positive effect between telephone users per 100 population and FDI.

The relationship between the ICT Development Index is also shown from research conducted by Koyuncu and Unver (2016). [14] This study uses a number of indicators that form the ICT Development Index which is a variable that is a proxy for the communication infrastructure variable. Research proves the results if the three variables have a significant positive effect on FDI Inflows.

A number of previous studies have carried out research related to "The Influence of ICT Development, Corruption Perceptions, and Economic Growth on Foreign Direct Investment in ASEAN." The results of these studies can be used as a basis or reference in this study. some of these researchers, including those conducted by Amany Fakher (2016) in his research entitled "The Impact of Investment in ICT Sector on Foreign Direct Investment: Applied Study on Egypt" showed the results that the ICT variable had a positive and insignificant effect on FDI.

The research is also in line with research conducted by Nailul Farih (2020). The research aims to determine the effect of ICT, Corruption Perceptions of Economic Growth and Trade Openness on FDI inflows to ASEAN. This study uses Panel Data Regression analysis using the Random Effect Model approach. The results of the study prove that the ICT variable has a significant positive effect. While the variables of Corruption Perception, economic growth, Trade Openness have a significant positive effect.

Trade Openness Relationship with FDI

As explained by Hammami and Saidi (2018), high Trade Openness is a good indicator of implementation difficulties and represents the simplicity of the import and export procedures of the target country. The impact of Trade Openness on FDI will depend on the investor's FDI objectives. International market-oriented (export-oriented) FDI will avoid countries with low trade openness, while FDI targets the fulfilment of local market needs because Trade Openness will not affect FDI inflows.

The existence of Trade Openness means that trade barriers in host countries' goods are gradually removed. By removing a number of types of constraints, trade openness can be increased, leading to an increase in FDI.

Inflows to the country. High economic openness and low trade barriers provide opportunities for foreign investors to use the comparative advantage of host countries to re- export to their home countries and increase exports to other parts of the world (vertical FDI). (Huang, 2012). [15]

In addition, Kumari and Sharma (2017) mention that Trade Openness is also important for imports because many investors need inputs imported from other countries to conduct business in investment destination countries. High Trade Openness in a trade can provide new investment opportunities and strengthen the relationship between international and domestic markets.

Research conducted by Botric and Skuflic (2006) proves a significant positive effect between Trade Openness and FDI. Research by Botric and Skuflic (2006) is supported by research by Hoang (2012), Koyuncu and Unver (2016) which prove that Trade Openness has a significant positive effect and is statistically significant on FDI Inflows. Based on previous research, it proves a positive relationship between Trade Openness and FDI. A number of studies actually conclude that is not the same. In research conducted by Alam and Shah (2013), as well as research by Asongu, Akpan, Isihak (2018), it is proven that Trade Openness has a negative effect on FDI, although it is not significant. Xaypanya, Rangkakulnuwat, Paweenawat (2015), Adhikary (2017) also conducted research related to the effect of Trade Openness on FDI, the results of the study proved that Trade Openness had a significant negative effect on FDI. [16]

Inflation Relationship with FDI

Inflation is a continuous increase in the general price of goods over a period (in Anwar, 2016). The increase was experienced only once, excluding inflation. Mankiw (2007) [17] states that inflation is a tendency to increase the degree of price in general and is sustainable. An increase in the price of just 1 or 2 goods does not include inflation, unless the increase extends to most of the prices of other goods. The theory that describes inflation with investment is that the cost push can occur due to the increase in production costs which results in a decrease in aggregate supply.

Rising production costs will increase prices as well. The increase in production costs was caused by a number of factors, such as the depreciation of the exchange rate, the influence of foreign inflation, especially in trading partners, and the increase in the price of goods set by the government. This has a negative impact and weakens the position of creditors, makes it difficult to access credit, which means slowing the inflow of foreign direct investment funds, rising inflation causes people's purchasing power to decline. If this general price increase is sustained, it will result in less profit. This is because, unless the people's purchasing power on goods is decreasing, inflation can also make the degree of business failure risk higher, which makes domestic investment less attractive. This is in accordance with Erdal Demirhan and Mahmut Masca (2008) who stated that rising inflation is an indicator of economic stability that has a significant negative effect on FDI (Anwar, 2016). [18]

3. METHOD

This research is classified into descriptive and associative research. Descriptive research is one type of research that seeks to describe and explain what is being researched and the data used are in the form of numbers. While what is meant by associative research is research that aims to see the relationship between the independent variable and the dependent variable. This study is intended to describe and analyse the close relationship of the influence of one variable on another variable or the independent variable on the dependent variable. This research data is taken based on annual panel data in 8 Developing Countries in ASEAN plus three countries, this research data is quantitative data, namely data in the form of numbers that show the development of GDP, Population, Labour Force, Trade Openness, and Inflation from 2011-2019.

Y = 0+1X1t+2X2+3X32+4X4t+ Ut............................(1)

Where:

Y = Foreign Direct Investment (percent)
X1 = GDP (US$)
X2 = Population (%)
X3 = Labour Force (Millions)
X4 = ICT Development Index (100 people)
X5 = Trade Openness (%) X6 = Inflation (%)
t = Series year (2011-2019)
i = Cambodia, Lao PDR, Myanmar, Philippines, Vietnam, China, Japan and Korea
0 = Constant
1 5 = Coefficient X1, X2, X3, X4, X5, X6
t = Error Term

5. DISCUSSION

The Effect of GDP on Foreign Direct Investment in five ASEAN Countries (Lower Middle Income) Plus Three

The results of the analysis show that the effect of GDP (X1) on Foreign Direct Investment (FDI) (Y) is significant negative. The coefficient value of the GDP variable is - 3.49% while the probability is 0.00000 < alpha 5% (0.05) so that Ha rejected, Ha accepted. This means that based on statistics, reject H0 and accept Ha. This means that based on statistics, it proves that the variable has a negative and significant influence on Foreign Direct Investment in the five ASEAN Plus

Three Countries. That is, if GDP increases by 1%, then GDP in general decreases by -3.49% assuming cateris paribus. FDI is part of the Gross Fixed

Capital Formation which is one of the components to calculate Gross Domestic Product. PMTB / investment in some theories is indeed stated to be a reliable effort to improve the economy. Similar to Solow's theory, investment is considered very necessary to achieve a steady long-term economic growth. Several studies, for example Sothan (2017) stated that in Cambodia, FDI had a significant influence on economic growth. Research from Hlavacek & Bal-Domanska (2016) also states that FDI in eastern or central European countries has become a key indicator of economic development.

However, GDP does not always have a positive effect on FDI. Research by Osei & Kim (2020) states that the influence of GDP on FDI is determined based on the degree of capital market growth. If it is not supported by a stable capital market, the influence of GDP on FDI tends to disappear.

Another research from Dinh, et al. (2019) stated that FDI for developing countries is indeed important to build the economy in the long term, but in the short term FDI actually has a negative effect on GDP. The same research also states that FDI does not always have a good effect on GDP because it is determined by a number of factors. Such as the duration of FDI, scope, sector, type, and proportion of domestic business in the economic sector.

The GDP variable finds a negative sign, meaning that GDP has a negative effect on increasing FDI in ASEAN Plus Three countries where the coefficient value of the GDP variable is -3.49% while the probability is 0.00000 < alpha 5% (0.05) so that Ha is accepted and H0 is rejected. . This means that based on statistics, the variables have a negative and significant effect on Foreign Direct Investment in the five ASEAN Plus Three Countries. That is, if GDP increases by 1%, then GDP in general decreases by - 3.49%. GDP is a measure of market size which is always taken into account by FDI in order to calculate returns through the size of the market that is in line with the OLI paradigm (Eitemen, 2008).

This is in line with the research conducted by Karno (2014) entitled his research "Factors Affecting Foreign Direct Investment in Indonesia, Malaysia, Thailand and Singapore" with the results of research which states that GDP has a negative influence on FDI in Malaysia. The research is aligned based on research conducted by Rizky Wirayanti (2011) with the results of his research, namely GDP, Inflation, and Education level, which are not proven to have an effect on FDI flows.

The Effect of Population on Foreign Direct Investment in five ASEAN Countries (Lower Middle Income) Plus Three

The results of the analysis show that the influence of Population (X2) on Foreign Direct Investment (FDI) (Y) which is significant negative has a coefficient value of the Population variable is -2.18% while the probability is 0.0011 < alpha five percent, meaning Ha accepts, rejects H0 . This means that statistics prove that the variable has a negative and significant influence on Foreign Direct Investment in the five ASEAN Plus Three Countries. That is, if the population increases by 1%, then the population in general decreases by -2.18% assuming cateris paribus.

The attenuation of population growth due to the decreasing degree of foam fertility helps stimulate a significant change in the age distribution of the population among those of working age. This change can facilitate economic development because the working age population increases, while the number of children who are still dependent on their parents decreases.

This process is graded into a series of waves. The first wave is when the working age population starts working then production also increases. Having a job means that the income is greater, the household will also consume more products. Households will save more because the number of children who depend on their parents decreases, then the level of investment also increases, as well as additional capital, which in turn will increase economic production.

The second demographic wave occurs when most of the working-age population is approaching retirement age and is starting to invest and save for their old age. Thus, the results of the addition of capital accumulation can facilitate further support for economic development. After this stage, there will be economic concern because there is stagnation in population growth and the elderly population is increasing. Old age is often associated with decreased health or productive potential, increased health costs, and decreased income. However, not many people 'care' about planning for retirement to get enough financial ability. This is getting worse in developing countries. Older people are usually financed by themselves, their spouse (husband/wife), family members, friends, community members, the state or even no one pays for them.

Another issue is the increasing level of dependence of the 'unproductive' population on the productive population. This high dependence represents an economic burden, where one productive person must bear more 'unproductive' people and vice versa. This unproductive population is divided into 2, the younger generation (under 15 years) and the older generation (over 65 years). The younger generation is still in the consumer category, not yet a producer, while the older generation is also a consumer, but is no longer productive. These two generations with high levels of consumption and dependence have caused savings to run low, investment to decline and lead to a decline in economic growth.

However, there is potential to make the elderly population an asset in the economy. For this reason, behavioural changes are needed, including: changes in labour force participation, delaying the retirement age, and increasing productivity through education, skills and infrastructure. The concept of 'Active Aging' was introduced by WHO in 2002, in support of this change. This concept aims to make older people healthier, more independent and productive, with the hope that they can contribute to society and the economy, either indirectly or directly.

This is in line with research conducted by Mehdi Behname (2012) which has research results which state that population has a negative influence on FDI inflows in Southern Asia and is in line with research conducted by Min Liang (2011) which has research results that population growth has a negative and significant effect on FDI.

The Influence of the Labour Force on Foreign Direct Investment in five ASEAN Countries (Lower Middle Income) Plus Three

The results of the analysis show that the influence of the Labour Force (X3) on Foreign Direct Investment (FDI) (Y) is positive and significant. The coefficient value of the Labour Force variable is 2.87% while the probability is 0.0000 < alpha 5% (0, 05) means that Ha is accepted, H0 is rejected. This means that based on statistics, it proves that the variable has a positive and significant impact on Foreign Direct Investment in the five ASEAN Plus Three Countries. That is, if the Labour Force increases by 1%, then the Labour Force in general increases by 2.87% assuming cateris paribus.

The high number of labour force in the ASEAN Plus Three region has an influence on FDI in the ASEAN Plus Three region. This is due to the increasing number of workforces, so that it will attract the attention of investors to invest, because the more the workforce, the more available the workforce. All companies always strive to make their workforce able to provide greater output, then work productivity is more optimal. Work productivity for a company is a measure of success in operating a business, because good work productivity will increase company profits or productivity. Increased worker productivity will support smooth economic growth. The state of economic development that is getting better will make investors invest their capital.

This is in line with previous research conducted by Anis Wahyu Meidayati in 2017. Anis Wahyu Meidayati's research proves that the Labour Force is significantly positive in FDI.

The Influence of ICT Development Index on Foreign Direct Investment in five ASEAN Countries (Lower Middle Income) Plus Three

The results of the analysis show that the effect of the ICT Development Index (X4) on Foreign Direct Investment (FDI) (Y) is positive and not significant based on the coefficient value of the ICT Development Index variable, which is 0.07% while the probability is 0.8867 > alpha 5% (0, 05) so that it accepts H0 while Ha rejects it. This means that based on statistics, the variables have a positive and insignificant effect on Foreign Direct Investment in the five ASEAN Plus Three Countries. That is, if the ICT Development Index increases by 1%, then the ICT Development Index in general increases by 0.07% assuming cateris paribus. Then the hypothesis formulated by the researcher was rejected. It means that there is no significant effect between the ICT Development Index on Foreign Direct Investment in the five ASEAN Plus Three Countries.

Information and communication technology is a new determination for the entry of FDI flows into a country. It is known that the world economy is currently leading to an economy based on information technology. If in the past several countries experienced obstacles due to limited geographical factors, now with the existence of ICT these inhibiting factors can be overcome. The rapid development of ICT has changed the fundamentals of relations between countries, opportunities, and competitive advantages for socio-economy development. The advancement of ICT technology has the main goal of being able to add marketing information and increase product efficiency.

Several previous studies have proven that telecommunications infrastructure is not only important for the development of the domestic economy. However, in order to increase FDI inflows and participation in increasingly competitive international markets. Sophisticated communication or information services can provide facilities for international communication between affiliated companies and the parent company. The integration of the world economy tends to be motivated by cross-borders implemented by multinational companies.

As already explained, that one of the many historical events of world development is the advancement of ICT. In detail, ICT can change an individual's view of operating a company, carrying out daily activities, or completing a number of types of work. Then, ICT can change the perception of foreign investors to make improvements to the investment climate as well as investors' decisions to determine the country that will be the place to invest.

ICT is a combination of a number of indicator variables, namely the number of mobile phone users, internet access, and so on. m ICT is the cause of FDI inflows because ICT is able to save costs or the time required to exchange information through possible channels. One of the benefits of the advancement of ICT development for the economy is a means of supporting linkages between companies and countries. The exchange of information is a crucial aspect that every country must understand before investing.

This is supported by a number of previous studies that have conducted research on "The Influence of ICT Development, Corruption Perceptions, and Economic Growth on Foreign Direct Investment in ASEAN." The results of these studies can be used as a basis or reference in this study. some of these researchers, including those conducted by Amany Fakher (2016) in his research entitled "The Impact of Investment in ICT Sector on Foreign Direct Investment: Applied Study on Egypt" showed the results that the ICT variable had a positive and insignificant effect on FDI.

The research is also in line with research conducted by Nailul Farih (2020). The research aims to determine the effect of ICT, Corruption Perceptions of Economic Growth and Trade Openness on FDI inflows to ASEAN (Singapore, Philippines, Vietnam, Thailand, Malaysia, Indonesia). This research uses Panel Data Regression analysis with Random Effect Model approach. The results of the study prove that the ICT variable has a significant positive effect.

The Effect of Trade Openness or Economic Openness on Foreign Direct Investment in five ASEAN Countries (Lower Middle Income) Plus Three

The results of the analysis prove that the effect of Trade Openness or Economic Openness (X5) on Foreign Direct Investment (Y) is positive and significant with the coefficient value of the Trade Openness variable, which is 0.04%, the probability is 0.0000 < alpha 5% (0, 05) so that H0 is rejected, Ha is accepted. This means that based on statistics, it shows that the Trade Openness variable has a significant positive effect on Foreign Direct Investment in the five ASEAN Plus Three Countries. That is, if Trade Openness or Economic Openness increases by 1%, then Trade Openness or Economic Openness in general decreases by 0.04% assuming cateris paribus.

Openness of the economy is the main factor that determines the degree of relationship between imports and exports that a country has with other countries. Economic openness means openness in foreign trade and openness through the financial sector. Economic openness is not only crucial for exports, but also for imports, because many investors need intermediary inputs imported through other countries. The greater degree of openness of the economy to trade provides new investment opportunities and strengthens the linkages between international and domestic markets.

Trade Openness is also a trade barrier for goods from investment destination countries by being scorched in stages. This is an opportunity for foreign investors who can take advantage of the comparative advantage of the investment destination country to export again to the country of origin and can increase exports to various countries.

This is in line with research by Botric and Skuflic (2006) proving a significant positive effect between Trade Openness and FDI. The research of Botric and Skuflic (2006) is in accordance with the research of Hoang (2012), Koyuncu and Unver (2016) which proves that the results of Trade Openness have a significant positive effect on FDI. [19]

The Effect of Inflation on Foreign Direct Investment in five ASEAN Countries (Lower Middle Income) Plus Three

The results of the analysis show that the effect of Inflation (X6) on Foreign Direct Investment (FDI) (Y) which is significant negative has a coefficient value of the Inflation variable which is -0.19% and a probability of 0.00000 < alpha five percent (0.05) so that H0 rejected while Ha was accepted. This means that based on statistics, the variables have a negative and significant effect on Foreign Direct Investment in the five ASEAN Plus Three Countries. That is, if inflation has increased by one percent, so that inflation in general has decreased by 0.19%, the assumption is cateris paribus.

Inflation is a continuous increase in the general price of goods over a period (Anwar, 2016). The increase is experienced only once, not including inflation. Mankiw (2007) states that inflation is a tendency to increase the price of an item in general and is sustainable. An increase in the price of 1 or 2 goods alone cannot be called inflation, unless the increase extends to most of the prices of other goods. The theory that describes inflation with investment is that a cost push can occur, because the increase in production costs results in a reduction in aggregate supply.

Rising production costs will make prices rise as well. The increase in production costs was caused by a number of factors, such as the depreciation of the exchange rate, the influence of foreign inflation, especially in trading partner countries, the increase in the price of goods set by the government. This has a negative impact and the position of creditors becomes weak, making it difficult to access credit, which means slowing down the inflow of foreign direct investment funds as well. Furthermore, inflation causes people's purchasing power to decrease. If the increase in general prices always makes profits decrease. This is because, unless people's purchasing power on products decreases, inflation can also make the degree of business failure risk higher, which then makes domestic investment less attractive.

The effect of inflation on FDI in each ASEAN country has a significant effect on FDI. Research conducted by Dewi (2008), states that high inflation will not support the economic growth of a country. When production costs increase due to inflation, it is very detrimental to entrepreneurs and makes investment activities change to activities that do not support national products, for example the actions of speculators who want to make profits. The results of research by Alhasymi (2010), stated that inflation has a negative effect on FDI. Based on the results of processed data from the Philippines or Malaysia where inflation has a negative effect on FDI.

This is in accordance with the explanation of Erdal Demirhan and Mahmut Masca (2008) which states that inflation arises as an indicator of economic stability which has a significant negative effect on FDI (Anwar, 2016).

6. CONCLUSION

Based on the results of data processing along with a discussion on the effect of GDP, Population, Labor Force, ICT Development Index, Trade Openness and Inflation on FDI in five ASEAN (Lower Middle Income) Plus Three countries in 2011- 2019, the results of the study can be concluded:

1. GDP has a significant negative effect on FDI in the five ASEAN (Lower Middle Income) Plus Three Countries in general. This indicates that if FDI increases, the GDP of the five ASEAN (Lower Middle Income) Plus Three countries will also decrease.
2. The population has a significant negative effect on FDI in the five ASEAN (Lower Middle Income) Plus Three Countries in general. This indicates that if the population in the five ASEAN countries (Lower Middle Income) Plus Three decreases, it will increase FDI to the five ASEAN countries (Lower Middle Income) Plus Three.
3. The Labor Force has a positive and significant effect on FDI in the five ASEAN (Lower Middle Income) Plus Three Countries in general. This indicates that the larger the workforce, the higher FDI to the five ASEAN countries (Lower Middle Income) Plus Three.
4. Information and Communication Technology (ICT) has no significant positive effect on FDI in five ASEAN countries (Lower Middle Income) Plus Three. This means that the higher the level of ICT will have an impact on increasing FDI in Indonesia. five ASEAN countries (Lower Middle Income) Plus Three.
5. Trade Openness has a significant positive influence on the five ASEAN countries (Lower Middle Income) Plus Three. This indicates that the higher the level of economic openness in the five ASEAN countries (Lower Middle Income) Plus Three, the higher FDI in the five ASEAN countries (Lower Middle Income) Plus Three.
6. Inflation has a significant negative effect on FDI in the five ASEAN countries (Lower Middle Income) Plus Three. This means that the lower the inflation rate in the five ASEAN countries (Lower Middle Income) Plus Three, the higher FDI in the five ASEAN countries (Lower Middle Income) Plus Three.
7. Based on the results of the F test, it is obtained that the independent variables, Population, GDP, Labor Force, ICT Development Index Trade Openness, and Inflation are simultaneously influencing the dependent variable (FDI).
8. Based on the test results, it is concluded that the motivation behind investors to invest in FDI in ASEAN (Lower Middle Income) Plus Three Countries is driven by Resource Seeking motivation with a coefficient value of 2.950966.

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