CHINA'S ECONOMIC UNCERTAINTY AND FOREIGN DIRECT INVESTMENT IN INDONESIA

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Abstract: *The research examines the effects of China's economic policy uncertainty, trade openness, inflation, and the human development index on foreign direct investment (FDI) in Indonesia. This research uses multiple linear regression using Eviews 12 in annual data 1995–2022. If we look at the type, this research is descriptive quantitative and includes associative research. The data used is secondary data. This research shows that China's economic policy uncertainty has a negative but significant on Indonesia's foreign direct investment while HDI, trade openness, and inflation all have a positive and significant impact on Indonesia's foreign direct investment. The study's findings indicate that trade openness, inflation, human development index, and China's economic policy uncertainties all have an impact on foreign direct investment, So, the government needs to estimate and monitor direct investment funds coming in, especially from China. To advance the nation, especially the welfare of society, there must be an increase in quality human resources. To draw in investors, it's also essential to raise transparency and manage the pace of inflation.*
Keywords: ***FDI, Trade Openness, Human Development Index, Inflation, and Economic Policy Uncertainty***

Abstrak: Penelitian ini menguji pengaruh ketidakpastian kebijakan ekonomi Tiongkok, keterbukaan perdagangan, inflasi, dan indeks pembangunan manusia terhadap investasi asing langsung (FDI) di Indonesia. Penelitian ini menggunakan regresi linier berganda dengan menggunakan Eviews 12 pada data tahunan 1995–2022. Jika dilihat dari jenisnya, penelitian ini bersifat deskriptif kuantitatif dan termasuk penelitian asosiatif. Data yang digunakan adalah data sekunder. Penelitian ini menunjukkan bahwa ketidakpastian kebijakan ekonomi China mempunyai pengaruh negatif namun signifikan terhadap penanaman modal asing di Indonesia, sedangkan HDI, keterbukaan perdagangan, dan inflasi semuanya mempunyai pengaruh positif dan signifikan terhadap penanaman modal asing di Indonesia. Temuan studi tersebut menunjukkan bahwa keterbukaan perdagangan, inflasi, indeks pembangunan manusia, dan ketidakpastian kebijakan ekonomi Tiongkok semuanya berdampak pada investasi asing langsung. Oleh karena itu, pemerintah perlu memperkirakan dan memantau dana investasi langsung yang masuk, terutama dari China. Untuk memajukan bangsa, khususnya kesejahteraan masyarakat, harus ada peningkatan sumber daya manusia yang berkualitas. Untuk menarik investor, penting juga untuk meningkatkan transparansi dan mengelola laju inflasi.
Kata kunci: ***FDI, Keterbukaan Perdagangan, Indeks Pembangunan Manusia, Inflasi, dan Ketidakpastian Kebijakan Ekonomi***

INTRODUCTION

Investment is one economic factor that can support a nation's economy. In every discussion of economic concepts, investment is always one of the topics of discussion because it is the main factor driving economic growth, creating new jobs and alleviating poverty. In the results of the legislative planning meeting regarding Indonesia's 2024 state revenue and expenditure budget, one of the discussions was related to investment. The discussion revealed that attracting investment will have an impact on increasing employment opportunities, new technology, improving the quality of future generations through investment in education and economic growth. Technology is undoubtedly advancing with time, as evidenced by the trends of globalization and liberalization, which will also have an impact on political, economic, technological, and sociocultural developments. These developments can present opportunities for any nation to expand its production beyond national borders, and foreign direct investment (FDI) is a key tactic applied by nations especially Indonesia to increase the quantity and quality of goods produced to compete on the global market. In actuality, foreign direct investment (FDI) fosters capital accumulation and technological advancement, which can support economic advancement and more robust long-term economic growth (Atmayudi Gandhi et al., 2022; Iamsiraroj, 2016; Osano & Koine, 2015). Moreover, FDI enables capital-exporting nations to enter markets with novel experiences, increasing the amount of completed goods they export. This will affect raising globally competitive capacity. Foreign investment can stimulate economic growth in a country particularly in Indonesia, since it can help meet capital requirements, give more accurate market knowledge, and improve trade understanding. It needs to be emphasized that if a country's situation is stable then investors will be interested in investing (Putriyanti, 2022).

Foreign direct investment offers numerous benefits, but it also comes with inherent risks. The decision to invest will be more difficult if uncertainty is included, so this is a very important factor to consider. Companies may decide to postpone investing in new areas due to increased uncertainty caused by unpredictable future changes in the economic, geopolitical, and political environment. Consequently, compared to other investment flows like domestic investment flows or other forms of capital flows, foreign direct investment (FDI) will be more affected. This increased uncertainty can also be a risk factor for international investors because the fixed costs of foreign direct investment will be higher (Choi et al., 2019). The investment climate factor can also be a consideration for investors when investing because, when the investment climate is good, it will encourage economic growth, which will later produce profits in the economic sector. It appears from the many prior explanations that there are still factors that investors should take into account when making investments, specifically the Human Development Index (HDI). HDI is linked to knowledge, a long and healthy life, and a good standard of living, all of which can draw in foreign direct investment. It must be acknowledged that a nation's high standard of human resources will serve as a yardstick for evaluating it when engaging in social, political, and cultural cooperation. This does not preclude the possibility that a nation's human development index will become its primary area of interest for foreign investment.

Foreign direct investment (FDI) has increased by 1.38 trillion US dollars in Indonesia, based on FDI flows that have fluctuated throughout several years particularly in 2022 This increase is consistent with stable economic policies. However, FDI declined drastically in the following years as a result of several external causes, including the global economic crisis that affected many countries, the conflict between Russia and Ukraine, rising utility costs, and a sharp rise in energy costs. These are a few of the factors that discourage, restrict, or even prevent investors from taking any kind of risk when investing. Aside from that, the introduction of COVID-19 a few years ago was able to write new chapters in history, one of which concerned the economy. From an economic standpoint, COVID-19's existence brings with it new challenges, particularly concerning product supply and demand, which has led to a rise in product prices amid uncertainties around the world. Up until the financial crisis was successfully defeated by the epidemic that began in 2008–2009 (Baker et al., 2020).

In previous research using the ARDL model which focuses on economic policy uncertainty, geopolitics and global politics, it was found that these variables will inhibit investment entering the G20 countries because they have a negative and significant influence on FDI, while for the variables GDP per capita, resource rent nature, openness, inflation and exchange rates have a significant influence on FDI (Daştan et al., 2022). The research, which is different from the research conducted by (Ningsih, 2019) which uses multiple linear regression analysis, using Eviews 8 with panel data. In this research, he analyzes and looks at the relationship between political stability, exchange rates, and GDP per capita on foreign direct investment in several countries within ASEAN. His research found that political stability had a positive but not significant influence on FDI. Meanwhile, GDP per capita and the exchange rate have a positive and significant influence on foreign direct investment. However, there is another research conducted by (Barorah et al., 2019). His research focuses on ASEAN countries using multiple linear regression with panel data methods. The research results show that overall GDP growth and trade openness influence FDI. However, individually GDP growth and trade openness have a positive and significant influence on foreign direct investment, while inflation and interest rates have a negative and significant influence on FDI.In the description of several previous studies conducted. So in this study, researchers aim to investigate how important China's economic policy shocks are to FDI flows to Indonesia. In contrast to previous literature which only discusses global uncertainty, this research discusses the impact of policy uncertainty only on one country that has strong relations with Indonesia, especially in the investment sector, namely China. So far, China is one of the countries that has made large investments in Indonesia, this has sparked interest in looking at the uncertainty index of China's economic policy on its influence on foreign direct investment in Indonesia. The impact of the Covid-19 pandemic, which first appeared in China, was able to influence the country's governance structure, especially in the economic sector. China's economic uncertainty has increased quite significantly which has had a negative impact on the country's economy. Meanwhile, according to The Government Work Plan (RKP) states that there are two countries whose conditions have a big influence on global uncertainty, one of these countries is China (Ahrori, 2020). So, researchers are very interested in knowing the effect on the amount of foreign direct investment entering Indonesia with increasing uncertainty about China's economic policy. Not only that, different from previous research, in this research there are other variables observed, namely the human development index variable. Researchers are very interested in seeing the influence between the human development index and foreign direct investment because HDI is a factor that determines the quality or standard of living of society which in turn will have an influence on foreign direct investment. Apart from that, it will also ascertain whether trade openness and inflation also have an impact on the inflow of foreign investment into Indonesia. The structure of this article consists of part 1 which is an introduction, part 2 which discusses literature on foreign direct investment, and literature on the relationship between economic policy uncertainty, trade openness and HDI on FDI flows. section 3 explains the research method, section 4 results and discussion, and section 5 conclusions and suggestions.

THEORETICAL REVIEW

The process of using funds or other resources to generate returns in the future is referred to as investing. Stated differently, the objective of investing is to augment the present income level to attain an enhanced standard of living. Investment is a theme that always appears in every discussion of economic principles because investment is the main force behind discussions of economic growth, job creation, and poverty alleviation according to (Sodik & Nuryadin, n.d.).Investment that is sourced and managed by foreign parties is called foreign direct investment Mankiw; 2013 in Agung et al., (2018). According to (Dubey & Krutartha, 2014) FDI investment is carried out by foreign investors in various business sectors to make a profit. Put differently, the term "foreign direct investment" describes a type of investment in which money is moved from the investor's home nation to the "recipient" host nation to produce long-term gains. Furthermore, there are two parallels between the objectives of the home and host countries, wealthy nations own money and aim for large profits, whereas developing nations want capital. Thus, foreign investment is critical to economic growth in both the country of origin and the country of destination, as stated by (Nadine et al., 2021). Regarding foreign direct investment, neo-classical investment theory postulates that investor behavior is influenced by real interest rates, depreciation rates, national income levels, the amount of accessible capital, and government policies. Neo-classical theory bases its ideas on how classical economists viewed the balance of production.

The Relationship Between Economic Uncertainty and FDI

The idea of a relationship between uncertainty and investment comes from Keynes (1937) who stated that investors consider the possibility of uncertain events in the future when they invest. Therefore, if uncertainty increases, investors will delay and consider not investing in the new market. In an uncertain economic/political environment, investors need a reward for the investment given because of the large risks that will occur in the future which will ultimately prevent investors from investing (Daştan et al., 2022). Economic uncertainty is very difficult to measure accurately because of its unobservable nature. In addition, it is estimated that economic uncertainty like this will have an impact on foreign investment and cross-border capital flows. However, because uncertainty has many different causes and components, it is always difficult to comprehensively and accurately measure the impact of all these components. Changes in the global economy will affect the domestic economy and this affects trade and financial channels (Samake & Yang, 2014). This can be used as an illustration that conditions that occur in another country can also affect other countries. (Alesina & Tabellini, 1989) found that a high level of uncertainty causes capital flight from a country. His research also found that US companies would not be interested in investing in countries with economic conditions with increasing levels of uncertainty. (Warjiyo, n.d.) claims that as uncertainty arises in wealthy nations, the nation receiving the investment would see a decline in receiving investment. Studies (Daştan et al., 2022 and Kang et al., 2014) show that increasing uncertainty will reduce incoming investment.

H1: China's economic policy uncertainty has negative impact to foreign direct investment in Indonesia.

The relationship between HDI and FDI

According to the 1990 Human Development Report (HDR), human development is the process of improving the choices humans make. Choices include learning, having access to the tools necessary to live well, and living a long, healthy life. Meanwhile, according to BPS, the human development index is the development of the quality of human life, explaining how society can use the results of development to obtain income, education, health, etc. Developing nations gain from foreign investment in two ways: directly through capital inflows, tax revenues, and employment; and indirectly, through access to international markets, technology transfer, and knowledge transfer from foreign investors to local companies and workers.

(Stiglitz, 2006) in his argument, improving the quality of life and providing the ability to achieve worthy life goals is the main goal of development. Furthermore, success in development "means sustainable, just, and democratic development that focuses on improving living standards, not just on measuring GDP." According to Stiglitz, markets and government are equally important for true growth. In addition, the government must determine the ideal market to government ratio, which varies depending on the level of interest. Success in investing and running a business depends on the quality of human resources according to (Budiono & Purba, 2023).

Thus, it is possible to infer indirectly that the human development index directly affects foreign investment. This is consistent with the study (Djokoto & Wongnaa, 2023) which indicates that FDI for both developed and developing nations has been positively influenced by the Human Development Index (HDI) component. For transitional nations, however, the effect is neutral. There is also other research which states that HDI has a positive influence on foreign direct investment, namely research conducted by (Budiono & Purba, 2023).

H2: Human development index has a positive influence to foreign direct investment in Indonesia.

The Relationship between Trade Openness and FDI

The volume of a country's exports and imports expressed as a proportion of that country's gross domestic product (GDP) can be used to determine trade openness according to Our Out in Data. Trade openness, in part, maintains the balance between a nation's imports and exports, according to (Rathnayaka Mudiyanselage et al., 2021). Determining the degree of trade policy liberalization is therefore crucial. Numerous nations have attempted to attract foreign direct investment through the liberalization of their economies and the adoption of progressive policies. It is anticipated that trade liberalization would have a mixed effect on FDI inflows. Trade openness may theoretically have a favorable or unfavorable effect on foreign direct investment, depending on the trade policies of the host nation (Fernando, 2006).

Trade constraints are often measured by trade openness. The type of investment influences how open a country is to investment. If the investment is market-oriented, low openness and trade restrictions can have a positive impact on FDI due to the hypothesis of a "tariff spike" which states that foreign investment from abroad can help avoid the problem of importing goods into a particular country (Anwar et al., 2016).

Research conducted by (Barorah et al., 2019; Boateng et al., 2015; and Yuliarti et al., 2017) found that trade openness has a positive effect on foreign direct investment. Meanwhile, research conducted by (Rathnayaka Mudiyanselage et al., 2021; Sridharan & Chandra Sekhara Rao, 2010; and Wickramarachchi, 2017) found that trade openness has no effect on foreign direct investment.

H3: Trade openness has a positive influence to foreign direct investment in Indonesia.

Relationship between Inflation and FDI

One definition of inflation is the propensity for the costs of goods and services to keep rising. High rates of inflation can lower the competitiveness of goods and services, which can lower business profitability. But production might also rise as a result of inflation. The rationale is that when there is inflation, company profits grow since prices for goods often rise more quickly than salaries do. On the other hand, if inflation rises to a certain point, output may fall as a consequence. When there is significant inflation, people's actual money worth plummets, making cashless common. Bartering will take the place of transactions involving money as the medium of exchange. This will ultimately prevent new investment and often lead to a decline in the output of products. The nation's economy will not expand if there is high inflation. When prices are erratic or inflationary, capital owners are also more inclined to utilize their money to invest in real estate, such as buildings, land, and homes. Producing costs will rise in tandem with inflation, lowering investor returns according to (De Mello, 1997). In their study, (Hendra Permana & Rivani, n.d.) discovered that the inflation variable positively affects foreign direct investment. High inflation can cause people's real income to continue to fall so that unstable inflation will make it difficult for economic actors to invest. Therefore, investors will tend to wait to decide to invest by looking at the inflation figures that occur.

H4: Inflation has a negative influence to foreign direct investment in Indonesia.

RESEARCH METHODS

This research is quantitative research. Using secondary data from 1995-2022 with locus in Indonesia. The data collected for this research came from three different sources, namely economic policy index data obtained from Policy Uncertainty, Human Development Index (HDI) data from the State Economy, and the World Bank for data on trade openness, inflation, and foreign direct investment. In this research, multiple linear regression is used as an analysis tool. Using this method, the relationship between independent and dependent variables is examined. Trade openness, HDI, and China's economic policy uncertainty are independent variables. Meanwhile, FDI in Indonesia is the dependent variable. The hypothesis tests in this research are the simultaneous test (F test), partial test (T test), and coefficient of determination. multiple linear regression model is:

$$\text{FDI} = \alpha + \beta_1 EPU_1 + \beta_2 HDI_2 + \beta_3 OPR_3 + \beta_3 INF_4 + e$$

Where:

FDI = Foreign Direct Investment in Indonesia
EPU_1 = Uncertainty of China's Economic Policy
HDI_2 = Human Development Index
OPR_3 = Trade Openness
INF_4 = Inflation
e = error term
α = Constan

Table 1. Variable Definitions

Abbreviation	Variable	Source
FDI	Foreign Direct Investment (million US$)	The World Bank-WB
OPR	Openness Trade (%)	(World Development
INF	Inflation (%)	Indicator-WDI
EPU	Economic Policy Uncertainty	policyuncertainty.com
HDI	Human Development Index	countryeconomy.com

Source: Author's Classification, 2023

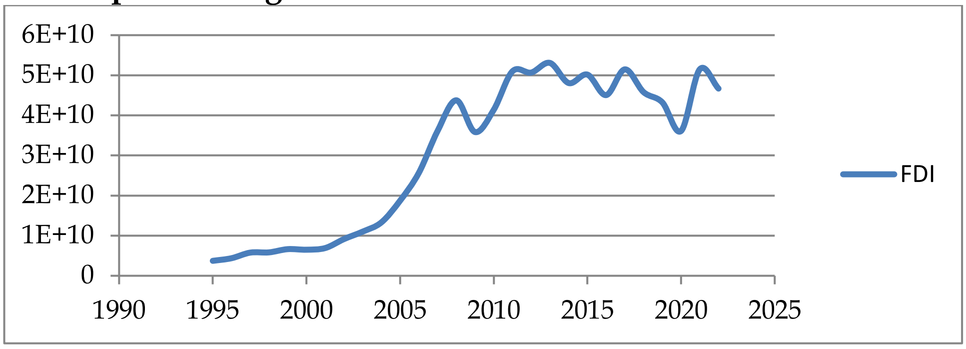
In Table 1. The research employed relevant sources for its sources. US dollars are used for the foreign direct investment variable. The ratio of imports to exports, expressed as a percentage of GDP, is the measure of trade openness. Meanwhile, the Chinese economic uncertainty variable has been explained in the previous discussion. The human development index (HDI) is a geometric mean that ranges from 0 to 1. The closer the HDI is to 1 the better. Inflation obtained from the World Bank in percent units. A transformation of the economic uncertainty and FDI variables is information about the data utilized. While data processing is done for economic policy uncertainty, the FDI data is transformed to nominal values so that the data results when regressed may be read.

RESULTS AND DISCUSSION

1. Descriptive

An international investment made by a foreign corporation to establish or grow its operations abroad is known as a foreign direct investment. This section will provide a graph that displays the dependent and independent variables.

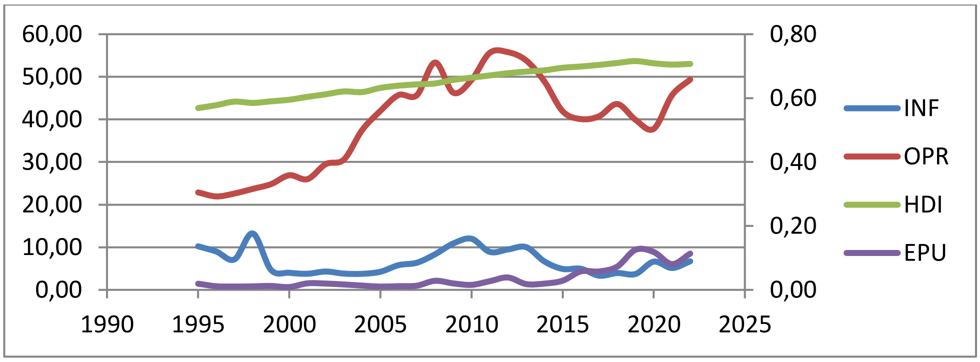
Graph 1. Foreign Direct Investment in Indonesia 1995-2022



Source: World Bank

In Graph 1, it can be seen that foreign direct investment in Indonesia continues to fluctuate. FDI was at its lowest point which occurred during the Covid-19 outbreak in 2020, FDI fell by around 7.1 billion US dollars. However, FDI was able to rise in the following year namely in 2021, amounting to 15.4 billion US dollars. From 1995 to 2022, foreign direct investment was at its highest point in 2017, namely 53 billion US dollars. Inflation, trade openness, HDI, and economic instability are crucial aspects of the economy. Similarly, foreign direct investment may help a nation's economy expand and prosper as it provides that financial backing. Thus, as the dependent variable in this study, we chose to examine the impact of the foreign direct investment variable while the independent factors were trade openness, HDI, inflation, and economic uncertainty.

Graph 2. China's Economic Uncertainty, HDI, Trade Openness, and Inflation in 1995-2022



Source: World Bank, policy uncertainty, and country economy

Based on Graph 2. Uncertainty about China's economic policy has an average of 0.04%. COVID-19 initially occurred in China in 2019, so it cannot be denied that this has had a major impact on China's economic policy, which is experiencing increased economic policy uncertainty. In 2019 and 2020 China's economic uncertainty increased and when compared with FDI entering Indonesia in that year FDI also decreased so indirectly FDI and China's economic uncertainty are related. Inflation continues to fluctuate, if you look at the graph. The 2 highest inflation points were in 1998 at 13.23%. This was motivated by the monetary crisis that occurred in Indonesia, while the lowest inflation was in 2017 at 3.33%. Indonesia's trade openness also fluctuates every year, reaching the highest point of Indonesian trade openness in 2011 at 55.62%. Fluctuations occur every year, but from 2021 to 2022 openness continues to increase. This is different from the human development index which increases every year. HDI experienced a slight decline at the same time, namely when Covid-19 hit.

Furthermore, to see the pattern of data used in this study and help understand the condition of the data as a whole and thoroughly, information is presented as stated in table 2.

Table 2. Descriptive Data used in research

Statistics	Mean	Median	Min	Max
FDI	30268,83	36105,94	3722,76	53075,55
OPR	0,035714	0,019626	0,08814	0,125337
HDI	0,65025	0,6515	0,569	0,716
EPU	39,35851	41,33271	21,92949	55,79372
INF	6,641429	6,085	3,33	13,23

Source: Author calculation, 2023.

2. Results

The study of how the influence of uncertainty in China's economic policies on the flow of foreign direct investment into Indonesia is proven through testing with a multiple regression approach. In addition to the interest variable, other variables as control variables such as human quality represented by the HDI value, trade openness and economic turmoil situation reflected by the inflation value were also observed to affect foreign direct investment (FDI) in Indonesia. The results of multiple linear regression using Eviews 12 are presented in Table 3.

Table 3. Summary of Multiple Linear Regression Analysis Findings

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-218116.6	26239.00	-8.312686	0.0000
EPU	-102314.3	44653.02	-2.291320	0.0314
HDI	351565.4	73703.03	7.212325	0.0000
OPR	4.601314	226.4514	3.033206	0.0059
INF	758.2067	321.6349	2.357352	0.0273
R-squared	0.958136	Mean dependent var		30268.89
Adjusted R-squared	0.950856	S.D. dependent var		19033.39
S.E. of regression	4219.413	Akaike info criterion		19.69321
Sum squared resid	4.09E+08	Schwarz criterion		19.93111

Log-likelihood	-270.7050	Hannan-Quinn criteria.	19.76594
F-statistic	131.6010	Durbin-Watson stat	1.741935
Prob(F-statistic)	0.000000		

Dependent Variable: FDI
Source: Processed Data, 2023

a. The Effect of the Economic Uncertainty Index (EPU) on FDI
China's economic uncertainty and FDI have a negative and significant influence on foreign direct investment in Indonesia, as shown in Table 3. The t-statistic obtained is -2.291320 and prob. The (significant) value is 0.0314, less than 0.05.
b. The influence of the Human Development Index (HDI) on Foreign Investment (FDI) in Indonesia in Table 3 shows a t-statistic value of 7.212325 and a probability value (significant) of 0.0000. This shows that HDI has a positive and significant effect on FDI
c. The Effect of Trade Openness (OPR) on Foreign Direct Investment (Y) in Indonesia Based on Table 3, it can be interpreted that the trade openness variable has a positive and significant effect on foreign direct investment, with a t-statistic value of 3.033206 and a probability value (significant) of 0.0059 which is greater than 0.05.
d. The Effect of Inflation (INF) on Foreign Direct Investment (Y) in Indonesia Based on Table 3, it can be interpreted that the inflation variable has a positive and significant effect on Foreign Direct Investment, with a t-statistic value of 2.357352 and the probability (significant) value is 0.0273 greater than 0.05.

Multiple Linear Regression Analysis

The multiple linear regression equation is shown in Table 3 as follows:

$$FDI = -218116.6 -102314.3\ EPU1 + 351565.4HDI2 + 4.601314OPR3 + 758.2067INF4$$

a. The constant value is -218116.6, so if all the independent variables, namely trade openness, HDI, and economic policy do not change, then Foreign Direct Investment has a value of minus 218116.6.
b. The regression coefficient value of the economic uncertainty variable which is negative (-) indicates that if the economic uncertainty variable increases by 1 basis, along with the HDI, OPR, and inflation variables it will still reduce FDI by 120,314,300,000, and vice versa.
c. The regression coefficient value for the HDI variable is positive (+) at 351565.4, meaning that if the HDI variable increases by 1 basis point, with the economic uncertainty, OPR and INF variables remaining constant, FDI will increase by 351,565,400,000, and vice versa.
d. The regression coefficient for the OPR variable is a positive (+) value of 4.601314. This shows that if the OPR variable increases by 1 basis point with the economic uncertainty variable and HDI remaining constant, then FDI will also increase by 4,601,314. Vice versa.
e. The regression coefficient value for the INF variable is positive (+) at 758.2067, meaning that if the HDI variable increases by 1 basis point, with the economic

uncertainty, OPR and HDI variables remaining constant, FDI will increase by 758,206,700 and vice versa.

Model Feasibility Test (F Test)

Table 3 shows the F-Statistic value of 131.6010 with Prob. (F-statistic) of 0.0000 is less than 0.05, which means that the Independent Variable (economic uncertainty, HDI, INF, and OPR) and the Dependent Variable (FDI) both have a significant effect at the same time.

Coefficient of determination

Table 3 shows the Adjusted R Square value of 0.958, which means the contribution of the influence of the Independent Variable to the Dependent Variable simultaneously is 95.8%. However, the remaining 4.2% was influenced by factors not included in this study.

Classic Assumption Test Results

Classical assumption testing is performed before multiple regression analysis and hypothesis testing. This is applied to get certainty that the regression model obtained is correct in estimates, unbiased, and consistent. Classical assumptions are requirements that must be met for the model to be valid as an estimator. In this study, the classical assumption test can be seen in Table 4.

Table 4. Summary of Classic Assumption Test Results

Multicollinearity Test Variance Inflation Factor			
Variable	**Coefficient Variance**	**Uncentered VIF**	**Centered VIF**
C	6.88E+08	1082.801	NA
EPU	2.38E+09	7.704115	3.704305
HDI	1.99E+09	1592.322	8.257008
OPR	2.301230	60.27530	4.212247
INF	103449.0	8.444193	1.267848
Heteroscedasticity Test			
Heteroscedasticity Test Glejser			
Null hypothesis: Homoskedasticity			
F-statistic	0.412240	Prob. F (3,24)	0.7980
Obs*R-squared	1.873137	Prob. Chi-Square (3)	0.7591
Scaled explained SS	1.181394	Prob. Chi-Square (3)	0.8812
Autocorrelation Test			
Breusch-Godfrey Serial Correlation LM Test			
Null hypothesis: No serial correlation at up to 2 lags			
F-statistic	0.126383	Prob. F (2,22)	0.8819
Obs*R-squared	0.3330141.2	Prob. Chi-squared (2)	0.8466

Dependent Variable: FDI

Source: Processed data, 2023

1) Heteroscedasticity Test

Looking at the Obs*R-Square Probability results in the heteroscedasticity test carried out using the Glejser test which is 1.873137 (>0.05), it can be said that the heteroscedasticity test assumption is met or the data passes the test.

2) Autocorrelation Test
According to (Hamid et al., 2020), the autocorrelation test is used to determine whether the residuals of the linear regression model are correlated. The Obs*R-Square Probability value in Table 4 of 0.3330141.2 is greater than 0.05, indicating that the autocorrelation test is fulfilled or the data passes the test, thus indicating that the data is correlated correctly.

3) Multicollinearity Test Results
The multicollinearity test is used to determine whether there is a linear independent variable or not. The results of Eviews 12 calculations in the variable table China's economic uncertainty, IPM, trade openness index, and inflation respectively have values of 3.704305, 8.257008, 4.212247, and 1.267848. The VIF value is obtained which shows that there is no single independent variable with a Variance Inflation Correlation value (VIF) >10, indicating that multicollinearity was not found between the independent variables in the regression model. Therefore, it can be concluded that the Multicollinearity Test assumptions have been met.

4) Normality test
To ensure that the regression model is normally distributed or not, a normality test is carried out (soling Hamid et al., n.d.). The normality test shows that economic uncertainty, HDI, trade openness, and inflation have met or passed the normality test because the Jarque-Bare Probability value is 0.631826 (>0.05)

3. Discussion

The results of multiple linear regression analysis showed that foreign investment in Indonesia is significantly and negatively impacted by China's economic policy uncertainties. The China Economic Uncertainty Index was developed by two different teams. This research uses EPU Index data developed by (baker et al., n.d.). From the analysis of the regression results that have been carried out, it is clear that the uncertainty in the Chinese economy has indeed had an impact on foreign direct investment in Indonesia. The findings of this research are also in line with Keynes' (1937) argument that there is a relationship between uncertainty and investment, namely that it is the uncertainty of future events that causes investors to consider investing. Accordingly, when uncertainty in China grows, investors delay investing in Indonesia. because it is difficult to predict or determine the direction of the economic policy uncertainty index, which can have an impact on how stable an economy is in a certain nation. This aligns with the Neo-Classical Capital Theory, which posits that government policies have an impact on investor behavior. Additionally, for countries that depend on foreign direct investment for capital, the amount of inbound foreign investment will decrease when economic uncertainty increases in the host country.

The reason this research uses an economic policy index in China is because China is one of the countries in the Asian region, which can attract international attention.

After all, economic development continues to increase. As one of the world's superpower economic countries China's largest economic growth is through international trade capabilities according to (Kawasan et al., 2017). The research done by (Kang et al., 2014) indicated that economic uncertainty has an impact on investment in the United States, which is in line with the findings of this study. News-based shocks have a significant and negative influence on investment; the firm sample utilized is based on company-level data from around 2,700 manufacturing enterprises in the United States. In contrast to the findings of (Daştan et al., 2022) research According to study findings from the G20 area, foreign direct investment (FDI) significantly reduces the amount of FDI inflows into G20 nations. The study's findings are similar in that they show that FDI is significantly impacted by economic policy uncertainty. To avoid endogeneity, some researchers additionally employ several other factors, such as election timing. Larger economic policies in the nation of origin significantly restrict FDI inflows, according to this research, which combines FDI with economic policies.

Choi et al. (2019) found that it is not host country governments that appear to have the most influence on foreign investment inflows, but global governments. Domestic economic and political uncertainty typically does not have a statistically significant influence on foreign investment inflows, and this finding still holds despite variations in global and host country circumstances. Conditions in host countries also appear to influence FDI flows for developing countries, but only under certain conditions and to a lesser extent compared to global trade according to (Jardet et al., 2023). This means that this statement confirms that economic policy uncertainty does influence FDI, but this impact is not as big as the impact of uncertainty that occurs globally.

The impact of the Human Development Index (HDI) on foreign direct investment in Indonesia is shown by the following regression results which show that HDI has a positive and significant influence on FDI. The government must play a role in developing human resources through investment in training and education because this will increase productivity and reduce unemployment according to (Romer, 1986). From this opinion, it is clear that HDI has an influence on the human development index, and this means that indirectly HDI has a big influence in attracting foreign investment from outside Indonesia to Indonesia because the higher quality of human resources will attract investors' interest in investing in Indonesia. By using Pooled Ordinary Least Square (POLS), Fixed Effect Model (FEM), and Random Effect Model (FEM), these findings are in line with previous research from (Budiono & Purba, 2023) shows that Human Direct Investment (HDI) has a significant influence on FDI in Indonesia. The results of this research are supported by (Adhikary, 2017). In addition, research by Djokoto & Wongnaa (2023) used panel data from 87 developing countries, 13 economic transition countries, and 34 developed countries from 1990 to 2019. This research found that FDI increased the human development index in both developed countries and developing countries. However, the impact is neutral on countries in transition. The results of this research are different from previous research (Astikawati et al., 2021; Desmintari & Aryani, 2022; and Grace, 2019) which found that the human development index did not affect FDI. Based on multiple linear regression analysis, foreign direct investment in Indonesia has a positive and significant influence on the trade openness factor.

Investment objectives determine how trade openness affects foreign investment from outside. An economy that involves international trade in capital, goods, and services with other countries is called an open economy. Open trade will provide easy access to trade. Fewer trade barriers, both tariff and non-tariff and smoother capital mobility between countries are signs of economic openness. This means that the existence of trade openness will increase foreign direct investment, as is the case in this research which in the regression results found that openness influences foreign direct investment. According to (Habibi & R, 2017) When freedom of trade is further increased, the FDI response will be more interested in entering the country and will ultimately increase the country's FDI.

This study is consistent with earlier studies carried out by Barorah et al. (2019)using a regression test to focus on regions in 5 developing countries in Southeast Asia his research found that trade openness influences FDI. Then supported by research from Yuliarti, et al. (2017) research that focused on Indonesia using the ECM method found that trade openness caused shocks to incoming FDI in Indonesia. Some researchers found that trade openness affects FDI (Boateng et al., 2015; Lindelwa Makoni, 2018; and Uz Zaman et al., 2018). While Fernando (2006) states that the impact of trade openness on foreign investment inflows can vary. Theoretically, depending on the host country's trade policy, trade openness can have a positive or negative impact on foreign direct investment. As in this research, the current study conducted in Indonesia found that trade openness affected foreign direct investment.

There are several countries in their research that state that trade openness does not influence foreign direct investment, such as research conducted by Sridharan & Rao (2010) found that the determining factors of incoming foreign investment in BRICS countries have a negative influence on the openness ratio. trading. The results of this research are similar to research conducted in developing countries, and are in line with previous research proposed by Wickramarachchi (2017) which focused on Sri Lanka and using ARDL, the results of their research show that trade openness does not have a significant effect on foreign investment. The research conducted by Rathnayaka Mudiyanselage et al. (2021) found that trade openness has a negative relationship in both the long and short term with FDI inflows in Romania. However, from several previous studies, the results showed that openness did not influence foreign direct investment, this result does not apply to Indonesia. Research conducted in Indonesia found that trade openness affects FDI.

The results of the regression analysis found that inflation affected foreign direct investment in Indonesia. Inflation is a condition that is usually felt and characterized by high prices of goods, very serious inflation can reach levels of several tens or hundreds of percent per year, while moderate inflation ranges from four to ten percent. The economic stability of a country can be measured by the level of inflation. Inflation movements are always a major concern in economic matters because inflation is related to economic growth. With a low inflation rate, national income, employment, and investment will increase. According to (Purnama, 2022) Investors can consider investing during inflation, because it can affect the economy and people's income if the inflation rate increases, resulting in a decrease in purchasing power. This study is consistent with studies carried out by (Akmal Fadila, 2017) with a focus on research studies in Indonesia, it was found that inflation had a positive and significant influence on foreign direct investment with the method used multiple linear regression. This study is consistent with research by (Anindita et al., 2010)who also found that inflation had a positive and significant impact on foreign direct investment (FDI) through the use of regression analysis. Bela further stated that there was a close relationship between inflation and FDI, although one that was indirect. That is, when high inflation, the value of people's real money falls drastically so people tend not to have cash. Transactions lead to bartering, which usually results in reduced production of goods, and ultimately discourages new investment. There is also research conducted by (Jannah, n.d.) with the same results as this research, in his research it was found that inflation has a positive and significant influence on FDI in Indonesia. The present study's findings contradict those of a study conducted by (Sari et al., 2023) employed the Ordinary Least Square (OLS) method, which demonstrated that inflation had an significant impact on foreign direct investment in Indonesia.

CONCLUSION

Based on the results of research using multiple linear regression, uncertainty over China's economic policy has a negative and significant influence on foreign direct investment (FDI) in Indonesia. Meanwhile, for HDI, trade openness and inflation have a positive and significant effect on FDI. From the results of the regression and analysis, this research can be used by the government as literature or reference material in making policies related to foreign direct investment in Indonesia. The government needs to think about and monitor direct investment funds coming in, especially from China, because when economic uncertainty in China increases, it will cause a reduction in the inflow of foreign direct investment from China entering Indonesia. The importance of increasing quality human resources so that they can bring progress to the country, especially the welfare of the community, which will later attract investors' interest in investing so that a surplus of foreign direct investment will enter Indonesia. Increasing economic openness involves international trade, goods, and services to be able to increase investment from outside entering Indonesia and the need to control the inflation rate because high inflation rates are related to investors' decisions to invest in Indonesia.

One of the things that cannot be separated in research is the limitations in research as well as in this research. Researchers have found that this research has several limitations that cannot be eliminated. Therefore, researchers hope that readers can carefully interpret this research and can develop this research by adding additional variables that researchers have not used. Hopefully, this research can be used as a simple evaluation method to evaluate aspects that still need to be improved by the government and all levels of society to inspire decision-making

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