

THESIS

**MOROWALI REGIONAL GOVERNMENT STRATEGY IN
ATTRACTING FOREIGN INVESTMENT (CASE STUDY: CHINESE
FOREIGN INVESTMENT)**



Complied and Submitted By:

SITI ATYFAH PUTRI BARAMULI

E061181801

**DEPARTMENT OF INTERNATIONAL RELATIONS
FACULTY OF SOCIAL AND POLITICAL SCIENCES
HASANUDDIN UNIVERSITY**

2022

HALAMAN PENGESAHAN

JUDUL : MOROWALI REGIONAL GOVERNMENT STRATEGY IN
ATTRACTING FOREIGN INVESTMENT (CASE STUDY:
CHINESE FOREIGN INVESTMENT)

N A M A : SITI ATYFAH PUTRI BARAMULI

N I M : E061181801

DEPARTEMEN : ILMU HUBUNGAN INTERNASIONAL

FAKULTAS : ILMU SOSIAL DAN ILMU POLITIK

Makassar, 18 Oktober 2022



Mengetahui :

Pembimbing I,

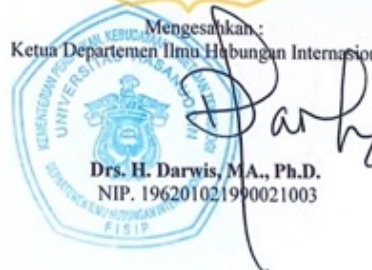
Pusparkda Syahdan, S.Sos, M.Si
NIP. 197101092008012005

Pembimbing II,

Nurjanaah Abdullah, S.IP, MA
NIP. 198901032019032010

Mengesahkan :

Ketua Departemen Ilmu Hubungan Internasional,



Drs. H. Darwis, MA., Ph.D.
NIP. 196201021990021003

HALAMAN PENERIMAAN TIM EVALUASI

JUDUL : MOROWALI REGIONAL GOVERNMENT STRATEGY IN ATTRACTING FOREIGN INVESTMENT (CASE STUDY: CHINESE FOREIGN INVESTMENT)

N A M A : SITI ATYFAH PUTRI BARAMULI

N I M : E061181801

DEPARTEMEN : ILMU HUBUNGAN INTERNASIONAL

FAKULTAS : ILMU SOSIAL DAN ILMU POLITIK

Telah diterima oleh Tim Evaluasi Sarjana Fakultas Ilmu Sosial dan Ilmu Politik Universitas Hasanuddin Makassar untuk memenuhi syarat-syarat guna memperoleh gelar sarjana pada Departemen Ilmu Hubungan Internasional pada hari Jum'at, 7 Oktober 2022.



Ketua : Drs. H. Darwis, MA, Ph.D

Sekretaris : Abdul Razzaq Z. Cangara, S.IP, M.Si, MIR

Anggota : 1. Drs. Munjin Syafik Asy'ari, M.Si

2. Pusparida Syahdan, S.Sos, M.Si

3. Nurjannah Abdullah, S.IP, MA

STATEMENT OF AUTHENTICITY

The Undersigned:

Name : Siti Atyfah Putri Baramuli

NIM : E061181801

Study Program : International Relations

Level: : Undergraduate (S1)

Declare that I have written thesis with the title :

**“MOROWALI REGIONAL GOVERNMENT STRATEGY IN
ATTRACTING FOREIGN INVESTMENT (CASE STUDY: CHINESE
FOREIGN INVESTMENT)”**

It is result of your own work, not the expropriation of other people's writings or thoughts. If in the future it is proven or can be proven that part or all of this thesis is the work of others, I am willing to accept sanctions for such actions.

Makassar, October, 19, 2022



Siti Atyfah Putri Baramuli

PREFACE

By giving thanks to Allah SWT, who has bestowed His grace, Taufik, and guidance so that the author can complete this thesis with the title "Morowali Regional Government Strategy in Attracting Foreign Investment (Case Study: Chinese Foreign Investment)" as one of the requirements for completing the Bachelor Program (S1) majoring in International Relations, Faculty of Social and Political Sciences, Hasanuddin University.

The author realizes that this thesis could not have been completed without the support, assistance, guidance and advice from various parties during the preparation of this thesis. In this opportunity, the writer would like to express his sincere thanks to:

1. My First and Forever Love, **Ahmad Abdy Baramuli and Andi Melanie Mannaungi** thank you for supporting and educating me to this point, thank you for showering me with the deepest love and thank you for supporting and motivating me selflessly.
2. My Beloved Grandfather and Grandmother, **H. Ahmad Eddy Baramuli and Hj. Hafza Mappasanda**, thank you for helping me and supporting without you, I would not be able to be in this position. Thank you for the love and affection that has been given so far and for everything that has been shown to the author.
3. **H. Darwis, MA, Ph.D.**, as the head of the Department of International Relations at the Faculty of Social and Political Sciences, Hasanuddin

University. Thank you for being patient and helping with all the knowledge that has been given and for taking the time.

4. **Pusparida Syahdan, S.Sos., M.Si and Nurjannah Abdullah, S.IP, MA.,** as the author's Supervisor Lecture, thank you very much for being patient and taking the time to guide the author.
5. All Lecturers of the Department of International Relations **Drs. Patrice Lumumba, MA., Drs. H. Husain Abdullah, M.Si, Drs. Munjin Syafik Asy'ari, M.Si., Dr. H. Adi Suryadi Culla, MA., Muh. Nasir Badu, S.Sos, M.Hum, Ph.D, Agussalim Burhanuddin, S,IP, MIRAP., Ishaq Rahman, S.IP, M.Si., Burhanuddin, S.IP, M.Si., Bama Andika Putra, S.IP, MIR., Muh. Ashry Sallatu, S.IP, M.Si., Aswin Baharuddin, S.IP, MA., and H. Abdul Razaq Z. Cangara, S.IP, M.Si, MIR.** Thank you for all the knowledges that been given to the author, with all the warmest hearts, with all the gratitude, within these last four years.
6. International Relations department staff, especially **Bu Rahma, Pak Ridho, Kak Ita, and Pak Dayat.** and as well as academic staff who patiently helping, providing, and processing all the documents required for thesis defense.
7. My Siblings, **Ahmad Azzady Putra Baramuli, Siti Alyfah Ainun Putri Baramuli, and Siti Afyfah Putri Baramuli,** disturb my life but also love forever in the author's life and will always support the author in any case.
8. For half of my life, **Muhammad Fathur Razaq** thank you for always being there and always supporting the author in whatever it is, thank you for being

an essential part of the thesis and the author, thank you for everything you give to the author even though you sometimes bother author, but i know you love me hehe.

9. For the author's friends from the beginning and until now, want to be troubled **Rani and Suci**, thank you as much as possible for you both. Thank you for always being there for the problems the author is facing, and thank you for being a support system and 24 /7 author, and for loving author xixi.
10. My Ride **SisterHood, Rihal, Fina, Riri, Navira, Syale, Dipo, Jaja, Ira, Caca**. Thank you for supporting the author and providing positive motivation for the author, thank you for wanting to survive from high school until now, and thank you for what you gave to the author.
11. For my comrades in the international class, **Rani Herlinda Palilu, Muhammad Farham Assydik, Alwan Ayyasy Malindo, Ahmad Azhar Razak, Aisyah Aliffia, Zaim Azis, Suci Puspa Batara, Muh. Fajhri Aditya Agus**.
12. My Angel, **Olivia Asdar and Ari Ridwan** Thank you for always giving positive things to the author, being a listener and motivating author, and always being there under any circumstances.
13. All My Reforma's 18 friends, thank you for wanting to fight together and also thank you for your humility
14. And All parties that the author cannot mention one by one, but have helped in the process of completing this research in many different ways.

15. Last but not least, I want to thank myself. Thank you for surviving until this moment, thank you for fighting to this point and in the future, thank you for being a better person, thank you for being a light even though life is sometimes dark, and thank you for being able to be like now.

The author realizes that the process of writing and organizing this thesis is inseparable from mistakes and shortcomings. Therefore, with all humility, the author sincerely apologizes and is gracefully willing to accept all input, critics, and suggestions to make this thesis better. The author humbly presents this thesis, with the hope that it could be useful to increase knowledge and information in the field of International Relations.

ABSTRAK

Siti Atyfah Putri Baramuli, “Strategi Pemerintah Daerah Morowali dalam Menarik Investasi Asing (Studi Kasus: Investasi Asing Tiongkok)” dibawah bimbingan **Pusparida Syahdan** selaku pembimbing I dan **Nurjannah Abdullah** selaku pembimbing II, Departemen Ilmu Hubungan Internasional, Fakultas Ilmu Sosial dan Ilmu Politik, Universitas Hasanuddin.

Penelitian ini bertujuan untuk mengetahui strategi Pemerintah Daerah Morowali dalam menarik investasi asing terutama Tiongkok, serta untuk mengetahui dampak investasi asing terhadap Pemerintah Daerah di Kabupaten Morowali. Untuk mencapai tujuan penelitian ini, digunakan metode penelitian kualitatif deskriptif dengan menggunakan data primer dan sekunder yang diperoleh melalui wawancara dengan pihak Pemerintah Daerah dan Studi Pustaka.

Hasil penelitian ini adalah strategi yang dilakukan oleh Pemerintah Daerah Morowali untuk menarik investasi asing khususnya dari Tiongkok terdiri dari: 1. Menyiapkan Sumber Daya Manusia lokal untuk keperluan pengelolaan investasi asing, 2. Menerbitkan aturan daerah yang mempermudah proses investasi asing, 3. Melakukan komunikasi dengan pihak investor secara regular. Dampak investasi asing terhadap Kabupaten Morowali terdiri dari dua hal yaitu dampak positif dan negatif. Dampak positif tersebut diantaranya adalah laju pertumbuhan Produk Domestik Bruto Daerah (PDRB) Kabupaten Morowali meningkat signifikan pada periode 2017-2021 diatas 14%, meningkatkan Pendapatan Asli Daerah Kabupaten Morowali pada periode 2017-2021, serta meningkatkan angka Indeks Pembangunan Manusia di Kabupaten Morowali pada periode 2017-2021. Sementara dampak negatif diantaranya adalah pertumbuhan ekonomi yang tidak diiringi dengan penurunan angka kemiskinan di Kabupaten Morowali, peningkatan angka kriminalitas, serta kenaikan harga kebutuhan pokok di Kabupaten Morowali.

Kata kunci: Morowali, Investasi Asing, Nikel.

ABSTRACT

Siti Atyfah Putri Baramuli, “Morowali Regional Government Strategy in Attracting Foreign Investment (Case Study: Chinese Foreign Investment)” under the guidance of **Pusparida Syahdan** as a supervisor I and **Nurjannah Abdullah** as a supervisor II, Department of International Relations, Faculty of Social and Political Sciences, University Hasanuddin.

This study aims to determine the strategy of the Morowali Regional Government in attracting foreign investment, especially from China, and to determine the impact of foreign investment on the Regional Government in Morowali Regency. To achieve the objectives of this study, a descriptive qualitative research method was used by using primary and secondary data obtained through interviews with the Regional Government and Literature Studies.

The results of this study are the strategies the Morowali Regional Government carried out to attract foreign investment, especially from China, consisting of: 1. Preparing local human resources for managing foreign investment, 2. They are issuing regional regulations that facilitate the process of foreign investment, and 3. Communicating with investors regularly. The impact of foreign investment on Morowali Regency consists of two things, namely, positive and negative effects. These positive impacts include the growth rate of Morowali Regency's Gross Domestic Product (GRDP), which increased significantly in the 2017-2021 period above 14%, increased Morowali Regency's Original Revenue in the 2017-2021 period, and increased the Human Development Index in Morowali Regency in the 2017-2021 period. At the same time, the negative impacts include economic growth that is not accompanied by a decrease in poverty rates in the Morowali Regency, an increase in crime rates, and an increase in the price of necessities in the Morowali Regency.

Keyword: Morowali, Foreign Investment, Nickle.

TABLE OF CONTENTS

HALAMAN PENGESAHAN SKRIPSI	ii
HALAMAN PENERIMAAN TIM EVALUASI.....	iii
STATEMENT AUTHENTICITY	
Kesalahan! Bookmark tidak ditentukan.	
PREFACE	iv
ABSTRAK.....	ix
ABSTRACT.....	x
LIST OF TABLE	xii
LIST OF FIGURES.....	xiii
CHAPTER I INTRODUCTION	1
A. Background	1
B. Limitation and Problem Formulation.....	4
C. Research Objectives and Research Benefits	4
D. Conceptual Framework	5
E. Variable Operation	10
F. Research Method.....	11
CHAPTER II FOREIGN INVESTMENT, REGIONAL AUTONOMY & PARADIPLOMACY	13
A. Foreign Investment.....	13
B. Regional Autonomy	20
C. Paradiplomacy.....	29
D. Previous Research	34
CHAPTER III PROFILE, ECONOMIC POTENTIAL & FOREIGN INVESTMENT IN MOROWALI REGENCY	38
A. Profile and Economic Potential of Morowali Regency.....	38
B. Foreign Investment in Morowali Regency.....	48
CHAPTER IV DISCUSSION	58
A. Morowali Local Government Strategy in Attracting Chinese Foreign Investment.....	58
B. The Impact of Foreign Investment on Local Governments in Morowali 73	
CHAPTER V CONCLUSIONS & SUGGESTIONS.....	81
A. Conclusions	81
B. Suggestion	82
BIBLIOGRAPHY.....	83
APPENDIX.....	91

LIST OF TABLE

Table 1: Variable Operation	11
Table 2: Recapitulation of Morowali Regency Year 2022	44
Table 3: Leading Commodity of Morowali Plantation Sector	44
Table 4: Growth Rate of Gross Regional Domestic Product.....	46
Table 5: Number of Poor Population by District/City in Morowali	46
Table 6: Human Development Index by District/City in Province Morowali.....	47
Table 7: Detailed Comparison of Development of several regions.....	48
Table 8: FDI Achievement Data in the first quarter of Central Sulawesi.....	52
Table 9: FDI Achievement Data in the second quarter of Central Sulawesi.....	53
Table 10: Achievement of Investment Targets and Realization of Investment....	54
Table 11: Realization of PAD 2017 to 2021.....	54
Table 12: Distribution of Projects by District in 2022.....	55
Table 13: Business license sector	67

LIST OF FIGURES

Picture 1: Morowali Regency Maps	39
--	----

CHAPTER I

INTRODUCTION

A. Background

The era of economic globalization that is now happening has triggered various changes. Where in facing this era, the regional economy is now in the spotlight, and efforts are continuously being made to strengthen it. Indonesia is a developing country, and building a developing country requires significant capital or investment. Investment in Indonesia started in 1967 when Law No. 1/1967 on Foreign Investment was also issued (HS & Sutrisno , 2008). The Law provides flexibility for foreigners to invest in Indonesia. Since then and until now, foreign investment in Indonesia has mushroomed again. Especially after the government issued various policies to facilitate the entry of foreign investment into Indonesia (Gogali, 2012).

Although foreign investment can be regarded as an opportunity for the region, especially for developing regions, foreign investment also has a negative side to development. In economic development, foreign investment positively contributes to increasing and strengthening economic growth, as well as helping to increase productivity and providing access to foreign markets, developing international production networks, and providing support for transferring technology, skills, and knowledge, so that then it can reduce the unemployment rate due to an increase in the ability and quality of human resources (Kuswanto, Hoen, & Holzhaecker, 2015).

As a developing country, Indonesia, with its abundant natural resources, low labor costs, substantial population, and good economic conditions, has become a country that attracts many foreign investors to invest or invest. Based on a report

published by the OECD, Indonesia is among the 15 largest recipients of foreign investment in 2020, to be precise, at position 14, with investment receipts of US\$18.58 billion (Hatta, 2021).

Regional Autonomy is a requirement to empower regions so that the potential of each region can be developed as well as possible. Based on the principle of separation of powers contained in the regional government, the region has the right to regulate its territory in the broadest possible scope. In addition, a plan is set to be implemented and submitted to the central government (Safitri, 2016). Regulations related to the autonomous rights of each region in Indonesia are listed in the Law or later referred to as Law Number 23 of 2014, specifically in Article 1.

With Regional Autonomy, each region's effective use of natural resources can be increased. In practice, the relevant regional governments can also cooperate domestically and with other countries, providing positive feedback to cooperating countries (Fatoni, 2020).

One of the regions in Indonesia that attract foreign investors is Morowali Regency, one of several regencies that are part of Poso Regency as part of the regional expansion itself, along with two other regencies, in Central Sulawesi Province. One-third of the area in this Regency has a hilly topography, and the rest is flat land, whereas the areas in this Regency are located near the coast, rivers and valleys, hills, and plains. The number of villages directly adjacent to the coast dominates, namely 132, compared to villages located near rivers, valleys, hills, or plains (BPK, 2022).

The nickel mine in Morowali covers an area of more than 200 (two hundred) thousand hectares with a nickel content of up to forty percent. Considering that nickel is a non-renewable resource, although there are hundreds of thousands of hectares of mine in Morowali with mining forecasts for the next 6 (six) decades, Morowali also prepares several other sources of income, such as the plantation, fisheries, and tourism sectors. The considerable potential for nickel mining with the best quality in Southeast Asia has attracted foreign investment, namely China, which resulted in an agreement with the Indonesia Morowali Industrial Park (IMIP) to build a carbon steel (Adiakurnia , 2018).

In addition, Chinese investment is said to encourage industrial growth and development in Indonesia, which also provides the ability to compete in the global market. According to the Minister of Industry of Indonesia, the investment has also reduced the unemployment rate, where many Indonesian workers are absorbed to work at IMIP. However, there are still foreign workers (TKA), considering the technology used in the industry is not yet understood by local workers (Fitra, 2017).

Law no. 37 of 1999 discusses state relations with other countries wherein the President can then give the authority to administer such relations to state officials outside the Minister of Foreign Affairs, other Government Officials, or parties outside the government in its implementation, with a note to continue to consult and coordinate with the Minister.

The existence of foreign investment and Regional Autonomy makes the Regional Government responsible for developing the investment that has entered and can then withdraw foreign investment from other countries. As is the research

case (Thee, 2001), Indonesia, in general, is still unable to manage foreign investment effectively, so it does not positively impact the country's economic growth and development. Based on the explanation above, the researcher is interested in conducting research under the title "**Morowali Regional Government Strategy in Attracting Foreign Investment (Case Study: Chinese Foreign Investment)**"

B. Limitation and Problem Formulation

With the investment or assistance, regions that invest with other countries can develop their territory. Therefore, Morowali Regency can develop and utilize its resources. So that the Morowali Regency Government implements a strategy or effort to bring in foreign investment. In this case, the author limited his research to 2017-2022

With the limitation of the problem, the following formulation of the problem will be discussed in this study:

1. What is the Morowali Local Government's Strategy for Attracting Chinese Foreign Investment?
2. What is the Impact of Foreign Investment on Local Governments in Morowali?

C. Research Objectives and Research Benefits

From the research questions above, the objectives of this research are:

1. To find out the Morowali Regional Government's Strategy in Attracting Chinese Foreign Investment

2. To find out the impact of foreign investment on the local government in Morowali.

This research is expected to provide the following benefits:

1. Practical Benefits

The practical benefit of this research is to provide and increase knowledge and insight for International Relations researchers and can be used by students, lecturers, and society in general.

2. Theoretical Benefits

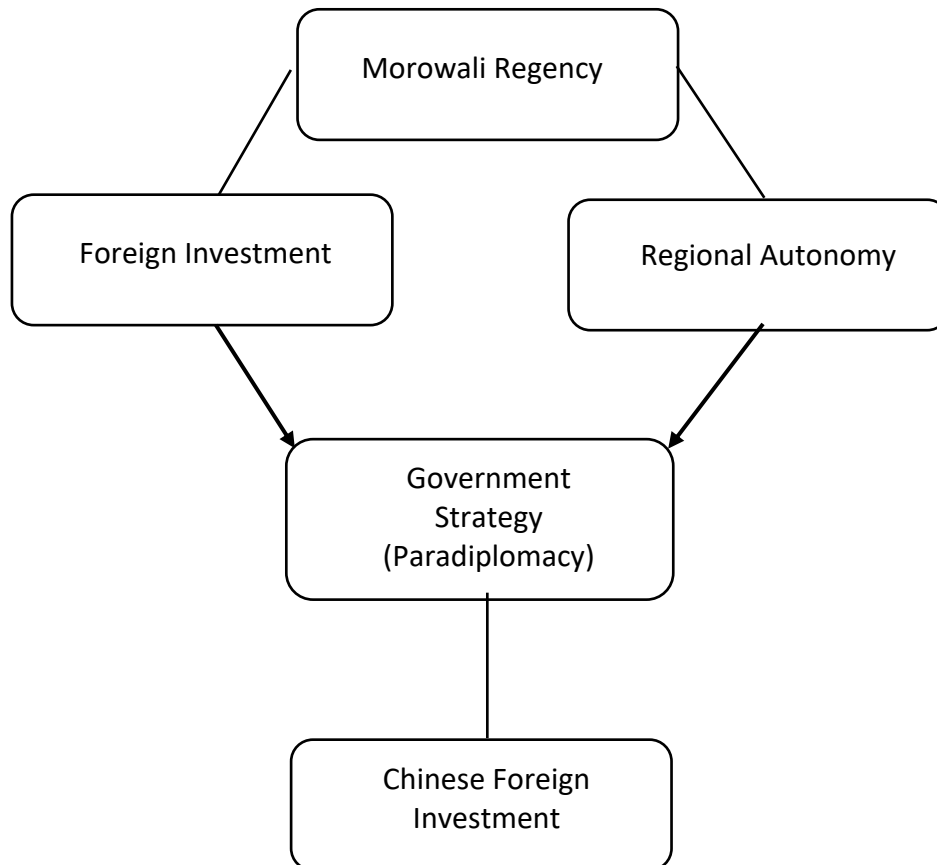
The theoretical benefit of research is to contribute, think and provide concepts, and theories to students of International Relations, as well as a reference or source and additional study material for other parties who want to expand the study of International Relations.

D. Conceptual Framework

A. Foreign Investment

Foreign investment is an activity that converts potential resources into natural economic resources. These resources are regional resources that are worked on and used to promote prosperity evenly (Sanjaya, Wimba, & Kawiana, 2019). Foreign Investment or also called Foreign Investment which is listed and regulated in Law Number 25 of 2007 concerning Foreign Investment, Foreign Investment is an investment activity that conducts business in the territory of the Unitary State of the Republic of Indonesia carried out by foreign investors, either using foreign capital entirely or in cooperation with domestic investors.

**MOROWALI REGIONAL GOVERNMENT STRATEGY IN ATTRACTING
FOREIGN INVESTMENT (CASE STUDY: CHINESE FOREIGN
INVESTMENT)**



According to Sukirno (2010), investment can be interpreted as expenditure or investment expenditure or the ability of a company to purchase capital goods and production equipment to increase the ability to produce goods and services available in the economy. The scale of investment in economic activity is determined by interest rates, income levels, technological progress, forecasts of future economic conditions, and other factors (Sukirno, 2010).

Foreign Investment or Foreign Investment is divided into two components. *First:* Foreign Direct Investment builds and acquires companies. More permanent

and long-term, PMA directly contributes to technology transfer, skill transfer, and opening up new jobs (Sitepu, 2016). *Second:* Indirect Foreign Investment or Foreign Portfolio Investment, Foreign portfolio investment is intended as an investment that is financed abroad but operated by domestic residents with the hope that foreign portfolio investment can improve the domestic economy because the company can receive additional capital without having to wait for profits or the results of the company's operations. With the capital from foreign portfolio investments companies can use it to improve their business or build new businesses that can support the smooth production process to increase production output and increase Indonesia's Gross Domestic Product (Alhusna, 2016). This concept will explain how the impact of foreign investment on a region.

B. Regional Autonomy

Regional autonomy, in general, is a skill in managing their respective regions in terms of development previously handled by the central government. In addition, financial, natural resources, human resources, and renewable technology are also needed for regional autonomy (Santosa & Rahayu, 2005). According to Widarta, regional autonomy is achieved by regulating, sharing, and utilizing national resources, balancing central and regional finances, and empowering regions with accurate and balanced power by democracy, community participation, justice, regional potential, and diversity (Wonda, 2016).

In Law Number 32 of 2004 concerning Regional Government, decentralization is granting government power to autonomous regions. Meanwhile, regional autonomy refers to the autonomous region's authority, obligations, and rights in

regulating regional government and its people as required by law. The definition of decentralization has various kinds and approaches from one country to another. However, overall the notion of decentralization is to transfer authority and duty of government from the central government to local government and the private sector (Rondinelli, 1999). Another understanding also put forward by Turner and Hulme, decentralization in the state consists of the granting of authority by the central government to local governments in regulating and administering services to the community (Turner & Hulme, 1997).

Regional autonomy based on the principle of separation of powers in one country emphasizes the existence of regional independence to regulate and carry out several affairs within its jurisdiction. In this context, regional autonomy does not mean that every policy-making must be independent. Clear rules. The concept of regional autonomy in one state system is based on the power relationship between government units and other governments, including the central government, provincial governments, and district/city governments (Simandjuntak, 2016). Thus, regional autonomy is achieved by providing a broad, actual and proportional power space through the supervision, allocation, and utilization of state resources within the framework of the Unitary State of the Republic of Indonesia (NKRI). Through this concept, the reader can see an explanation of the basics owned by the Morowali Regency Government.

C. Paradiplomacy

Paradiplomacy is still a relatively new phenomenon for the Government in Indonesia. Paradiplomacy refers to the behavior and ability of diplomatic relations with foreign parties in the context of their particular interests by the 'sub-state' or local/regional governments (Mukti, 2013). Paradiplomacy in Indonesia has a broad rule of law because it gives power or authority to local governments (provincial and district/city) to conduct relations with foreign parties. This is based on Law no. 1. Number 24 of 2000 Number 32 of 2004 concerning International Treaties and Laws, which discusses regional government. Two factors play a role in implementing Paradiplomacy, namely structure and actors. These two things are interrelated and influence each other in the government system. The structure, in this case manifests itself in aspects of the bureaucracy or government organization, while the actor can be interpreted as a form of regional leadership. The structure and the actors play a role in the government structure and form a pattern of mutual influence. So in this case, looking at these two things, a paradigmatic diplomacy approach. Is the structure that affects the actor or the actor that can influence the structure so the relationship that will be built and the system that will be formed will depend on these two things. Kuznetsov also explained that Paradiplomacy is a form of political communication between the Regional Government of another country and the Regional Government of a country for cultural, economic, and other interests. According to him, several principles in paradiplomacy can be applied in the area of interest. The first is to establish a department dedicated to international cooperation affairs. The second they are establishing a local office located abroad.

The third is the official visit of the regional Government abroad. Fourth, participating in international events such as forums and exhibitions, and others. Fifth, participate in multilateral and global cross-border regional working groups on specific issues such as sustainable development and transportation. Sixth, local governments are involved in international events organized by foreign countries on the activities of the official delegation of the Central Government (Kuznetsov, 2015).

In language, Paradiplomacy itself comes from the Greek word "para" which means beside, near, and side by side. Some experts believe that Paradiplomacy aims to replicate, complement, or challenge the diplomatic activities carried out by a country (Tavares, 2016). The writing of Paradiplomacy above is evidence of the activities that sub-countries can carry out to cooperate with foreign parties. Therefore, this research tries to explain how the prospect of the Government in attracting foreign investment.

E. Variable Operation

In this study, the author uses two variables: the Independent Variable and the Dependent Variable. The Independent Variable referred to in this study is the Morowali Government Strategy, while the Dependent Variable is Attracting Foreign Investment using the theory of Foreign Investment, Regional Autonomy, and Paradiplomacy. These two variables will be analyzed with a description of the operationalization of the variables as follows;

Table 1: Variable Operation

Independent Variable	Dependent Variable	Theory	Parameter
Morowali Local Government Strategy	Attracting Foreign Investment	Foreign Investment	1. Increase the growth rate of Gross Regional Domestic Product (GRDP) 2. Increase the realization of local revenue 3. Welfare of the Community
		Regional Otonomy	The Government's Basis for Attracting Foreign Investment
		Paradiplomacy	Explaining the Government's efforts to attract Foreign Investment

Source: Processed by Author

F. Research Method

1) Research type

The type of research that will be used is by using a qualitative method. The use of this method aims to explain the results of the study in detail and explained descriptively and analytically. Using a qualitative approach, the author will explain the Morowali Local Government Strategy in Attracting Foreign Investment, especially in the Case Study of Chinese Foreign Investment, and the impact of Chinese foreign investment in this regard.

2) Data Type

The types of data used are secondary and primary data from various written sources, including books, journals, scientific studies such as theses, theses, dissertations, and official media websites that are considered valid to facilitate and support research.

In addition, the authors also process data from interviews with several people related to foreign investment in Morowali. The data collected is from 2017 to 2022.

3) Data Collection Techniques

Data collection techniques in this study were carried out using Literature Research and interviews that were obtained from various sources of data and related information. The data sources in this study are texts, archives, and essential documents whose validity can be accepted or texts from the official website of the government of the country concerned, which the authors then reprocess for analysis.

4) Data Analysis Techniques

Data Analysis Techniques This study used a descriptive approach. The use of this method aims to explain the research results in detail and explained descriptively and analytically and will assist the author in exploring the phenomenon under study and explaining the phenomenon by using data in the form of text and images.

5) Writing Techniques

The writing technique used is deductive writing, in which the author explains the problem under study and then draws conclusions specifically in analyzing the data.

CHAPTER II

FOREIGN INVESTMENT, REGIONAL AUTONOMY & PARADIPLOMACY

A. Foreign Investment

1. Definition of Foreign Investment

Distinguishing between foreign and domestic investment lies in the nationality and place of business domicile. According to Graham and Krugman, Foreign Investment is intended as the ownership of assets by foreign residents to exercise control over these assets. Law 25/2007 defines *Foreign Investment* as an investment activity in the form of a business in the territory of the Republic of Indonesia, carried out by foreign investors, either entirely using foreign capital or jointly with domestic investors. As for what these foreign investors say in Article 1, point 6 of the same Law, individual entities or foreign governments can invest in the territory of the Republic of Indonesia, and what is meant by foreign capital itself is capital owned by foreign investors (Rahma, 2020). Meanwhile, according to Todaro & Smith experts, foreign investment is a type of investment made by foreign private parties, where the funds will be directly used to carry out business activities such as buying raw materials for production or bringing in machines needed by the company (Rahayu & Pasaribu, Faktor-Faktor yang Memengaruhi Foreign Direct Investment (FDI) di Enam Koridor Ekonomi Indonesia: Market Seeking atau Resource Seeking?, 2017).

Increasing investment by adding capital goods can positively impact the economy and increase economic activity. Foreign Investment (FDI), where the

owner of the capital has the right to control the assets by buying majority shares through direct investment. This foreign direct investment can be in the form of the establishment of a branch, the establishment of a company by the main shareholder, the establishment of a company financed by a company located in the country of the investor, and the establishment of a company by a citizen in another country (Utama, 2013). The United Nations Conference on Trade and Development (UNCTAD) defines foreign investment as investment made by companies in that country or companies in other countries to manage company operations (Winantyo, et al., 2008).

According to Ma'ruf and Wihastuti (2008), endogenous growth theory explains that investment in physical and human capital plays a role in determining long-term economic growth. The government's contribution to economic growth can be explained by its effect on changes in consumption or public investment and tax spending (Ma'ruf & Wihastuti, 2008). This theory group also considers infrastructure, laws and regulations, political stability, government policies, bureaucracy, and international communication bases as essential factors influencing economic growth (Ma'ruf & Wihastuti, 2008). Conceptually, the factors that attract foreign investors to invest in the form of FDI compared to other forms of capital in a country are influenced by the condition of the recipient country (pull factors) and the conditions and strategies of foreign investors (push factors). Factors that attract the entry of FDI include market conditions, availability of resources, competitiveness, trade, industry policies, and FDI liberalization policies (in the form of investment incentives). At the same time, pull factors include investment

and production strategies and risk perceptions in the recipient country (Kurniati. et al, 2007).

2. Development of Foreign Investment in Indonesia

The Indonesian people very much need foreign investment because the presence of foreign investment has a positive impact on the development of the nation and state, so the Indonesian government will try its best to bring in foreign investors. Foreign investors coming to Indonesia will bring dollars. With the dollars he brought, he would be able to finance several projects in Indonesia. Investing in projects will significantly influence various fields of national and social life, such as the workforce, improving the community's economy, increasing regional income, and increasing the country's foreign exchange. The amount of foreign investment invested by foreign investors can be divided into two: the new order and reform periods. The new order period started from 1967 to 1997. At the same time, the reform period started from 1998 to 2007.

Development of the number of foreign investments invested by foreign investors and the number of projects financed from 1967 to 1997 amounted to 190,631.7 billion US dollars, and the number of projects financed was 5,999. Meanwhile, data on the development of the number of investments by foreign investors from 1998 to 2006 amounted to 90.054 billion US dollars, and the number of projects was 9.903 (HS & Sutrisno, 2008). To increase the amount of foreign investment, strategic steps are needed, as has been done by the current government, namely the enactment of Law Number 25 of 2007 concerning Investment.

3. Legal Basis of Foreign Investment

In Indonesia, foreign Investment has a legal basis regulated in Law 25/2007 on Investment. It regulates the rights and obligations of foreign investors, as in Articles 8, 10, 14, 15, and 18, which regulates the rights of foreign investors consist of seven rights, including

1. The right to transfer assets owned to anyone as long as it is by the laws and regulations, and not assets that are designated as assets under state control.
2. Transfer and repatriate in foreign currency. This will attract foreign Investment.
3. Can utilize foreign experts to become holders of specific positions and expertise.
4. Have rights and legal protection.
5. Obtain information disclosure about the business being run.
6. The right to service.
7. Various facilities make it easy.

Meanwhile, his obligations include implementing the principles of good corporate governance, being responsible, compiling reports on investment activities and submitting them to the Investment Coordinating Board, respecting community traditions, and complying with all provisions of laws and regulations (Handayani, Upaya Pemerintah Sumatera Selatan Menarik Investor Asing Dalam Kegiatan Penanaman Modal, 2011).

Foreign investors will be subject to sanctions if they do prohibited things. The sanctions are regulated in Articles 33 and 34 of the Capital Market Law in the form of administrative sanctions such as written warnings, restrictions on business

activities, freezing of business activities to revocation of business activities. The one who gives the sanction is the designated agency authorized by law. The law also stipulates that foreign investors who own businesses must be in the form of a PT legal entity, which means that it is not intended for other forms of business entities such as foundations, firms, limited partnerships, or others. This is regulated in Article 5, which states that foreign investment is carried out in the form of a limited liability company based on Indonesian law and domiciled in the territory of the Republic of Indonesia unless the law provides otherwise. In addition, the PT used as a business must also comply with the provisions of Indonesian law (Ikhwan, 2021).

The legal certainty provided by the state to foreign investors is a factor that investors consider not to hesitate in investing their capital. In the Investment Law, in addition to granting rights and obligations to foreign investors, the state also protects them against risks that may occur, especially non-commercial risks, as in Article 4 paragraph 2, which states that foreign investors receive the same treatment as domestic investors. This is by what was agreed by the Government of Indonesia with foreign governments in bilateral agreements formed in the investment guarantee agreement. The government should guarantee legal certainty, business security, and business certainty for investors from the permit process until the end of investment activities. The government must also guard against nationalizing or expropriating ownership rights except by providing compensation whose amount is adjusted to the market price or has been discussed in advance. If there is no

agreement regarding compensation, the amount is determined through arbitration (Winata, 2018).

4. Attractive Factors for Foreign Investors

Transparency of financial information is an important thing that foreign investors will look at when they want to invest because an open market and flexible exchange rates will make it easier for investors to invest. According to the electric approach theory, foreign investment factors are the three necessary conditions: company-specific advantages, internalization advantages, and country-specific advantages (Indiani, 2018). John Dunning describes these two advantages as follows (Madin, 2016).

Company Specific Advantage

- 1) Product differentiation, trademark, or name stamp.
- 2) Manager's skills in marketing or other functions within the company.
- 3) Ownership technology.
- 4) Large size that can reflect economies of scale.

Internalization Advantage

- 1) Advantages of using price discrimination or re-subsidy.
- 2) High fees are used to execute the contract.
- 3) There is a need to control the use of the product.
- 4) The buyer's uncertainty about the value of the technology being sold.

Dunning also concludes that the reasons behind foreign investors investing can be grouped based on market and resource-seeking reasons. Market seeking means that foreign investment is made to find new markets or maintain the old market. In

contrast, resource seeking means that investment is made to obtain production factors in the form of natural resources and labor that are more efficient in other countries than their own countries (Rahayu & Pasaribu, 2017).

5. The Effect of Foreign Investment on Economic Growth

Foreign investment that contributes to economic growth is important for developing countries, including Indonesia, where investment will enable the community to continuously improve their economic activities, increase national income and increase people's prosperity. It is said that foreign investment affects economic growth because it originates from three investment functions in the economy, first, investment becomes one of the components of aggregate expenditure in which an increase in investment will cause aggregate demand and national income to increase so that additional employment opportunities eventually follow. Second, the increase in capital goods as a result of investment can increase production in the future; and the third is because investment always goes hand in hand with technological developments (Asmar, 2015).

According to Rowland, seven benefits can be felt after foreign investment, including (Amri, 2020):

1. Accelerating investment and economic growth due to foreign capital sources.
2. Assisting the ongoing industrialization process.
3. Contribute to the use of funds used for structural improvements to make it even better.
4. Become a trigger for the Indonesian economy to be better.

5. Help absorb more labor.
6. Foreign exchange reserves increase through taxes provided by the company
7. Improving community welfare.

Melnyk, Kubatko, and Pysarenko's research also prove that foreign investment influences a country's economic growth (Amiruddin, 2018).

B. Regional Autonomy

1. History of the Implementation of Regional Autonomy in Indonesia

The first legislation governing local government after the proclamation of independence was Law Number 1 of 1945. This law was made due to various historical considerations of government during the kingdom and colonial rule. The law emphasizes the ideal aspect of people's sovereignty by regulating the composition of regional representative bodies. This law regulates three types of autonomous regions. i.e., place of residence, region and city (Safitri, 2016).

The history of regional autonomy in Indonesia is always marked by the birth of legislation products that replace the previous products. On the one hand, this change marks a dynamic change in Indonesia's regional development direction. However, on the other hand, this can also be understood as a "political experiment" for rulers to exercise power. After Law no. 22 of 1948, several laws concerning regional government emerged during the period of regional autonomy in Indonesia, namely Law number. 1 of 1957 (as the first single law that applies uniformly throughout Indonesia), number. 18 1965 (subject to the broadest possible self-government system) and Law number. 5 of 1974 (Safitri, 2016).

In 1959, the Presidential Decree changed the regional government system by enacting Law Number 6 of 1959. In this law, the government protects the interests of the people and the integrity of regional government by maintaining the politics of decentralization and decentralization. The dualism of administrative sovereignty and regional leadership was abolished. In these two areas, namely, general departments and the central government in the regions are in the hands of civil servants. Second, the areas of autonomy and co-management are in the hands of local governments. The second government needs to be put to one side.

In Law Number 5 of 1974 concerning Regional Government and subsequently Law Number 5 of 1979 concerning Village Administration, it became the central pillar of upholding the centralization of power under the control of power. Maintaining political stability for sustainable economic growth was the main reason the New Order era broke every initiative from the people themselves. Regional autonomy emerged as a potent form of centralization in the New Order era. Decades of centralization in the New Order era did not bring about a change in regional creativity. Very dependent on the central government as for the incomplete independence of planning local government at that time.

At the same time, the last-mentioned law defines the basics of government management, namely the responsibility of the central government in the regions. The principle of autonomy is no longer "true and broad self-government" but "true and responsible self-government." The reason is that the broadest view of regional autonomy can lead to a mindset that can endanger the integrity of the

Unitary Republic of Indonesia. This law has the longest life span of 25 years and was recently replaced by Law No. 22 of 1999 (Safitri, 2016).

2. Concept of Regional Autonomy

Regional Autonomy is defined as a right, authority, and obligation of autonomous regions in regulating and managing their government affairs and the local community's interests by statutory regulations. This delegation of authority means the transfer of authority by delegation or called delegation of authority, which makes the delegates lose their authority so that all authority is in the hands of the recipient. Regional autonomy will increase the region's competitiveness in the form of increasing ability and creativity in solving problems that occur in the region. As expert Mardiasmo suggested that the existence of regional autonomy not only makes local governments carry out instructions from the center but also has the power to increase creativity and develop potential. Hidden (Marit, et al., 2021).

In the context of government research, the term regional autonomy is often juxtaposed with decentralization and is used interchangeably with the concept of decentralization. In fact, in many circles, regional autonomy is decentralization itself. These two words are like coins fused but can be distinguished. The separation of powers essentially questions the power of the executive power of the state, and self-government involves the ownership of rights according to power (ICCE UIN, 2005).

Suwandi formulated the philosophy of regional autonomy as the existence of local governments in democratically creating prosperity, which should be contained in every delegated authority, obtained from public services, both essential services

and leading sector development. The provision of better public services is carried out with decentralization as a tool because decentralization has three main objectives namely (Adrian, 2016):

1. Political goals, creating a supra and political infrastructure based on people's sovereignty, its form can be seen from the direct election of regional heads and legislatures by the people.
2. The purpose of administration is the ability of local governments to carry out their functions to maximize the value of 4E, which consists of efficiency, effectiveness, equity, and economy.
3. Socio-economic objectives are aimed at realizing social media utilization, intellectually and financially, for the community so that welfare is created even more widely.

According to Koesoemahatmadja, there are three well-known teachings of autonomy: material, formal, and accurate (Ardiputra, 2021)

1. Material autonomy is autonomy in which the assignment of affairs from the center to the regions is detailed in a firm, definite and limited manner, as well as the existence of law for the formation of the relevant region.
2. Formal autonomy., when the affairs submitted are unlimited and not *zakelijk*, the affairs that are the household affairs of the region are generally determined in the regional formation law. In addition, the region has the freedom to regulate and manage everything that, according to him, is in the region's interests.

3. Real autonomy, namely the handover of affairs to the regions based on actual or real factors, is adjusted to the needs and the level of ability of a region so that the system implemented is also based on actual conditions and can achieve harmony between tasks and abilities. The law on the formation of regions regulates the affairs of regional authorities in a limited manner. However, regional governments can request additional affairs from the central government to be used as household affairs by adjusting to the abilities and capabilities of the region.

3. Principles of Regional Autonomy

When discussing the basic principles of implementing regional autonomy, there will be three principles of regional governance that are often used in many countries: decentralization, deconcentration, and the principle of co-administration

1) The principle of decentralization is the transfer of power. The Government regulates and manages the affairs of the autonomous regions in the national system of the Unitary State of the Republic of Indonesia.

Viewed from the implementation of government functions, decentralization reflects (Nomensen, 2010):

1. Decentralized units flexibly respond to rapid changes,
2. Decentralized units can carry out their duties more effectively and efficiently.
3. Distributed units are more innovative.

4. Decentralized units encourage the development of ethical attitudes,
Higher commitment, higher and higher productivity

According to R.G. Kartasapoetra (Kartasapoetra, 1987), decentralization is defined as the handover from the center to the regions is a common thing. The handover aims to prevent the centralization of power, finance, and democratization as a government, thus enabling the people to participate in regional government administration. E. Koswara (Koswara, 2001) also states that decentralization is the transfer of government affairs which originally included central government powers to local government agencies or bodies, making them family affairs, so that these affairs are handed over to local governments and become the responsibility of local governments.

- 2) The principle of decentralization According to Law Number 23 of 2014 concerning Regional Government, decentralization is the delegation of part of government affairs that are under the authority of the central government to provincial governors who are representatives of the central government, vertical agencies in certain regions, and in charge of general government affairs which are submitted to Governor and Regent/Mayor.
- 3) Co-administration tasks are co-administration tasks given by the government to districts and villages, provincial governments to districts/cities and villages, and district/city governments to villages to carry out specific tasks. Therefore, the task of co-administration is an obligation to enforce the law, and the scope of its authority has three

characteristics, namely: *First*, the material to be implemented does not include the implementation of households in autonomous regions in the implementation process. *Second*, the autonomous region can adjust according to its characteristics as long as the laws and regulations require it to be possible. *Third*, only autonomous regions can be entrusted with mutual assistance tasks. Although the nature of the co-administration task is only “to assist” and not in the context of “subordinate” relationships, in the management of local governments, there is no right to refuse.

In a broad sense, the government adheres to two principles, the principle of expertise or functionality and the principle of regionalism:

- 1) Principle of Expertise (Functional Principle) The principle of expertise refers to the principle that any directives of the public interest must be submitted to experts for functional implementation, which are included in the composition of the central government, namely, in departments.
- 2) Regional Principles with the development of tasks and interests must be carried out by the central government so that the government can run well. In addition to the abovementioned principles, it is also necessary to adhere to regional principles, which are institutionalized in Decentralization and Deconcentration.

4. Regional Development

What development means is a continuous effort to create conditions that can provide many valid alternatives for every citizen in achieving their humanistic aspirations, which are suggested as an increase in the welfare of the community.

Generally, the goal of development is to create a more independent, advanced, physically and mentally prosperous nation so that it can become the basis for subsequent development and create a just and prosperous society. Of course, in achieving this target, it is necessary to have a driving point that becomes the center of development. In this case, it lies in the economic field to improve the quality of human resources (Kabul & Trigunarso, 2017). In regional economic development, there is one well-known theory, namely the economic base theory, which distinguishes the regional economy into two, namely basic activities and non-basic activities. What is meant by basic activities are activities of exporting goods and services outside the boundaries of the community's economy. In contrast, non-basic activities are activities whose supply is only limited to goods and services people need in the community economy (Ananda, 2017).

Regional economic development is intended as a process in which local governments and all components of the society manage their resources to form and create new jobs and stimulate the development of economic activities in the area. Regional development will occur quickly if the government is to carry out its full function, consisting of a coordinator, facilitator, and stimulator. Coordinator means that the government has the authority to determine the policies and strategies to be developed for regional development, as well as involving community groups to evaluate financial information; Meanwhile, the government as a facilitator means that local governments improve the behavioral environment in their regions to accelerate development, consisting of improving planning procedures, the efficiency of the development process and also set rules. The government acts as a

stimulator means the ability of local governments to stimulate the creation and development of businesses through particular actions that can influence investors to enter the area. This can be realized by providing buildings that can be rented, a regional promotion, or other efforts (Abilawa & Marlina, 2019). Before development is carried out, there is a plan designed to improve the quality of regional development based on accurate and relevant data, and simulation activities are carried out, determining the direction of development policies so that they are maximized so that if problems and obstacles to regional development are encountered, they can be resolved from the start Local Government Policy (Setianingsih, Setyowati, & Siswidiyanto, 2019).

First, it is necessary to know who is meant by the regional government, namely governors, regents, or mayors, as well as regional apparatus that are elements of regional government administration, democratically elected who will play a role in implementing regional autonomy. According to Budirajo experts, *the policy* is a set of decisions taken by actors or political groups to achieve and achieve these goals (Kurniawan, 2019).

In the scope of state administration, local government policy is known as public policy in the region. Public policy is interpreted as everything the government chooses to do and not do or what it says and does not. This has a broader meaning than the limits of the understanding of regional policies regulated in Law 23/2014, where regional policies are based on written legal instruments, regional regulations, regional head regulations, or regional head decisions (Simarmata, 2015).

Public policy is said to be a complex study because it must go through various stages such as identifying and formulating public problems; formulating and scheduling a policy; analyzing a policy; making a decision on a policy; implementing and monitoring policies; policy evaluation, so that later an assessment of the impact and effectiveness of policy implementation can be carried out (Sirajuddin, 2016).

It can be concluded that public policy has several characteristics, such as directing attention to actions that have a specific purpose; containing a plan of activities carried out by government officials is something the government does and can be both positive and negative. To make the policies that have been set effective, it is necessary to implement policies which M. Irfan Islamy divides into two forms, namely (Antika, 2019):

- 1) Self-executing, which means that policy formulation can be implemented by itself, such as the recognition of a country against the sovereignty of another country.
- 2) Non-self-executing, in this case, public policies must be realized and implemented with the help of various parties so that the objectives of policymaking can be achieved maximally.

C. Paradiplomacy

The concept of Paradiplomacy in International Relations began to develop in the mid-1980s. The term paradiplomacy was born due to the increasingly widespread decentralization of power in countries, ultimately giving birth to sub-state actors in international relations. Due to the decentralization of power and

increasing jurisdictional autonomy in domestic affairs, local governments are also involved in foreign policy by establishing contacts with foreign partners at the governmental and non-governmental levels (Duchacek, 1990). So, in simple terms, the concept of paradiplomacy is diplomacy carried out by sub-state actors such as local governments (both provincial or district/city levels) and states (for federal states).

Keating provides a conceptual overview of the increasing involvement of local governments in the international arena. Keating observes their motivations (sub-state actors), the opportunities available to them, the strategies and styles adopted in these activities, and the limits of their activities. Keating places this phenomenon in the context of globalization, free trade, and the interpretation of the realm of domestic and international action. Seeing paradiplomacy as something new from the region's perspective, Keating identifies three motivations why sub-state actors engage in international relations: economic, cultural, and political.

1. First, economically, the region is looking for investment, a market for its products, to modernize its technology, and promote itself as a tourist destination. Sub-state actors also collaborate with small and medium-sized enterprises in different places to take advantage of the same complementarities and synergies that characterize prosperous industrial areas.
2. Second, sub-state actors with their language and culture also seek resources and support in the international arena.

3. Third, sub-state actors have various political reasons for entering the international arena: those with nationalist aspirations seek recognition and legitimacy as something more than just a region. This way, paradiplomacy is distinctly different from conventional state diplomacy: it is more specific and functionally directed, often opportunistic and experimental (Alvarez, 2020).

This growing activity of non-central government (sub-state actors) implies two main challenges, according to Alvarez:

1. First is the articulation of part diplomatic activities with foreign policy. According to Alvarez, the external activity of states or provinces is a very sensitive issue for the central government, either because they perceive paradiplomacy as a challenge to their sovereignty or because of the large number of voices coming from the same country into the international arena makes it difficult to present a national foreign policy. Coherent. In other words, the doctrines of national interest, sovereignty, and territorial integrity, at least in the past, have made the central government oppose paradiplomacy, even though it does not endanger the territory or national borders. If part diplomatic activities continue to develop, both in scope and topic depth, the central government will remain the main actor in international relations. However, this does not mean that the central government can continue to act without regard for new international actors; instead, it must know how to transform itself into a module that articulates pressures between subnational and supranational levels.

2. The second challenge lies with diplomatic actors, who must prepare and plan their international actions. Paradiplomacy is not about governors personally making phone calls or visits abroad. In contrast, paradiplomacy involves actors similar to states, which means that their authorities are elected by and, therefore, representatives of their citizens. Local governments acting internationally, as government entities, consider many non-traditional variables to non-central governments. First, there are international commitments that, although assumed by states, must also be respected by their constituent parts. Similarly, every action implies the expenditure of finite resources. Suppose non-central governments are to be called upon to become new international actors and strengthen cross-border relations. In that case, they need to properly plan any part of diplomatic actions and set clear goals and processes to achieve them. Otherwise, the action can prove futile.

The practice of paradiplomacy in Indonesia is enshrined in Law Number 23 of 2014 concerning Regional Government Article 363 paragraph (1), which reads that "To improve the welfare of the people, the Regions can enter into a cooperation based on considerations of efficiency and effectiveness of public services and mutual benefit," where in this Law it is stated that the cooperation by the Regional Government as referred to in paragraph (1) can be carried out by the Region with institutions or regional governments abroad by the provisions of the legislation.

A derivative regulation that then regulates more specifically regarding the cooperation of local governments with foreign parties is the Minister of Foreign

Affairs Regulation Number 3 of 2019 concerning General Guidelines for Foreign Relations by Regional Governments, which states that such cooperation is possible in the fields of investment, trade, fisheries, manpower, technology, mining, environment, forestry, agriculture, health, education, and other cooperation. Minister of Foreign Affairs No. 3 of 2019 later became a guideline for managing foreign cooperation by the Regional Government.

The governments of all provinces and regions in Indonesia play an active role in international activities, actively respond to the demands of the globalization era, and carry out international cooperation. The rise of international relations and cooperation between local governments directly with foreign countries and other parts of different countries proves that Indonesia's diplomacy paradigm is still running well. In addition to direct cooperation with the countries concerned, apart from foreign aid and direct investment in national target areas, sister city/regional cooperation is also part of Indonesia's unusual diplomatic activities. Sister city/province cooperation, whose activities are usually carried out by several provinces in Indonesia. It is not uncommon for compatriots from various countries and regions to work together by establishing friendly cooperative relations between the two countries (Titiyani , 2014).

In addition, what appears in paradiplomacy is not only a sister city/provincial approach but also foreign direct investment (FDI), a form of foreign direct investment in Indonesia, both in the form of funds and factory construction. Indonesia is a target area for foreign investment (Todaro, 1994). Foreign investment in factory construction is usually a physical form of foreign investment entering

Indonesia and is a form of economic interest for donor countries. Implementing FDI in Indonesia is closely related to regional autonomy because the foreign investment will flow directly to the region concerned. It cannot be denied that it will be in direct contact with regional government policies.

D. Previous Research

Several similar studies are considered relevant. The authors make references and set out in the table as a reference to illustrate the results of this study. The existence of previous research makes the author able to analyze the characteristics of each variable and the method used. The following will describe previous research based on the table above in more detail.

Own research (Handayani, 2011) analyzes the efforts of the South Sumatran government in attracting foreign investors. The researcher argues that to create a good investment climate, local governments must face the problem of dealing with fundamental challenges and also build things that will be successful. The research was conducted with an empirical juridical approach. The results showed that the local government here seeks to attract foreign investors to carry out development in the South Sumatra area, besides that the government also guarantees legal certainty in investment activities, and adding representative offices is also carried out by the South Sumatra regional government which aims as a place promotion, increase cooperation and coordination with related parties, as well as available information with Indonesian embassies abroad as intermediaries regarding the potential and opportunities that exist when investing in South Sumatra. These efforts will not produce results if they are not carried out consistently, so there needs to be a

commitment from regional heads and stakeholders to increase investment activities in South Sumatra to achieve a good investment climate.

Furthermore, there is research with the same object as this study, namely analyzing the effect of government investment and expenditure on economic growth in Morowali Regency (Alfianita, 2017) research using multiple linear regression model analysis, and the data used in the form of secondary data obtained from the Central Agency Statistics and the Financial and Asset Management Agency of the Morowali Region, the results conclude that there is a significant negative effect given by foreign investment on the economic growth of Morowali district, while PMDN has a positive and significant effect on economic growth.

The three studies (Susilo, 2018) which examine the effect of foreign investment on economic growth in the United States, are similar to previous studies which analyzed using the multiple linear regression method, classifying all sectors into 10, in which several sectors have a positive relationship to economic growth. The rest gave a negative but still significant effect.

Owned writing (Adrian, 2016) to find foreign investment models and local government policies towards regional development in North Kaloka Regency. The researcher sees investment opportunities in the object of research because there are several supporting factors, such as the abundance of natural resources, which are the initial capital in the regional development process and accelerate development. Besides that, there is also a one-stop bureaucratic service factor that makes investment easy to enter. And carry out the collaboration process with local governments. The third factor is the opportunity to develop community

development for investment interaction with the community in various fields. However, behind the region's opportunities, there are also challenges to be faced. Answering the goal of wanting to know the investment model, the results show that the applicable model is a direct investment in the form of investment cooperation, where the North Kolaka Regency government through PT. Vale Indonesia entered into a partnership with PT. Masalle Group.

Still related to economic growth, (Alphonsus , Efanga , Hanson, & Ekanem , 2020) examines the impact of foreign investment on economic development in Nigeria. The data is obtained from the World Bank-World Development Indicators 2018 and the Central Bank of Statistics Nigeria in 2018, and the analysis uses the Auto Regressive Distributed Lag model. The results show a positive impact of direct investment on economic development. Although it is not significant, this makes Nigeria needs to provide a conducive environment for conducting business to attract foreign investment inflows. The government may be able to provide a better business environment and also eradicate insurgent activities domestically. The most important thing is to restore the sense of trust that exists in investors to enter Nigeria and invest. If this is successful, foreign investment will increase, leading to an increase in exports and a decrease in the exchange rate.

Furthermore, the research that became the reference was owned by (Dorożyński, Dorożyńska , & Urbaniak , 2015), which focused on the activities of local governments in Lodz, Poland, and compared them with European Union member states in Central and Eastern Europe—carried out to attract foreign investment. This research center consists of four aspects, namely providing a comparative analysis

for the Central and Eastern Europe region; evaluating regional preferences in attracting direct investment; the impact of direct investment on the regional economy, and identifying barriers to entry of direct investment into the area.

The last research referenced by the author belongs to (Imran, 2021) This study aims to identify the challenges and solutions faced in attracting foreign investment to Bantaeng Regency during the leadership of Nurdin Abdullah from 2008-2018. The results of this study indicate that Bantaeng Regency faces many challenges and problems in the efforts or strategies of the local government to attract foreign investment in city diplomacy or paradiplomacy, which can cause foreign investors to be unable to reach an agreement for Japanese investment in Bantaeng Regency.