

Do Export and FDI Yield Productivity and Markup Premiums? Evidence from the Japanese Manufacturing Industry

Atsuyuki Kato
Waseda University and RIETI

Abstract

This paper examines the relationship between productivity, markup and development of foreign markets using a rich firm-level dataset of the Japanese manufacturing industry during the period 2000-2010. Using estimates of firm-specific productivity and markup, we investigate if development of foreign markets through export and FDI has premium for their market performance. Our study finds that export has a significant productivity premium but FDI doesn't alone. On the other hand, both are positively related to markup. In addition, export premium varies across the destination markets. Export to Asia shows significant productivity premium while other markets not. For markup, exports to Asia and North America have significant premium. These findings imply that both productivity and markup should be considered in assessing development of foreign market.