

Master's Thesis Abstract

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The Graduate School of Humanities and Social Sciences
Major Program / Course :
• Policy Science Course

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Title

Exports and FDI of International Companies in the time of COVID-19

In December 2019, the novel coronavirus infection, which was first reported in Wuhan, China, is said to be the biggest crisis faced since World War II. To suppress the spread of the coronavirus pandemic, many countries implemented policies such as lockdowns, social distancing measures, and restrictions on the movement of people and goods, including travel bans from overseas. These infection control policies significantly suppressed economic activities, leading to a sudden decrease in the global economy.

The main purpose of this study is to analyze the impact of the novel coronavirus infection on the export and foreign direct investment (FDI) of international companies and to examine the trends and choices of trade and investment by companies under the coexistence with a large-scale public health crisis like the novel coronavirus. The research methodology involves analyzing the investment trends of export and FDI companies after the coronavirus pandemic using theoretical models and comparing them with the paper by Melitz (2003). It is found that after the coronavirus pandemic, export companies require $(1+\tau)$ units of goods to supply one unit of goods to foreign countries, which is higher than the 1 units of goods required before the pandemic.

As a result, the slope of the profit function for export companies after the pandemic becomes less steep compared to that in Melitz (2003), and the productivity threshold for export companies to enter the international market becomes higher than before the pandemic. Regarding FDI companies, the operating costs and fixed costs for entering the market increased after the pandemic, leading to a higher productivity threshold for FDI companies to enter the market compared to before the pandemic.

Therefore, the productivity threshold for export companies and FDI companies to enter the international market increased after the pandemic, resulting in the exit of some export companies from the export market and the exit of some FDI companies from the FDI market to export companies. Furthermore, the companies that exited the export market and became domestic companies were originally the least productive among the export companies, and the companies that exited the FDI market and became export companies were the least productive among the FDI companies before the pandemic.

After conducting a theoretical analysis using the model, an empirical analysis was performed using Japanese company-level data from 1997 to 2023. The empirical analysis showed that after a large-scale public health crisis like the coronavirus pandemic, companies with the lowest productivity among export companies and FDI companies were found to be more affected. It is considered important to implement support policies for companies with the lowest productivity among export companies and FDI companies after a large-scale public health crisis like the novel coronavirus occurs.