



SUMMARY

MUDI ISKANDAR. The Determinants of Foreign Direct Investment in Upstream Oil and Gas Sector in Indonesia and Its Impact on Energy Security and State Revenue. (Bambang Juanda as Chairman and Suwinto Johan as a member of the Advisory Committee).

The inclusion of Indonesia as a net importer of oil and gas and high energy expenditure compared with oil and gas revenues, it is estimated due to a lack of investment in the upstream oil and gas business activities in Indonesia. Indonesian-owned oil and gas potential is still quite large, especially in eastern Indonesia. With limited state financial conditions, and having regard the investment risk of upstream oil and gas operations as well as the technological capabilities that are not yet fully controlled in the country, therefore, the country still needs foreign direct investment to enhance the upstream oil and gas operations in Indonesia.

This study analyzes the determinants of FDI in upstream oil and gas sector in Indonesia by using panel data regression from 2003 till 2013, with a cross section of 82 mining area which has been producing oil and gas in Indonesia. In addition, this study also analyzes how FDI performance by looking at the impact of the FDI on energy security (proxy production) and oil and gas revenues and compared with domestic direct investment (DDI), represented by BUMN.

Based on the results of the panel data regression showed that the variables that have positive influence on FDI upstream oil and gas sector is the infrastructure, technology, education, free of corruption index, the price of crude oil, total oil and gas reserves, and the dummy variabel of dissolution BPMIGAS into SKK Migas. While the variables that negatively affect FDI upstream oil and gas industry is market size, wages, inflation, economic openness, and the exchange rate. FDI positive impact on the level of production and state revenue, but in terms of oil and gas production, DDI provides greater impact compared to FDI.

Key Words : Impact, panel data, determinants, and FDI in oil & gas sector.

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