GEOPOLITICS AND FOREIGN TRADE: AN ECONOMIC–TERRITORIAL VIEW OF THE METROPOLIS OF BARCELONA. A FUNDAMENTAL MUTATION

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1. Introduction

Geopolitics and foreign trade. The thesis: the strategic role of Barcelona's economy in the Spanish and southern European economies

We begin with the fact that the metropolis of Barcelona is formed of a central nucleus, the municipality of Barcelona; a network of industrial cities; proximal (Metropolitan Area of Barcelona, AMB) and orbital services (Metropolitan Region of Barcelona, RMB); with deep historical roots; and a network of European cities defined by the Barcelona–Lyon mega-region, which takes in the cities of the Mediterranean arc.

We will argue that:

The economy needs geopolitics to weave networks of synergy and complementarity between the cities in the mega-region. The aim is to achieve productivity growth based on the interaction between city networks, many of which are endowed with localisation economies linked to industrial activities.

The fundamental mutation is to the nature of Barcelona's external trade. The city has gone from being the capital of protectionism, the reserve of the Spanish internal market, to become a metropolis that is both open to foreign competition and competitive in its own right, and fundamentally geared towards European Union markets.

Unlike the metropolis of Madrid, whose profound trade deficit requires it to attract foreign savings (black hole effect), the metropolis of Barcelona shows the capacity to generate current account surpluses (star effect). This makes it central to achieving external balance in the Spanish economy.

2. The construction of a global metropolis since 1986

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Spain's entry into the European Communities on January 1st 1986, which coincided with Barcelona's nomination to host the 1992 Olympic Games, represents the starting point of the new open and competitive Barcelona based on advanced social strategies (Pasqual Maragall, 1991; Richard Sennet, 2019).

Once the capital of protectionism, Barcelona became an outpost among the European Union's global metropolises. In just 15 years, a major job market was woven around Barcelona that grew into a very powerful network of industrial cities, shaped by the arc of Mataró, Granollers, Sabadell, Terrassa, Martorell, Vilafranca del Penedès and Vilanova i la Geltrú. The metropolis expanded as the target markets for its industrial production exports grew. In just a few years, the metropolis of Barcelona became the leader of Spain's international and interregional trade. The growth of tourism following the 1992 Olympic Games brought additional external stimulus, and Barcelona began to emerge as the open and competitive capital of the Spanish economy.

The growth of the markets determined the size of the metropolis. Barcelona's attractiveness increased, its absorption capacity shrank and the metropolis spread, generating a powerful network of cities. So, since 1986 Barcelona's labour market has undergone a process of metropolitanisation.

And as globalisation advanced, spatial interaction increased. A city network grew, giving rise to the planet's eleventh-largest mega-region by GDP volume: the Barcelona–Lyon mega-region (Figure 1). This is a strategic framework for the south-western European Union, which is the economic and commercial driver of this area of the EU (IERMB, 2016).

3. Barcelona/Catalonia foreign trade: some stylised facts

Barcelona became a global metropolis. This metropolitan and mega-regional reality needs a defined geopolitical strategy in which foreign trade plays a central role.

Defining an economic and territorial strategy is a central task for the AMB and the Barcelona Institute of Regional and Metropolitan Studies (IERMB) (AMB-IERMB, 2012, 2013, 2014, 2015) (IERMB, 2011, 2015). We do not intend to make a synthesis of the strategy here, but it is worth noting that analysis of the external sector of Barcelona's economy has played a key role in its definition.

In this third section, we will take an economic–territorial perspective to highlight some stylised facts that enable us to make a geostrategic reflection of the kind promoted by CIDOB and the AMB on geopolitics and trade.

Each stylised fact is supported by a figure that helps the reader understand its quantitative importance.

Finally, in the fourth section some consequences are identified that are meant to be useful for defining geostrategic priorities.

STYLISED FACT 1. Business leadership

The metropolis of Barcelona is the clear leader in international and interregional trade in the Spanish economy (Figure 2). External demand propelled the emergence from the Great Recession, with Barcelona's economy the main bastion of exportation (AMB-IERMB, 2012; 2013).

An effort was made to substitute domestic demand for external demand as the engine of economic growth. Manufactured goods exports formed the bulk of that external demand. The sudden disruption of the model of attracting foreign savings on which the financing of domestic demand rested (mainly led by the construction sector) meant goods and services exports needed a boost.

It was in this context that Barcelona's economy, with its industrial and export base, began to play a central role in ending the crisis, acting as the effective capital of the Spanish economy (AMB-IERMB, 2011).

Figure 3 shows that Barcelona's economy generates 20% of Spain's exports. Madrid, Valencia and the Basque Country contribute half of what Barcelona does.

STYLISED FACT 2. The great mutation

Since the Great Recession, a fundamental strategic change has taken place in Barcelona's economy and its foreign trade.[1] Historically, the volume of exports to the rest of Spain has been higher than to the rest of the world. Since the Great Recession, however, foreign exports have exceeded those to the rest of Spain (Figure 2). The crisis was exported abroad. Of course, while the share of exports to the rest of Spain decreases, it remains strategically important for its decisive contribution to the external balance, as we will see in Stylised Fact 3.

STYLISED FACT 3. Generally positive trade balance with rest of Spain and abroad

Data for Catalonia show permanent deficits in the foreign trade balance that fluctuate with the economic cycle (Figure 4). By contrast, Catalonia's trade balance with the rest of Spain is systematically in surplus.

Historically, the foreign trade deficit has been offset by the surplus with the rest of Spain. The Spanish internal market is therefore essential to achieving external balance. We may therefore say that this is an economy that is very open to the outside and for which the internal market is essential.

1. The lack of available data for the metropolis of Barcelona obliged us to take data for Catalonia from CIntereg and the Spanish Tax Agency (AEAT).

STYLISED FACT 4. BARCELONA/Star - MADRID/Black hole. Interregional trade

Figure 5 shows Barcelona's significant leadership among the large metropolises and the radically different role it plays to Madrid's economy.[2] Barcelona accounts for around 80% of Catalonia's foreign trade.

Madrid's economy, which is similar in size to Catalonia's (Barcelona), performs an economic function of absorption, while Barcelona's radiates production, balancing the rest of Spain.

Catalonia's interregional trade includes exports of €38.44 bn, imports of €20.22 bn, and a very favourable positive trade balance: €18.22 bn.

It contrasts with the deficit in Madrid's economy, whose exports are €14.58 bn, imports €24.30 bn, and has a deficit of €9.71 bn. The profile of the Valencian economy is similar to Madrid's, with a deficit in interregional trade of €5.46 bn. Madrid stands out for its low export capacity to the rest of Spain.

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STYLISED FACT 5. Intra-industry trade

The composition of intra-industry trade fits the pattern of an advanced economy, with a significant presence of commercial exchanges between particularly important sectors.

Figure 6 presents import and export data for the province of Barcelona, based on AEAT information. The largest ten sectors of activity are shown, ordered according to their economic weight. One conclusion stands out: seven sectors feature in the top ten for both exports and imports, and account for 67% of exports and 64% of imports.

Another notable feature is the volume of intra-industry trade in Barcelona's leading industrial sector: the manufacture of motor vehicles, trailers and semi-trailers, with exports of €11.56 bn and imports of €13.43 bn. The chemical industry is the second-largest sector in terms of both imports and exports. Also notable for its dynamism is the manufacture of pharmaceutical products, which ranks third in exports and fifth in imports.

STYLISED FACT 6. Exports by main destination

Exports from the province of Barcelona by main destination are distributed in a trend pattern in which the European Union internal market predominates. There are signs of a slight decline in its relative weight, but the EU-15, along with the rest of Europe, contributes around 70% of exports (Figure 7). Also noteworthy is the relative growth in the share of China and the BRIC countries as a whole and the rest of the world, but with a far lower volume than European markets.

2. In the absence of homogeneous data at city level, we have used autonomous community series data from C-Intereg.

STYLISED FACT 7. Southern shore of the Mediterranean

In order to identify the next markets with potentially strong future trajectories, the figures for imports and exports of the five economies on the southern shore of the Mediterranean are presented with AEAT data developed by the IERMB (Figure 8). Together, they account for 4.51% of exports and 2.48% of imports.

It should be noted that the data refer not to the whole of Catalonia but to the province of Barcelona, which excludes the significant share of Algerian imports going to the economy of Tarragona.

Overall, the data show relatively low levels given the region's demographic and economic potential. It is therefore essential to deploy a commercial and investment strategy that empowers Barcelona as a promoter of a new economic and demographic reality on the southern shore of the Mediterranean.

STYLISED FACT 8. Effects of COVID-19 on gross domestic product

This chapter cannot be concluded without referring to the effects of COVID-19 on economic growth. There are no precedents in official statistics for such an intense and widespread impact on economic activity as that caused by the outbreak of the coronavirus in February 2020.

Figure 9 shows (very provisional) official information on the differential impact on the Catalan (Idescat), Spanish (INE) and eurozone (Eurostat) economies in the second quarter of 2020. The Catalan economy registered a 21.3% fall in GDP; the Spanish economy, 21.5%, and the euro zone as a whole, 14.01%.

In his appearance at the Commission for Social and Economic Reconstruction of the Congress of Deputies on June 23rd 2020, the Governor of the Bank of Spain, Pablo Hernández de Cos, said that the severity and temporary and global nature of the situation required both shock therapy to attempt to stimulate the productive system to adapt to the new reality in the short term, as well as the adoption of urgent structural reforms in a new, early, ambitious, comprehensive, permanent (with consensus) and assessable strategy, and with the political agreement of several legislatures.

It is noteworthy, in the context of the CIDOB–AMB meeting, that the governor identifies the breakdown of global value chains in a new environment prone to protectionism as a new strategic challenge that will affect the largest industrial sector in Catalonia and Spain: the automotive industry.

STYLISED FACT 9. Consequences of COVID-19 for world trade

Figure 10 shows the year-on-year growth in the volume of the global trade in goods. On the one hand, it shows the evolution of world trade and, separately, that of exports in advanced economies.

A very important conclusion may be drawn from this: a fall in exports from advanced economies is evident that is greater than that recorded in the Great Recession of 2008–2009. The consequences on external trade for the global economy as a whole are half of those registered by the most advanced economies. This duality suggests a poor prognosis for the new trade strategies of these economies, with a potential rise in protectionism.

The Barcelona–Lyon mega-region is a reference framework that can be used to define a strategy based on city networks that is articulated around the Mediterranean axis as an infrastructure priority.

STYLISED FACT 10. The collapse of international tourism

No peacetime precedent exists for the collapse of such a strategic sector of Barcelona's economy as that of international tourism activities.

For tourism activities, the outbreak of the COVID-19 pandemic has brought a generalised collapse of demand. Since the major boost of the Olympic Games, Barcelona has generated a productive base that is not only industrial but also tertiary in nature, with tourism activities playing a very important role.

Addressing its strategic importance requires a precise diagnosis of the situation that is beyond the scope of this study. Figure 11 presents the evolution of international tourism revenues between 2000 and 2019 for the Spanish economy as a whole, along with three possible scenarios for 2020.

It should be noted that, according to the latest INE data, tourist arrivals in Spain have fallen by 75% and tourist spending has dropped by 80%.

4. Geostrategic priorities

A) Barcelona must exercise its function as economic capital of Spain in foreign trade.

B) The Barcelona–Lyon mega-region is a reference framework that can be used to define a strategy based on city networks that is articulated around the Mediterranean axis as an infrastructure priority.

C) The European strategy for the southern shore of the Mediterranean must be redefined, with Barcelona in a leadership role.

D) Barcelona should be at the heart of the industrial policies for overcoming the crisis.

E) In the face of neo-protectionist ideas, Barcelona must promote an open economy model based on inclusive growth, in which employment must be a fundamental political objective.

F) Cooperation is the right instrument for promoting strategies based on city networks.

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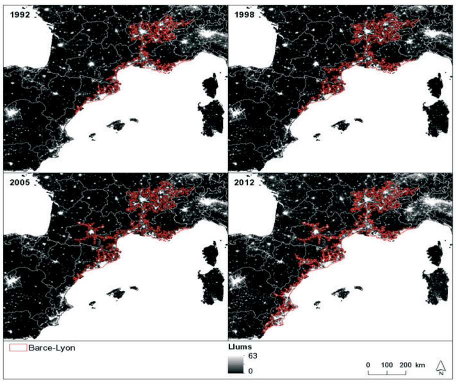
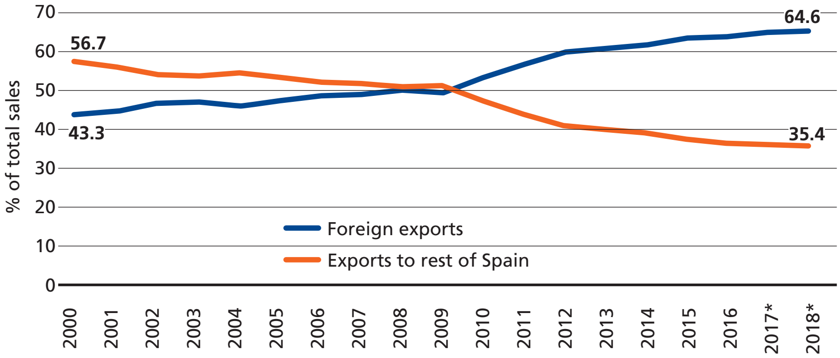
Annexe of figures

Figure 1. Expansion of the Barcelona–Lyon mega-region: 1992, 1998, 2005, 2012



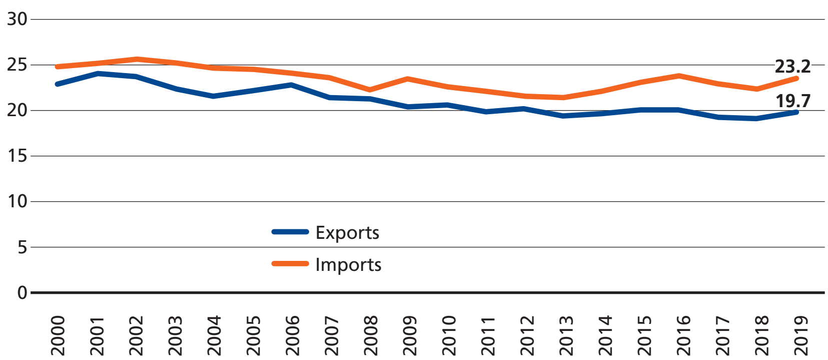
Source: IERMB.

Figure 2. Exports from Catalonia to the rest of Spain and abroad, as % of total, 2000–2018



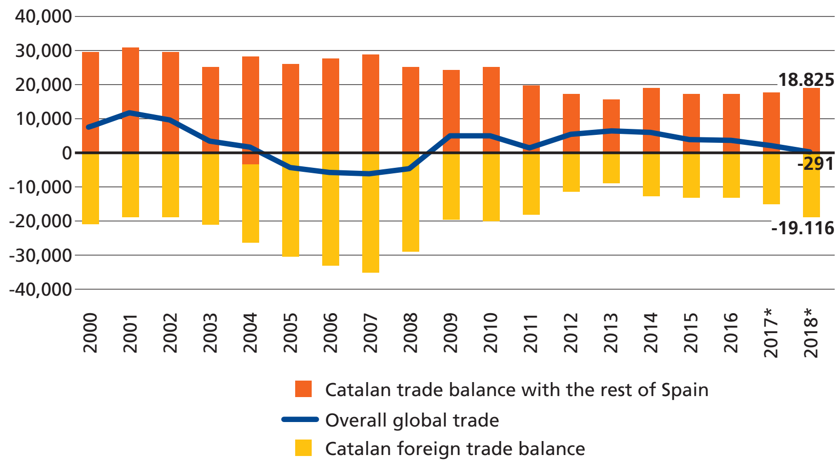
* Provisional estimates of exports to the rest of Spain (2017 and 2018) and abroad (2018).
Sources: IERMB based on AEAT and C-Intereg.

Figure 3. Exports and imports in the province of Barcelona as % of Spanish total, 2000–2019



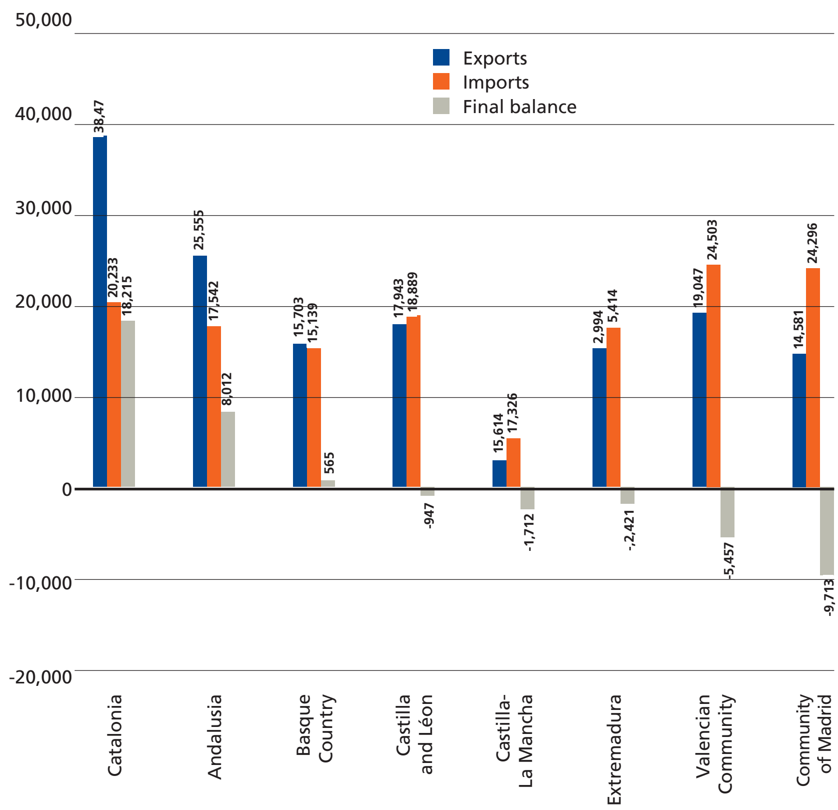
Source: IERMB using AEAT data.

Figure 4. Catalonia's trade balance with Spain and abroad, millions of euros (real), 2000–2018



* Provisional estimates of exports to the rest of Spain (2017 and 2018) and abroad (2018).
Source: IERMB using data from AEAT and C-Interreg.

Figure 5, Interregional trade by autonomous community, 2017



Source: IERMB using data from C-Intereg.

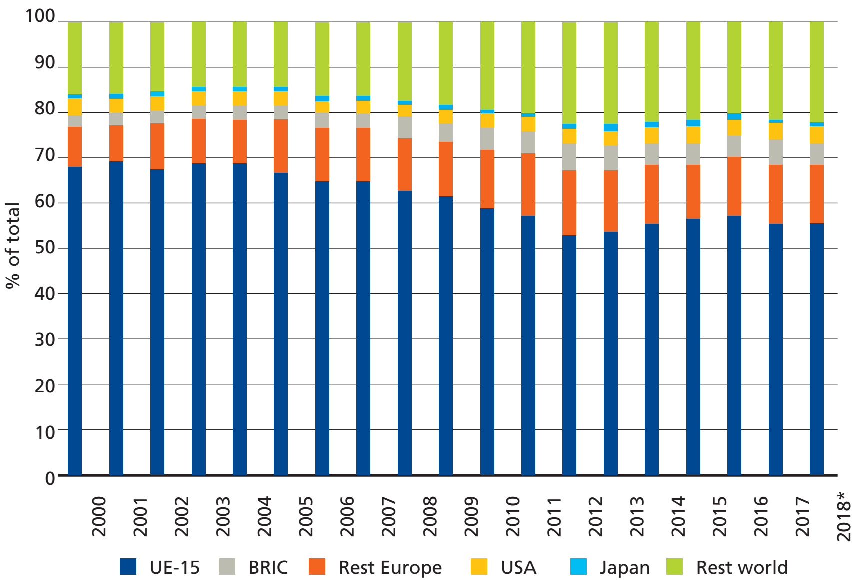
Figure 6. International trade in the province of Barcelona, 2018
Top 10 export/import activities in the province of Barcelona by sector of economic activity, in millions of euros and % of total, 2018.

Exports	2018	% total
Manufacture of motor vehicles, trailers and semi-trailers	11,555	20.7
Chemical industries	8,074	14.5
Manufacture of pharmaceutical products	4,678	8.4
Industrial food production	3,813	6.8
Manufacture of machinery and equipment not elsewhere classified	3,667	6.6
Manufacture of wearing apparel	3,101	5.6
Manufacture of electrical material and equipment	2,616	4.7
Metallurgy; manufacture of basic iron, steel and ferroalloy products	2,152	3.9
Manufacture of rubber products and plastic materials	2,027	3.6
Manufacture of metal products, except machinery and equipment	1,703	3.1
Other sectors	**12,440**	**22.3**
Total exports	**55,827**	**100**

Imports	2018	% total
Manufacture of motor vehicles, trailers and semi-trailers	13,429	18.3
Chemical industries	10,356	14.1
Manufacture of wearing apparel	5,549	7.6
Manufacture of machinery and equipment not elsewhere classified	4,866	6.6
Manufacture of pharmaceutical products	4,708	6.4
Industrial food production	4,500	6.1
Manufacture of computer, electronic and optical products	3,812	5.2
Manufacture of electrical material and equipment	3,559	4.8
Other manufacturing industries	3,229	4.4
Crop and animal production, hunting and related service activities	2,643	3.6
Other sectors	**16,745**	**22.8**
Total Imports	**73,396**	**100**

Source: IERMB using AEAT data.

Figure 7. International trade in the province of Barcelona, 2018



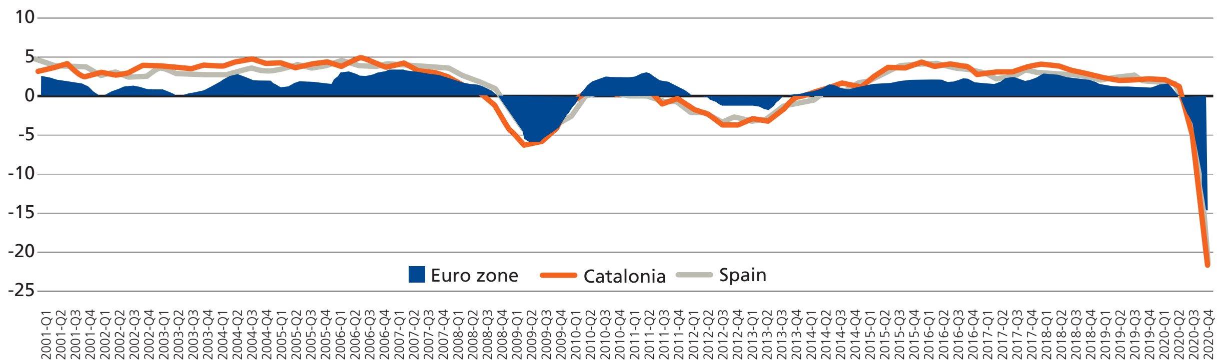
*Provisional data. Source: IERMB using AEAT data.

Figure 8. Exports and imports from the province of Barcelona to five countries on the southern shore of the Mediterranean, euros, 2019

Country of origin/destination	Exports	% Total	Imports	% Total
Morocco	1,074,930,817	1.88	1,379,534,494	1.85
Algeria	829,588,148	1.45	166,676,985	0.22
Egypt	347,259,003	0.61	173,560,942	0.23
Tunisia	269,646,265	0.47	115,922,380	0.16
Libya	58,781,614	0.10	17,130,986	0.02
Total 5 countries	**2,580,205,848**	**4.51**	**1,852,825,788**	**2.48**
Total	**57,187,510,399**	**100.00**	**74,706,847,697**	**100.00**

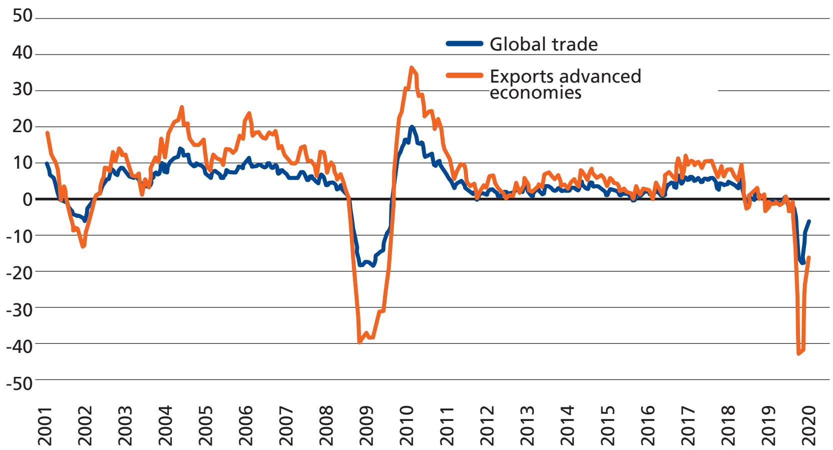
*Provisional data. Source: IERMB using AEAT data.

Figure 9. Gross domestic product, YoY change in volume %, Catalonia, Spain and the euro zone, 2000–2020 (Q2) (seasonally adjusted data)



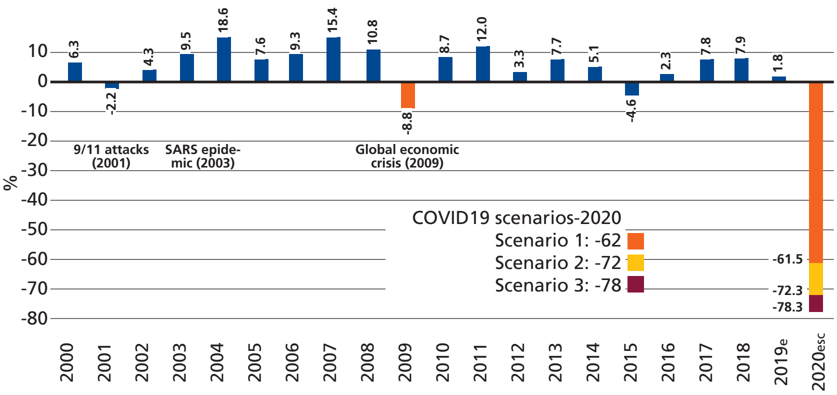
Source: Eurostat, Idescat and INE.

Figure 10. World merchandise trade, YoY volume growth (%) AE, 2001 to 2020 (July)



Source: SOURCE: CPB WORLD TRADE MONITOR.

Figure 11. Income derived from international tourism, % growth (nominal $), 2000 to 2019 and scenarios for 2020



Source: UNWTO, 2020.