

## 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.