

## Market Share and Exchange Rate Pass-through: Competition among Exporters of the Same Nationality

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Using a sample from January 1988 to December 2005 for exports of five Japanese major ports to six destination countries, we examine the effect of market share (with respect to competitors from the same country) on exchange rate pass-through (henceforth, ERPT). Our dataset is unique, allowing us to control for market shares among competing exporters with the same nationality. We provide empirical evidence that the effect of market shares on exchange rate pass-through is consistent with the findings of Feenstra et al. (1996), who show a non-linear relationship between market share and exchange rate pass-through. However, our evidence also indicates that the relationship between market share and exchange rate sensitively relies on market characteristics. With regard to recent studies on declining ERPT, our evidence shows that the ERPTs of Japanese exports are relatively stable over the last two decades and any observed changes are of small magnitude. Especially for the U.S., our evidence indicates that Japanese exports do not account for the recent decline in ERPT of U.S. imports.

Keywords: Exchange rate pass-through; Local ports; Market share.

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