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The effect of COVID-19 on international trade: the case of Spain

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The study of the evolution of the pandemic caused by the COVID-19 and its effect on the economy has been approached from very different perspectives. This article pretends to analyze how the Spanish foreign trade has changed, by considering the most important macroeconomic indicators (imports and exports of goods, touristic and non-touristic services) and the effects on the Trade Balance and the Balance of Payments. The study, however, would not be complete if the overall situation in Spain was not compared to the results coming from the different exporting regions in the country and the most important trade partners in Europe. Only then, could we be able to state if the effects have been similar in all cases.

The literature review shows how the theory of internationalization has evolved from a macro to a micro-economic perspective, placing the focus on the firm's determinants of export performance (Chen et al., 2016; Chugan & Singh, 2014; Sousa et al., 2008; Leonidou et al., 2002). In this way, the profitability of an export venture depends basically on external and internal factors. The first ones come from the environment and have an effect on the business strategy, as managers must consider the evolution of aspects like customer needs, social and political changes, competitors... in order to implement the appropriate strategies. On the contrary, internal factors are developed by the company (in the way of tangible and intangible assets), leading to the company's competitive advantage, which is a way to differentiate from the closest competition.

Other theoretical approaches like the Resource Based View -RBV- (Chien & Tsai, 2021; Collins, 2021; Zhara, 2021; Bouncken et al., 2015) go in the same direction, as scholars determine that companies must develop a series of capabilities (technology, international marketing strategy, human resources...) in order to be competitive. Nevertheless, the most important critics come from the side of the Dynamic Capabilities theory (Hunt & Madhavaram, 2020; Teece, 2018; Pisano, 2017; Ruzzier et al., 2006), as their representatives determine that the environment is constantly changing, and companies must be developing new capabilities every time. Finally, the Contingency Theory (Safari & Saleh, 2020; Putri, 2020; Chen et al., 2016) states that strategies must be adapted to a particular company in a particular moment.

The role of Public Institutions has also been very important during the pandemic, and the Institutional Based View -IBV- (Faria et al., 2020; Elango & Dhandapani, 2020) stands for the support of the Government by developing specific actions, such as the promotion of exports, the introduction of new technologies, or the use of labour or fiscal policies (like Records of Temporary Employment Regulation and tax deferrals) in



order to avoid closures and job losses. Consequently, the role of Governments has turned as fundamental during the pandemic, not only as a way to regulate sanitary conditions, but also as the mechanism to provide the necessary support to the worst affected industrial sectors.

In the case of Spain, plenty of authors have analyzed the COVID-19 scene from the macroeconomic point of view (Pena-Boquete & Dios-Murcia, 2021; de Lucio et al., 2020) and compared the present situation with the crisis in 2008, while others have focused on the foreign sector (Minondo, 2021; de Faria et al, 2021). Conclusions in most cases show that the pandemic has had a deep, but temporary, effect on the economy, something which is consistent with the main conclusions in this investigation.

Regarding the methodology for this investigation, a descriptive analysis has been carried out in order to analyze not only the evolution of imports and exports of goods, but also services (which are considered in a double perspective: touristic, and non-touristic services). To do so, the international trade statistics for goods have been obtained from Estacom and Euroestacom databases, which integrate the information coming from Customs. And the statistics regarding services come from the Spanish Institute of Statistics (INE) and the Bank of Spain. Other sources include Eurostat and the International Monetary Fund, which provide information about the most important economic indicators like GDP or inflation rates. Information about the use of new technologies is also obtained from the regular surveys elaborated by the INE.

The figures of imports and exports of goods show that such imports as exports have been growing up steadily since the beginning of the century, with the only exception of two periods (2008-2010 and 2020) which are associated to the 2008 financial crisis and the pandemic. However, the trade balance has always been negative (imports have been higher than exports), although the gap has been reduced in the last decade. On the other hand, the fall in exports was bigger in 2020 (over 10%), even though the recovery was much quicker (V-shaped behaviour), when compared to 2008. Despite this information, not all sectors were affected the same way. While essential goods (mainly food, drinks, sanitation or healthcare) did not show considerable reductions, others (like consumer goods, industrial products, technology or leisure-related products) were not so lucky. Even regions in Spain presented different results, with Galicia and the Vasc country showing the biggest reductions. Among our main trade partners, France presented decreases in exports above the average (see table 3), quite contrary to what happened in the Netherlands.

The tourism sector is a very important industry within the Spanish economy. Not in vain, its relative contribution to the GDP was over a 12% in 2019. However, the lockdown and mobility restrictions derived from the arrival of the pandemic brought a reduction of exports (tourist services provided to international visitors) to almost zero in the second quarter of 2020, leaving the contribution to the GDP in a 4.3% in 2020. Luckily, this sector is gradually going back to normal as foreign visitors are coming back to the country in 2022, and hotel managers are positive because air traffic is recovering. This is especially important because the sector has traditionally contributed to compensate the negative trade balance (exports and imports of goods), showing a final surplus in the current account balance.

Regarding imports and exports of non-touristic services, which consider chapters like international transport, consultancy and insurance services, the statistics (see table 7 and figure 4) show that both are growing steadily in the last years and, although they play a more modest role than touristic services, their contribution is really important because of the high added value they provide. Regarding the effect of the pandemic, the effect was only temporary, and the positive trend of the last years has already been recovered.

Another important factor to be considered is the use of new technologies as a booster for the digitalization of all kind of companies, which finally reverts in the efficiency of their performance (He & Harris, 2020). These technologies have also been crucial to overcome the difficulties caused by the COVID-19 crisis. In special, the use of CRM and ERP tools, and the development of similar internet-related technologies (like the Internet of things, artificial intelligence or augmented reality), have finally resulted in an increase of digital communications and online sales. Teleworking has also brought important changes to companies during the "isolation period". Thanks to online sales many companies have been able to keep on selling during the isolation periods. In most cases, the digitalization of processes and sales, has also meant a way to keep profit margins. And, of course, nobody can deny that social networks and digital media have released an alternative way to communicate with customers. However, companies are gradually going back to the situation before the pandemic.



Finally, the arrival of the COVID-19 virus has also brought a great amount of instability and volatility to markets all around the world. In this way, companies had to stop production for several weeks, and goods could not be delivered. Consequently, temporary gaps between supply and demand arose, resulting in price rises in some sectors, like international transport, labour or raw materials (Aday & Aday, 2020; Sarkis, 2020). This situation, far from going back to normal, has worsened with the arrival of the war in Ukraine. The result is high inflation values (almost reaching two figures) in some countries like Spain during the first quarter of 2022, with energy costs escalating every week. Companies should, therefore, increase their efforts to improve their market research techniques, as a way to foresee the coming changes. And managers will be responsible to adapt their business strategies to the new scenario, throughout very agile managing techniques.