

JAPANESE DIRECT INVESTMENT IN KEDAH STATE

by

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ABSTRACT

The relations between Japan and Malaysia have been growing more tight, especially after the boom of the Japanese Direct Investment in Malaysia, after 1985. Nowadays, more than ten thousand Japanese expatriates stay in Malaysia, compared with four or five thousand expatriates in the beginning of 1980s. There are more than 800 Japanese firms in Malaysia, including 400 manufacturing firms.

The significance of the Foreign Direct Investment is bigger than pure investment of capital, for Foreign investment creates jobs, expands trade, introduces new technologies, etc. However, it is difficult to evaluate the total effect of FDI on economy, hence the objective of this research is limited to the analysis of the JDI in Kedah, its Employment creation, Subcontracting network, etc., as well as the prospects for the future of the Japanese firms in Kedah.

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LIST OF ABBREVIATIONS

| | |
|--------|--|
| ASEAN | Association of Southeast Asian Nations |
| DSR | Domestic Sales Ratio |
| EEF | Earlier Established Firms |
| ESR | Export-Sales Ratio |
| FDI | Foreign Direct Investment |
| FPF | Far from Penang Firms |
| FTZ | Free Trade Zone |
| GDP | Gross Domestic Product |
| JACTIM | Japanese Chamber of Trade and Industry, Malaysia |
| JDI | Japanese Direct Investment |
| JER | Japanese Equity Ratio |
| JETRO | Japan External Trade Organization |
| KSDC | Kedah State Development Corporation |
| LCR | Local Content Ratio |
| LEF | Later Established Firms |
| MIDA | Malaysian Industrial Development Authority |
| MNs | Multinationals |
| NIEs | Newly Industrializing Economies |
| NPF | Near Penang Firms |
| REJ | Ratio of Export to Japan |
| REOC | Ratio of Export to Other Countries |
| RPJ | Ratio of Purchases from Japan |
| RPOC | Ratio of Purchases from Other Countries |
| R & D | Research and Development |
| SD | Standard Deviation |
| SMLs | Small and Medium Industries |
| SPD | Sales - Purchase Difference |

| | |
|------|---------------------------------|
| SPW | Sales Per Worker |
| TDI | Taiwan Direct Investment |
| TEM | Total Employment |
| TIN | Total Investment |
| TSA | Total Sales |
| UK | United Kingdom |
| US | United States |
| USDI | United States Direct Investment |