

The Impact of Logistics Infrastructure on Foreign Direct Investment: Evidence from Indonesia’s Sea Toll Road Program

Yang Jia*

December 2025

Abstract

This paper evaluates the impact of Indonesia’s Sea Toll Road Program (STRP) on the spatial distribution of foreign direct investment (FDI). The STRP consisted of two key components—port development and subsidized shipping routes—but port development represented the core policy instrument and the largest investment component, involving substantial multi-year capital upgrades to 24 strategic ports. Using a panel of 311 coastal regencies and cities from 2012–2019 and difference-in-differences methods, including a staggered difference-in-differences estimator, the analysis reveals that port development generates highly heterogeneous effects on FDI inflows: large and persistent gains appear only in less-developed eastern and low-accessibility regions, where regional FDI inflows increase by approximately 813 percent relative to untreated regions, while effects in well-developed western regions are negligible. These findings highlight the importance of long-term maritime infrastructure investment for reducing spatial inequality in archipelagic economies.

Keywords: Foreign Direct Investment, Maritime Infrastructure, Indonesia, Difference-in-Differences, Regional Development

JEL Classification: F21, F23, O18, R42

*Graduate School of Economics, Doshisha University. E-mail: ctgk0106@mail3.doshisha.ac.jp

I am grateful to my advisor Kensuke Teshima for guidance and encouragement. I also thank participants at the Teshima Seminar at Doshisha University, the JSIE Next Generation Workshop, and the Young JADE Conference for helpful comments. I am grateful to the Ministry of Investment (BKPM) for providing the FDI data. All remaining errors are my own.