

**TITLE**

**HOW DO FOREIGN DIRECT INVESTMENT AND GROSS  
DOMESTIC PRODUCTS CONTRIBUTE TO BILATERAL  
HUMAN DEVELOPMENT INDEX CONVERGENCE?  
EVIDENCE FROM ASEAN COUNTRIES**

**Submitted as a Requirements for the Master Degree in  
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**THESIS**



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## DECLARATION OF ORIGINAL WORK

This declaration is made on the 1<sup>st</sup> October 2020

### **i. Student's Declaration:**

I, M. Elfan Kaukab, Student ID 20191060002, Master Program in International Relations, Faculty of Postgraduate, hereby declare that the work entitle *How Do Foreign Direct Investment and Gross Domestic Products Contribute to Bilateral Human Development Index Convergence? Evidence from ASEAN Countries* is my original work. I have not copied from any other students' work from any other source except where due reference or acknowledgement is made explicitly in the text, nor has any part been written for me by another person.



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I, Dr. Surwandono, S.Sos., M.Si., Supervisor, hereby certifies that the work entitle *How Do Foreign Direct Investment and Gross Domestic Products Contribute to Bilateral Human Development Index Convergence? Evidence from ASEAN Countries* was prepared by the above named student and fulfillment for the conferment of Magister Hubungan Internasional (M.H.I.), and the aforementioned work, to the best of my knowledge, is the said student's work.



Signatur of the Supervisor

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Writer,



M. Elfan Kaukab, S.E.

## **MOTTO**

Success is not just about accomplishment, it is also about how the things you do in your life motivate and inspire others to do something motivating and inspiring in theirs.

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## **ABBREVIATIONS**

<b>ASEAN</b>	Association of Southeast Asian Nations
<b>DOLS</b>	Dynamic Least Square Model
<b>FDI</b>	Foreign Direct Investment
<b>FMOLS</b>	Fully Modified Least Square Model
<b>GDP</b>	Gross Domestic Product
<b>GMM</b>	Generalized Method of Moments
<b>GNP</b>	Gross National Product
<b>HAC</b>	Heteroskedasticity Autocorrelation Consistent
<b>HDI</b>	Human Development Index
<b>IHDI</b>	Inequality Adjusted HDI
<b>IMF</b>	International Monetary Fund
<b>MSE</b>	Micro Small Enterprises
<b>TFP</b>	Total Factor Productivity
<b>TIF</b>	Total Input Factor
<b>UNDP</b>	United Nations Development Programme



## **ABSTRACT**

This research examines the role of bilateral FDI and income convergence in affecting HDI increase in countries with middle HDI in ASEAN. The ASEAN Economic Community has been developing and it is expected that the gaps between nations can be covered. This research explores how economic intervention through HDI and income convergence can boost HDI improvement. The writer examines the presence of a statistically significant causal relationship between source country's GDP, home country's GDP, source country's FDI towards the home country, source country total FDI, home country total FDI, and the percentage of source country FDI towards source country total FDI with both countries HDI convergence. Measurement is carried out using the generalized method of moments. Based on yearly samples of high HDI countries (Malaysia, Thailand, Singapore) couple with medium HDI countries (Laos, Vietnam, Cambodia, Myanmar, Indonesia, and Philippine) during 2013-2017 period, the writer finds statistically significant impact of home country GDP, source country FDI towards all countries, and FDI percentage of the home country compared to all countries.

Keywords: HDI, bilateral FDI, GDP, ASEAN, investment, economic development