



Centre for Economic and Regional Studies  
Institute of World Economics  
Közgazdaság- és Regionális Tudományi Kutatóközpont  
Világgazdasági Intézet

**Working paper**

**260.**

**May 2020**

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**CORONAVIRUS CRISIS – TRADE EFFECTS FOR THE IBERIAN  
AND VISEGRÁD COUNTRIES**

**W P**

Centre for Economic and Regional Studies Institute of World Economics

Working Paper Nr. 260 (2020). 1-33. May 2020

# Coronavirus crisis – trade effects for the Iberian and Visegrád countries

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ISSN 1215-5241

ISBN 978-963-301-700-5



## Coronavirus crisis – trade effects for the Iberian and Visegrád countries

Andrea Éltető<sup>1</sup>

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### **Abstract**

In this paper I describe some characteristics of the foreign trade of two European semi-peripheral regions: the Iberian countries (Spain and Portugal) and the Visegrád countries (Poland, Czechia, Slovakia, and Hungary). Based on the developments in the past decade, some conclusions can be drawn for the coronavirus crisis-effects. Visegrád countries are more integrated into the global production chains with a more significant weight of automotive and electronic industry in trade compared to the Iberian economies. This has caused high trade dynamism but high dependence, concentration too. Therefore, short-term crisis effects will be more severe in manufacturing here than in the other region. However, the composition of the service trade is more favourable for the Visegrád region than for the Iberian countries regarding the crisis-shock. Long-term effects stemming from the reorganisation of GVCs can also favour the Visegrád region.

*JEL:* F23, F15, L23

*Keywords:* Visegrád countries, Spain, Portugal, foreign trade, global value chains

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### **Introduction**

In the first half of 2020, the world has been hit by the coronavirus (COVID-19) epidemic. After China, European countries and the USA also had to suffer severe death tolls. Because of the lockdowns, high global economic costs, serious crises are expected, partly through disruptions in world supply chain and trade. The pandemic caused closures of factories and businesses worldwide, restricts movement of people and goods, disturbing international trade of goods and services.

The primary disturbances were in Chinese industries, and this had an effect on the world trade since China is an important manufacturing hub. China alone represents 16% of world GDP, and 18% of world manufacturing exports (Baldwin-Tomiura, 2020). Industrial parts and components made in China are important to manufacturing

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processes in most nations in the world. The epidemic spread soon to Europe: Italy, Spain, France, the UK and Germany were also hit hard by the virus and the economic lockdown. In these core economies of the EU there are several headquarters of multinational companies, sourcing also from Asia. Many companies today produce in the so called “just-in-time” system with hardly any inventories. The components supplied are often highly specialised and tailored to the needs of the next step in the value chain. As a result, there are often no alternative suppliers to find soon and for the same price as before (Bofinger et al, 2020, Farrell-Newman, 2020)

The coronavirus epidemic has obviously short term and long-term effects on the world economy and trade. (Barua, 2020 describes five waves of consequences, Maliszewska and Mattoo, 2020 describe four kinds of shocks and Baldwin, 2020 speaks about trade collapse waves). In the first months after the outbreak of the epidemic, demand and supply fell as borders were closed, factories and business were shut down, movement of humans and goods were restricted. Although there is an increased level of trade for essential goods (often at a higher price), trade has been reduced for non-essential goods. The coronavirus crisis is a supply and demand crisis at the same time, so world exports and imports will decrease too.

In this paper I describe some characteristics of the foreign trade of two European semi-peripheric regions: Iberian countries (Spain and Portugal) and the Visegrád countries (Poland, Czechia, Slovakia, and Hungary). Based on the developments in the past decade, some conclusions can be drawn for the crisis-effects.

### **Trade slowdown – not in these countries**

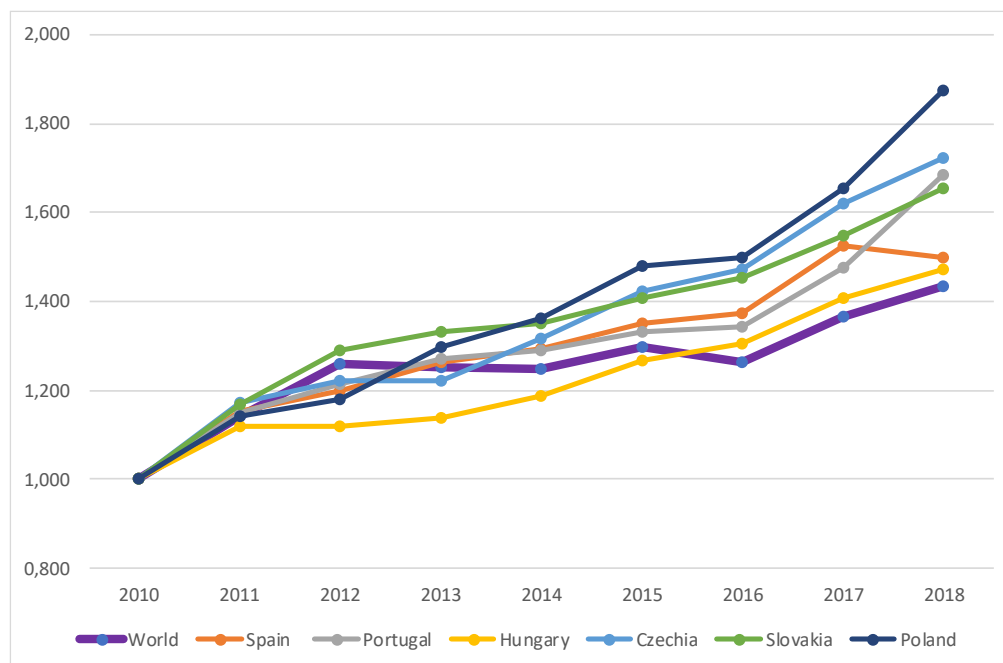
In the past decade, the world exports showed stagnating signs. The slowdown of global trade called the attention of many scholars (Bussière et al. 2013, Ferratino et al. 2014, Hoekman 2015, Van Bergeijk 2017, Constantinescu et al., 2017, 2016, World Bank, 2020). They detected several reasons for this phenomenon, partly cyclical (slowing growth, decreasing demand) partly structural (slowing trade liberalisation, reduced income-elasticity of trade, saturation of global production, political uncertainties). The

reorganisation (shortening) of global value chains is an important factor that has been observed. In some cases, previously offshored production facilities were reshored to the home country or to nearby countries (nearshoring). Relocation of production has had several reasons, like correction of managerial errors, changes in the home or host country environment, stimulating government programs and the application of industry 4.0 elements (Éltető, 2019).

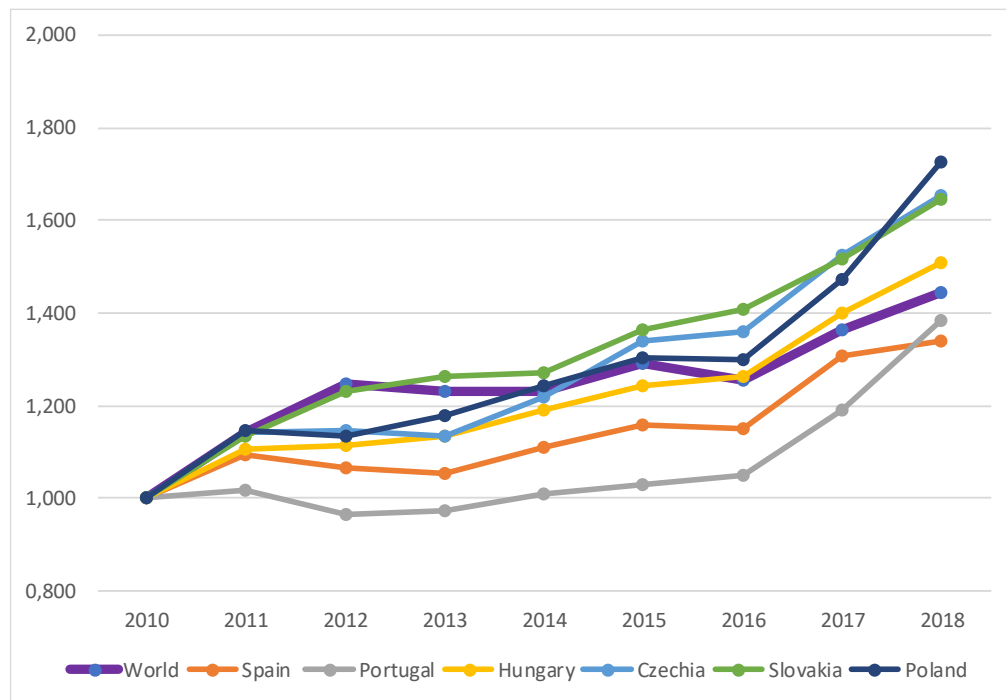
The export slowdown, however, was not apparent in the case of the Iberian and Visegrád countries. As Figure 1 shows, their exports grew above the world export growth even after 2015. Regarding the import, that of the Iberian countries is less dynamic than the world import throughout the decade, but the import of the Visegrád countries increased more than the world import growth.

Figure 1. Increase of foreign trade, 2010 = 1

Export



### Import



Source: Own calculations based on TradeMap data (UN Comtrade)

The main reason for this better-than-average performance is the activity of multinational companies in these economies. Certainly, the figures of gross trade reflect the cross-border deliveries of product parts and components and the intrafirm trade. The Visegrád economies are highly integrated into the global production, their relevant indicators based on value-added trade data (TiVa, WIOD) show extremely high global value chain (GVC) participation (Johnson, R. C., Noguera, G. 2012, Stehrer et al 2012, Foster-Stehrer, 2013). Manufacturing plays a dominant role in Central Europe’s strong positions in overall trade. The ratio of their contribution to European exports (in value added) relative to their share in European GDP is outstanding (Landesmann and Stöllinger, 2019). The Visegrád countries together with Germany and Austria form a “Central European Manufacturing Core” (Stehrer-Stöllinger, 2014, Stöllinger et al., 2018) with an over-proportionate presence in Europe’s exports<sup>2</sup>.

<sup>2</sup> Not only domestic production but transit trade also can increase exports and imports. For example foreign companies import goods (e.g. clothing-footwear) from non-EU areas (Asia) to warehouses located in Poland, and then distribute them to other EU member states.

The share of foreign value added in exports is called “backwards” participation in GVCs and it is very high for in the Visegrád economies (De Backer-Miroudot, 2013, Leitner-Stehrer, 2014, Grodzicki-Geodecki, 2016). The part of the domestic value added in export that goes further to re-export to third countries is “forward” participation (Koopman et al. 2014). The share of this latter is low for the Visegrád countries, compared to others. Altogether, participation in global value chains is more intensive in the case of the Visegrád countries than for the Iberian ones.

### **Service trade**

According to the data of UNCTAD (based on Balance of Payment) Spain is one of the main service trader country within the EU (with more than 2% share in world service exports). The share of services within the total exports is rather high in Portugal and Spain (see Table 1).

*Table 1: Service export share in total exports*

	<b>2000</b>	<b>2010</b>	<b>2018</b>
<i>Czechia</i>	33.21	16.02	15.82
<i>Spain</i>	30.94	30.92	31.18
<i>Hungary</i>	23.30	18.32	21.97
<i>Poland</i>	29.05	33.43	28.55
<i>Portugal</i>	28.93	42.92	42.65
<i>Slovakia</i>	20.43	14.23	13.06

Source: World Bank, World Development Indicators

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Tradeability of services has increased considerably in the last decade. Several services have been digitalised and used via internet. Service-trade liberalisation has continued (Kordalska – Olczyk 2016). Service tasks are also outsourced, with the back office of many developed multinationals in developing countries. In addition, transportation, telecommunications, and financial services facilitate and coordinate the geographic dispersion of production in all sectors. Designs and other services can be performed in one country and finalized and delivered to customers in another (World Bank, 2020).

One must note that it is increasingly difficult to differentiate goods from services. Manufacturing depends more and more from services either as input or bound to end-product sales (this is called „servicification of manufacturing,” Nordås – Kim 2013, Lodefalk 2015, Kelle 2013, Lanz – Maurer 2015). Servicification means the increased use of service inputs by manufacturing firms (outsourcing and offshoring of services), the increase in service activities within manufacturing firms (in-house provision of services) and selling services together with goods as part of “solutions” or “bundles” (Miroudot, 2019). Services are at the beginning (R&D and design) and the end of the value chain (distribution, marketing, and services) but even in the middle, at core production activities, logistics and other services are also needed.

The composition of service trade has changed in the last decade in general: the share of travel and transport decreased, private business services increased. The share of „other business services” has grown to 20-25 percent in the case of the Visegrád countries. On the other hand, the share of travel services is outstanding (40-50%) in the Iberian countries (see Table 2).

During the present coronavirus crisis one part of the service trade (travel) largely decreases, but certain other parts (internet-based communication, ICT, business services) can even increase. In this regard, Iberian countries are in worse position than the Visegrád ones, because travel services represent a high share here in service export. Thus, Iberian service trade will suffer more than that of the Visegrád economies.



Table 2: Composition of service exports %

<b>2017</b>	<b>CZ</b>	<b>SK</b>	<b>HU</b>	<b>PL</b>	<b>ES</b>	<b>PT</b>
Transportation	26.92	29.13	27.66	30.13	15.04	22.45
Travel	29.28	32.20	25.77	24.18	49.03	51.95
Construction services	1.80	1.18	1.39	3.67	1.09	2.20
Insurance services	1.12	0.65	0.12	0.89	1.89	0.46
Financial services	0.19	1.12	1.22	1.94	2.90	0.88
Computer and information services	16.12	13.12	9.19	12.13	9.94	4.91
Royalties and license fees	1.77	0.24	7.46	1.08	1.86	0.48
Other business services	21.97	21.50	23.70	25.04	19.12	15.19
Personal, cultural, and recreational services	0.69	0.43	2.93	1.39	na	0.98
Government services, n.i.e.	0.14	0.43	0.54	0.40	na	0.48

Source: UNCTAD

### **Recession and short-term trade effects**

After the IMF, the European Commission also published estimations for the world economy on the extent of the recession in 2020. According to these, the real GDP will decrease and unemployment will increase significantly in the Iberian countries. Among the Visegrád economies Hungary and Slovakia will have relatively high GDP decrease (see Table 3).

Table 3: Forecasts of the EU Commission for 2020

	<b>Real GDP</b>	<b>Unemployment</b>
Spain	-9.4	18.9
Portugal	-6.8	9.7
Poland	-4.3	7.5
Czechia	-6.2	5.0
Slovakia	-6.7	8.8
Hungary	-7.0	7.0

Source: EU Commission (2020)

During March-May, in the whole EU there is already a sharp contraction of private consumption, investments are postponed and trade has drastically decreased. Recession affects the member states to a different extent. In Spain a sharp export decrease can be expected this year, and recovery for service trade will be longer than that of the goods. In Portugal both exports and imports are projected to drop at double digit rates in 2020. In Slovakia and Czechia, exports of goods are expected to recover rather quickly, together with the restart of automotive production. Poland has a more diversified export structure and after temporary disruption, trade will probably be balanced relatively soon (EU Commission 2020). It should be mentioned that certainly, forecast-uncertainties are higher now than ever.

Let us observe the trade structure of these countries with the EU (intra-EU) and with non-EU areas (extra-EU) according to SITC classification (3 digit), based on the Eurostat Comext database. Table A3 shows the first five export product groups to these directions in 2010 and 2019. Most of our countries' export structure is rather concentrated, so the first five product groups (among 290 ones) adds up to around 30% of all, but in certain cases even to 42-60%. (Also the concentration index calculations of Éltető (2018) prove rather high and increased concentration for most countries in the last fifteen years).

To the EU and to other regions motor cars are the most important export articles for Czechia, Hungary and Slovakia. All five intra-EU export product groups of these three countries belong to the SITC 7 category (machinery and transport equipment). Among the most important extra-EU export products we can find other items too, like rubber tyres (SK) or medicaments (HU). The Slovakian export is highly concentrated to motor cars (giving almost half of the non-EU exports). The Polish leading export product groups contain furniture, cosmetic preparations and plastic articles too. Poland has the least concentrated export structure, the sums of the first five categories are only 16-20%.

During the present crisis, production problems have already been manifested as automotive and supplier multinational affiliates shut down production for a while and dismissed workers. Recovery and upsurge of demand for cars and components could take a long time. As mentioned, Visegrád countries are strongly integrated into the global production chains. There is an economic dependence on the globalised automotive and electronic value chains, which in the present crisis makes these countries especially vulnerable to global production problems.

For Spain and Portugal, motor cars are leading export items towards the EU, but in extra-EU direction petroleum oils are in the first place. We can also find meat, fruits, vegetables, alcoholic beverages, paper among the most important export products. Portugal's export concentration has increased considerably: the leading five product groups' share grew from 21-27% to 40% during the observed period. This is due to the increase of motor cars and components exports to the EU and petroleum product exports to non-EU regions<sup>3</sup>.

The Finger similarity index<sup>4</sup> (calculated from 290 product groups of SITC 3-digit classification) shows that the intra-EU export structure of the Visegrád countries are to 61-69% similar (see Table 2).

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<sup>3</sup> In the port of Sines there is a big oil refinery of Galp Energia and it has become a major energy hub. Portugal does not have own crude oil, it is dependent on imported oil, refining and reexporting it.

<sup>4</sup> Finger index:  $S(ab,c) = \frac{\sum_{i=1}^n \min[X_i(ac), X_i(bc)]}{\sum_{i=1}^n X_i(ac)}$  \* 100 where  $X_i(ac)$  is the share of „i” product group in total export for country “a” and  $X_i(bc)$  is the share of „i” product group in total exports for country “b”. 100 means complete similarity.

The similarity is somewhat lower between Iberia and the Visegrád countries. Also, the similarity is much lower regarding exports to non-EU regions. This means that the Iberian and Visegrád countries export up to 50-70% the same product groups to the EU, while export structures are much more different to the rest of the world.

*Table 2: Value of Finger similarity index in 2019 for export structure, %*

	<b>Intra-EU</b>	<b>Extra-EU</b>
CZ-HU	69.5	63.1
CZ-PL	65.5	55.1
CZ-SK	69.6	51.2
SP-PT	64.8	61.3
HU-SK	61.9	42.8
HU-PL	62.3	51.1
PT-PL	60.7	48.6
CZ-PT	59.1	39.9
SP-PL	58.9	58.7
SK-PL	58.7	39.1
SP-SK	56.7	35.3
SP-HU	56.3	51.1
SK-PT	54.8	31.2
SP-CZ	54.4	48.1
HU-PT	50.2	39.9

Source: Own calculations from Eurostat Comext database

Apart from the disturbances in manufacturing production and trade, the radical decrease of oil prices and decreased demand for petroleum has also damaged the export of Iberian countries. During the first weeks of lockdowns, European oil refineries realised maintenance works, reduced capacities, but later more radical steps can follow.

The largest Portuguese oil refinery at Sines stopped for a month from 4 May, because of the drastic drop in demand. The company lacks enough storage space.<sup>5</sup> As the first (18.7% share) export product of Portugal to non-EU areas is refined petroleum oil, such exports will decrease. The Hungarian MOL's three refineries in Hungary, Slovakia and Croatia are running at reduced rates. (1.5% of Hungarian exports were refined oil products in 2019). In Spain, refinery operators have trimmed rates to meet demand, and the Coruna refinery remained offline after maintenance<sup>6</sup>. (Repsol, the large Spanish oil company began to invest heavily in alternative energy sources, constructing a solar farm.<sup>7</sup>). With 8.8% share, petroleum products are the first item of non-EU exports in Spain and with 4% share the second most important export product to the EU (see Table A3).

The Iberian countries and Slovakia are members of the Eurozone. They do not have the tool of currency devaluation as a kind of export incentive. The three other Visegrád countries can let their currency depreciate, although this is a questionable step, because of the high import-intensity of the economies. From mid-March 2020, the exchange rates of the Polish, Hungarian, Czech currencies vis-à-vis the euro depreciated significantly. On the long term this weakening can increase the danger of the inflation so Central Banks have to maneuver carefully.

### **Long-term effects**

Analysts warn that the coronavirus crisis will be similarly severe as the 1929-33 Great Recession<sup>8</sup>. The coronavirus crisis is different from the previous, 2008 financial crisis, because this time it originates from the real economy, not from the financial sector, being a supply and demand shock at the same time. It is also possible that after the first wave of the epidemic, after easing the lockdowns, newer waves of disease come. This would make the negative economic effects also longer and stronger. As mentioned,

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<sup>5</sup><https://www.reuters.com/article/health-coronavirus-portugal-galp-energia/portugals-galp-to-halt-sines-refinery-for-a-month-due-to-lack-of-storage-idUSL5N2C900N>

<sup>6</sup><https://www.spglobal.com/platts/en/market-insights/latest-news/oil/042220-refinery-news-roundup-maintenance-run-cuts-continue-in-europe>

<sup>7</sup> <https://www.pv-magazine.com/2020/04/27/spanish-oil-giant-begins-work-on-its-first-solar-plant/>

<sup>8</sup><https://blogs.imf.org/2020/04/14/the-great-lockdown-worst-economic-downturn-since-the-great-depression/>

one major feature of the present crisis is uncertainty, the future is largely unpredictable. Therefore, based on the above described characteristics and trends only some possible consequences can be indicated here for the trade-effects in the Visegrád and Iberian countries.

Longer term effects of the coronavirus on trade will be several. Stricter hygiene and bio-safety requirements for goods will prevail to minimize any possibility of disease spread. Demand for shopping, travelling, entertainment, for non-essential goods will remain restricted, as unemployment has grown, people will save money (Baldwin-Tomiura, 2020). Thus goods and service trade will be affected negatively on the long term.

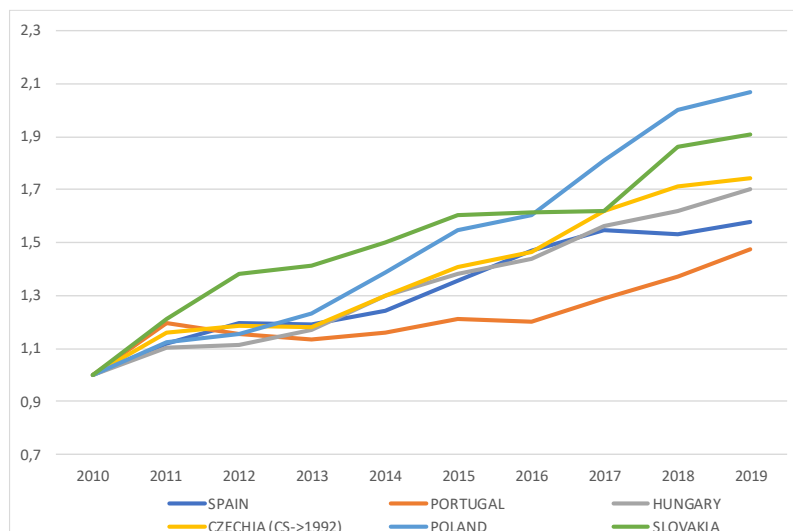
During and after the financial crisis of 2008, Spanish and Portuguese firms strengthened their internationalisation, their export activities as a tool for survival, because domestic demand collapsed. Although domestic demand decreases again in the present coronavirus crisis, now prospects for export expansion are gloomy, even existing trade capacities suffer.

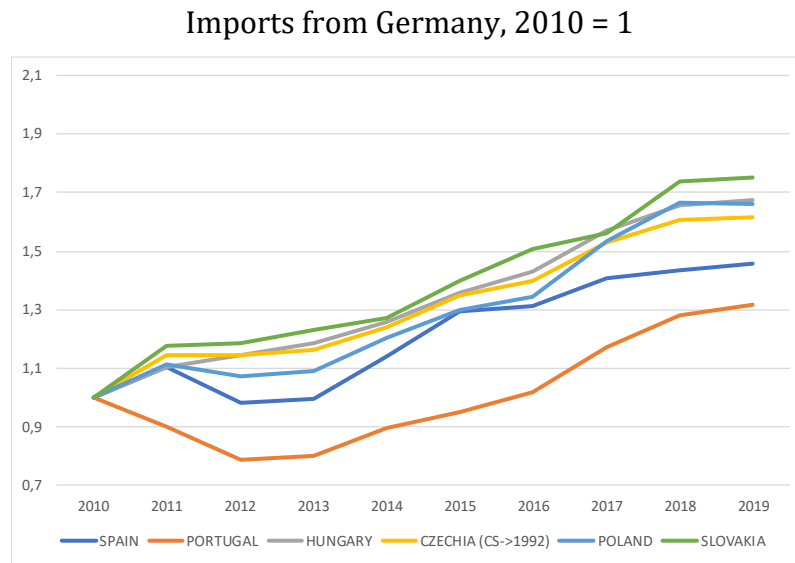
In the years after the financial crisis, Iberian and Visegrád governments intended to boost trade with non-EU regions (like Asia, Latin-America) aiming geographical diversification of exports. In Hungary this policy had the name of “Eastern Opening”. Among the non-EU emerging markets, China was one of the most of important target markets for all countries. However, as proved by Éltető - Antalóczy (2017) significant geographical diversification of exports has not taken place, despite government intentions. In the case of the Iberian and Visegrád economies the share of EU in exports decreased only temporarily and slightly, after which it regained its previous position. Because of the coronavirus crisis, investors and trading firms of these countries may lose enthusiasm towards Asia, so policy makers may rethink trade promotion policies.

*Reorganisation of GVCs – strengthening EU integration?*

The first ten export markets for the given countries can be seen in Table A2. The strong role (in the first place with 22-31%) of Germany for the Visegrád countries is evident. In the past decades Germany became the main trade hub for the Central-European region. Already in the nineties, German companies could benefit from the outward processing regulations of the EU involving Central European firms (Gross, 2013). These early contacts provided good basis for the later inclusion of Visegrád companies in the German-controlled global value chains. In the German economy – that stagnated after reunification – the utilisation of cheaper and skilled Central-European labour could increase productivity and trade of German companies.

*Figure 3: Development of trade with Germany*  
Exports to Germany, 2010 = 1





Source: Eurostat Comext

Figure 3 shows that also during the past decade, the trade of the Visegrád countries with Germany has increased at a much larger pace than the trade of the Iberian economies.

The integration of the Visegrád countries in the German automotive production chains enhanced not only the trade between this region and Germany, but also the intraregional trade, mainly for car components, motors, electronic parts, cars (Molnár et al. 2015). As seen in Table A2, for all Visegrád countries the second export partner is another Visegrád country.

For the Iberian countries Germany is less important as an export market, its share is just above 10% in total exports. For Spain, Germany is the second partner after France and for Portugal the third after Spain and France. Portugal exports are largely (up to 25%) bound to Spain anyway. (The importance of intra-Iberian trade is asymmetrical for the two countries, Portugal is much more dependent on Spain than vice-versa. Natural geography, re-export and global production chains are important factors of intraregional trade (Éltető, 2018)).

During and after the coronavirus crisis, organisation of global production can change. The epidemic made the overdependence of the global manufacturing on China evident. This causes multinational companies to consider shifting their sourcing and production



locations from China. This process has already begun with the shortening and reorganisation trends in the GVCs (Éltető, 2019, Tan, 2020) and now it may increase further. The US and perhaps other governments will probably further promote backshoring (Gruszczynski, 2020). If China (or Asia) weakens as the world's manufacturing and supply chain hub, other nations can even gain in world trade. European (German) multinational companies can increase nearshoring, relocation of production facilities (from Asia) to Europe, which can benefit the Visegrád countries and to some extent the Iberian ones too. Central European countries have already built capacities and practices that makes them prepared to accept new investments and cooperate with multinationals.

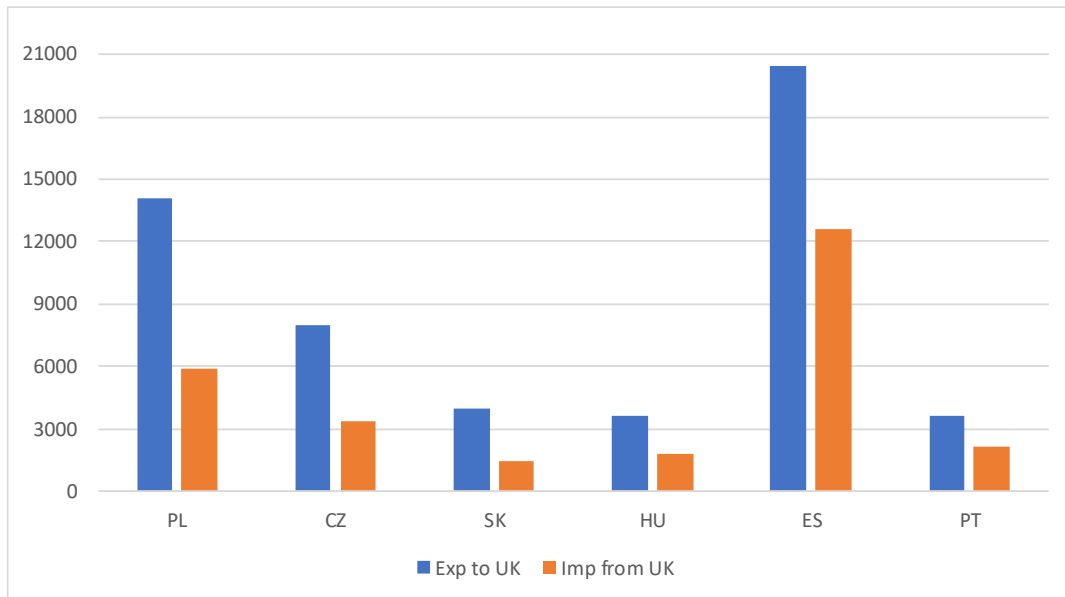
If “Factory Europe” (Baldwin and Lopez-Gonzalez, 2013) will be stronger as a consequence of the GVC reorganisations, also the Central-European Manufacturing Core (Stehrer-Stöllinger, 2014) will be stronger and that will probably enhance intra-regional trade among the Visegrád countries.

#### *Other additional uncertainties*

Before the pandemic, Brexit and trade protectionism made future European trade already uncertain. The ultimate impact of *Brexit* will depend on the nature of the final trade agreement. Many Brexit-effect studies have been published with a range of different scenarios. If there is no general free trade agreement with the EU (hard Brexit), WTO rules will apply (at least for a time while possible bilateral agreements will be valid). WTO tariffs differ substantially across products.

Figure 5 shows the given countries' trade volume with the UK. Exports to the UK are generally higher than imports. Spain has the highest trade with the British, and in the Visegrád group the trade of Poland is significant. The UK is the third export partner for Poland, the fourth for Portugal, the fifth for Czechia, and Spain, the seventh for Slovakia and the tenth for Hungary.

Figure 5: Trade with the UK, 2019, mn euro



Source: Eurostat Comext database

There are various estimations on future trade impacts of Brexit, based on WTO-rules scenario too. Trade also can be rather concentrated to a few products, so counting with average level of tariff can be misleading (Lawless and Morgenroth, 2019). Based on product-level trade and tariff estimations, EU export to the UK would fall by an average 30%. Spanish exports would decrease somewhat more (by 40%) and Slovakian ones by 60%. The two most affected sectors would be food and clothing, but also vehicles. Regarding the decrease of the total exports, this would be around 1-2% for the Iberian and Visegrád countries (for Slovakia above 3%, see Lawless and Morgenroth, 2019).

Calculations on gross trade data, however can be misleading, because of the mentioned cross-border deliveries in global production chains. Gallegati et al (2019) considered these interdependencies and based on the WIOD database they prepared value-added trade-effects estimations. Results show that the UK's service sector is most involved in direct and indirect trade relationships with EU countries, whilst the most important EU industries are in the goods sector. Therefore, Brexit could be risky and costly not just for the UK, but effects could propagate within the European production network (being the automotive sector the most exposed) and affect EU and global businesses.

Not only tariffs, but also non-tariff barriers (NTBs) hinder trade. NTBs can take many forms, including rules of origin, differences in regulation, restrictions on foreign entry, requirements on standards, licences, nationality or barriers on ownership of companies, movement of professionals, etc. According to estimates (enumerated in Bisciari, 2019) an EU exporter would face on average 12-13 % NTBs when trading with the UK.

Higher trade costs may result in higher prices and/or lower exchanged volumes (trade destruction) and trade diversion to other partners. In a hard Brexit scenario, the UK will no longer benefit from existing EU free trade agreements with third parties. On the other hand, if the UK leaves the EU Customs Union it is free to conclude free trade agreements with the same or other countries.

Regarding the ranking according to trade and GDP losses, Visegrád countries and Iberians are in the middle, around EU average. Estimated GDP losses are not high, around 0.2-0.3%. (Bisciari, 2019). However, a common feature of estimations is uncertainty and the magnitude of the results depends on the model specifications. Forecasted costs are much higher for the UK than for the EU, and our observed countries are not those who would strongly suffer from trade fall after Brexit.

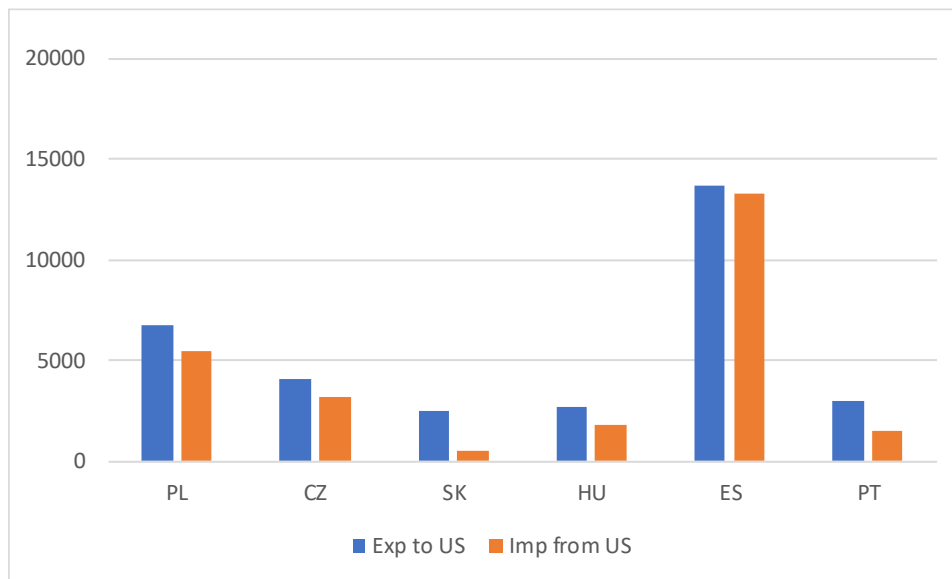
The *protectionist economic policy* of president Trump was manifested also in US trade restrictions against China. Thus, the main protagonists of the current trade war are the world's two largest economic powers. Because of the complex nature of the economies and the variety of products covered by tariffs, this trade war directly and indirectly affects many Chinese, American, and foreign companies alike. It is likely that trade wars become the rule for the USA to treat trade issues, at least until the present presidency lasts (Goulard, 2020).

The trade war between the USA and China brought policy uncertainty, and has begun to disrupt GVCs (World Bank, 2020). It can have negative consequences on the European companies in China. The decreasing confidence and the higher uncertainty about the world economy could have adverse indirect effects on European economies. The European Union is the largest export market for US industrial products, and the United States is the EU's largest export market. Vehicle exports to the United States are particularly important for the EU (accounting for 13% of total exports to the US), while

aircraft exports to the EU are especially significant for the United States (accounting for 10.6% of the total). In some sectors, such as vehicles and machinery, the United States has a considerable bilateral trade deficit (Viani, 2019).

The trade tariff structure between the EU and the USA is very uneven. European Union tariffs on US imports are quite high for certain products such as vehicles, chemical products and aircraft. This is the argument used by the US administration to defend the imposition of possible offsetting measures. So far, the direct impact on EU trade of the protectionist measures adopted by the United States has been only marginal, but high risks persist in the automotive sector.

Figure 6: Trade with the US, 2019, mn euro



Source: Eurostat Comext database

Figure 6 shows that trade values with the US are lower than with the UK for the Iberian and Visegrád countries. Again, Spain and Poland stand out among the economies, and exports are usually somewhat bigger than imports. Tariffs on cars could have a significant impact in a sector that is already facing serious challenges stemming from the structural and technological transformation of the industry. Counting with a 25% US tariff on imports of vehicles and auto parts, in the long term, US protectionist measures could significantly reduce the automotive industry's value added in several European

countries. Regarding Central Europe, Hungary's value added would shrink the most, by 4.5%, while for Spain the effect would be more limited (1.7%) because car exports to the United States account for just a small fraction of the total (Viani, 2019).

## **Conclusions**

The so-called “semi-peripheries” of the EU, the Iberian and the Visegrád countries are often compared in their development and integration. Their foreign trade has been more dynamic than the average in the past decade. After the previous financial crisis of 2008, exports regained momentum soon and remained significant.

Based on the developments in the past decade, some conclusions can be drawn for the coronavirus crisis-effects. Visegrád countries are more integrated into the global production chains with a more significant weight of automotive and electronic industry in trade compared to the Iberian economies. Calculations based on value-added trade data show that in manufacturing these Central European countries belong rather to the EU-core. This has caused high trade dynamism but high dependence, concentration too. As a consequence, short-term crisis effects will probably be more severe in manufacturing here than in the other region.

However, the composition of the service trade is more favourable for the Visegrád region than for the Iberian countries regarding the crisis-shock. The share of travel (tourism) that is strongly affected by the epidemic is very high in the Spanish and Portuguese service exports, while in the case of the Visegrád economies business services are significant.

Although the future development of European trade is uncertain (because of Brexit and trade war), long-term effects of the pandemic stemming from the reorganisation of GVCs can favour the Visegrád region. European multinational headquarters will probably withdraw production capacities from China (Asia) and thus regionalisation of GVCs can be strengthened further. This can enhance nearshoring, relocation of plants and offices to Central Europe. It depends also on Visegrád countries' policymakers to what extent these economies can benefit from this trend.

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**Annex**

Table A2: Main export partners in 2010 and 2019

	Spain			Portugal	
	2010	2019		2010	2019
FRANCE	18.48	15.30	SPAIN	27.01	24.91
GERMANY	10.66	10.83	FRANCE	12.00	12.99
ITALY	8.98	7.81	GERMANY	13.02	11.95
PORTUGAL	8.96	7.42	UK	5.47	6.08
UK	6.28	6.85	USA	3.55	5.05
USA	3.40	4.61	ITALY	3.70	4.48
NETHERLANDS	3.20	3.30	NETHERLANDS	3.87	3.92
BELGIUM	2.87	2.89	BELGIUM	2.60	2.32
MOROCCO	1.78	2.85	ANGOLA	5.11	2.07
CHINA	1.37	2.28	POLAND	0.87	1.31

	Poland			Czechia	
	2010	2019		2010	2019
GERMANY	26.09	27.58	GERMANY	32.35	31.89
CZECHIA	5.98	6.11	SLOVAKIA	8.58	7.62
UK	6.27	5.99	POLAND	6.11	6.05
FRANCE	6.76	5.82	FRANCE	5.33	5.11
ITALY	5.92	4.59	UK	4.93	4.51
NETHERLANDS	4.38	4.40	AUSTRIA	4.73	4.31
RUSSIA	4.18	3.15	NETHERLANDS	3.68	3.82
USA	1.82	2.87	ITALY	4.42	3.81
SWEDEN	2.96	2.79	HUNGARY	2.30	3.27
HUNGARY	2.83	2.76	SPAIN	2.38	3.19

	Slovakia			Hungary	
	2010	2019		2010	2019
GERMANY	18.94	22.19	GERMANY	24.97	27.74
CZECHIA	13.96	11.93	SLOVAKIA	5.33	5.30
POLAND	7.43	7.83	ROMANIA	5.37	5.21
FRANCE	6.74	6.34	ITALY	5.54	5.12
HUNGARY	7.34	6.09	AUSTRIA	4.88	4.74
AUSTRIA	6.90	5.79	FRANCE	4.99	4.28
UK	3.67	4.51	CZECHIA	3.45	4.28
ITALY	5.44	5.77	POLAND	3.67	4.27
USA	1.46	3.28	NETHERLANDS	3.27	3.48
SPAIN	2.50	2.87	UK	5.40	3.29

Source: Eurostat Comext database

Table A3: First 5 export product groups to the EU and to other areas

SITC no.	Intra-EU		SITC no.	Extra-EU	
	2010	2019		2010	2019
<b>CZ</b>					
781	9.76	11.48	781	7.73	10.88
784	6.93	8.19	764	2.40	6.35
752	6.44	6.58	752	8.07	6.29
764	2.49	6.54	784	5.90	6.18
772	2.52	2.78	772	3.48	3.99
Sum	28.14	35.56		27.59	33.69
<b>HU</b>					
781	4.62	9.82	781	3.37	5.97
784	4.01	5.99	343	0.33	3.66
713	6.74	5.90	542	5.84	5.22
764	9.95	4.92	772	2.16	3.90
772	3.17	4.38	764	25.97	5.65
Sum	28.49	31.02		37.67	24.40
<b>SK</b>					
781	10.94	22.32	781	31.06	47.96

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761	12.73	6.32	764	7.92	4.61
784	4.91	6.09	625	0.82	3.20
764	3.86	5.80	761	5.64	2.25
778	1.07	2.17	743	2.50	2.18
Sum	33.50	42.70		47.95	60.20
<b>PL</b>					
784	5.61	6.26	714	2.33	4.81
821	5.48	5.46	793	7.96	3.31
781	6.15	2.89	821	3.05	3.09
893	2.05	2.66	784	2.99	2.89
752	2.62	2.57	553	3.04	2.30
Sum	21,91	19,83		19,36	16,40
<b>ES</b>					
781	13.07	13.72	334	11.93	8.83
334	2.63	4.05	542	5.06	4.66
057	3.71	4.02	781	3.95	4.04
784	4.70	3.59	784	2.81	2.89
054	2.91	3.11	012	0.54	2.67
Sum	27.02	28.48		24.29	23.09
<b>PT</b>					
781	5.92	14.28	334	15.20	18.68
784	6.03	10.87	641	3.92	5.81
851	4.65	5.58	792	1.20	5.12
821	2.97	5.49	112	4.03	4.80
334	2.34	5.22	633	2.97	4.33
Sum	21.91	41.43		27.33	38.74

Source: Eurostat Comext

Description of SITC product groups of *Table A3*

012	OTHER MEAT AND EDIBLE MEAT OFFAL, FRESH, CHILLED OR FROZEN
054	VEGETABLES, FRESH, CHILLED, FROZEN OR SIMPLY PRESERVED, FRESH OR DRIED
057	FRUIT AND NUTS (NOT INCLUDING OIL NUTS), FRESH OR DRIED
112	ALCOHOLIC BEVERAGES
334	PETROLEUM OILS AND OILS OBTAINED FROM BITUMINOUS MINERALS (OTHER THAN CRUDE); PREPARATIONS, N.E.S.
343	NATURAL GAS, WHETHER OR NOT LIQUEFIED
542	MEDICAMENTS (INCLUDING VETERINARY MEDICAMENTS)
553	PERFUMERY, COSMETIC OR TOILET PREPARATIONS (EXCLUDING SOAPS)
633	CORK MANUFACTURES
625	RUBBER TYRES, INTERCHANGEABLE TYRE TREADS, TYRE FLAPS AND INNER TUBES FOR WHEELS OF ALL KINDS
641	PAPER AND PAPERBOARD
713	INTERNAL COMBUSTION PISTON ENGINES AND PARTS THEREOF, N.E.S.
714	ENGINES AND MOTORS, NON-ELECTRIC (OTHER THAN THOSE OF GROUPS 712, 713 AND 718); PARTS, N.E.S
752	AUTOMATIC DATA-PROCESSING MACHINES AND UNITS THEREOF; MAGNETIC OR OPTICAL READERS
761	MONITORS AND PROJECTORS, RECEPTION APPARATUS FOR TELEVISION
764	TELECOMMUNICATIONS EQUIPMENT, N.E.S., AND PARTS, N.E.S., AND ACCESSORIES OF APPARATUS FALLING WITHIN DIVISION 76
772	ELECTRICAL APPARATUS FOR SWITCHING OR PROTECTING ELECTRICAL CIRCUITS OR FOR MAKING CONNECTIONS TO OR IN ELECTRICAL CONSOLES, DESKS, CABINETS AND OTHER BASES, EQUIPPED WITH TWO OR MORE APPARATUS FOR SWITCHING
778	ELECTRICAL MACHINERY AND APPARATUS, N.E.S.
781	MOTOR CARS AND OTHER MOTOR VEHICLES PRINCIPALLY DESIGNED FOR THE TRANSPORT OF PERSONS
784	PARTS AND ACCESSORIES OF THE MOTOR VEHICLES OF GROUPS 722, 781, 782 AND 783
792	AIRCRAFT AND ASSOCIATED EQUIPMENT; SPACECRAFT (INCLUDING SATELLITES) AND SPACECRAFT LAUNCH VEHICLES; PARTS THEREOF
821	FURNITURE AND PARTS THEREOF; BEDDING, MATTRESSES, MATTRESS SUPPORTS, CUSHIONS AND SIMILAR STUFFED FURNISHINGS
851	FOOTWEAR
893	ARTICLES, N.E.S., OF PLASTICS

Table A4: First 5 import product groups to the EU and to other areas

SITC no.	Intra-EU		SITC no.	Extra-EU	
	2010	2019		2010	2019
<b>CZ</b>					
784	5.31	7.32	764	10.50	19.83
764	2.53	3.89	752	8.64	10.36
772	2.71	3.31	333	13.89	8.62
542	2.80	2.94	784	2.35	3.60
752	3.05	2.75	776	7.28	3.08
<b>Sum</b>	<b>16.40</b>	<b>20.21</b>		<b>42.66</b>	<b>45.49</b>
<b>HU</b>					
784	3.96	5.96	764	27.09	11.48
776	3.80	4.13	333	10.45	8.85
781	2.47	4.04	343	8.75	7.38
772	3.00	3.47	778	3.97	3.64
542	3.56	3.38	759	2.17	3.58
<b>Sum</b>	<b>16.79</b>	<b>20.96</b>		<b>52.43</b>	<b>34.93</b>
<b>SK</b>					
784	8.09	14.48	764	19.66	14.34
764	5.14	8.21	333	16.81	12.89
781	3.48	3.87	784	4.87	8.19
821	1.41	2.94	343	12.87	4.65
713	1.80	2.68	713	2.24	4.59
<b>Sum</b>	<b>19.93</b>	<b>32.18</b>		<b>56.45</b>	<b>44.66</b>
<b>PL</b>					
781	3.83	6.03	333	23.55	14.52
784	4.04	4.27	764	5.75	5.14
542	3.45	2.58	999	6.48	4.04
764	3.66	2.57	778	1.23	3.17
641	2.33	1.97	334	0.99	2.19
<b>Sum</b>	<b>17.31</b>	<b>17.41</b>		<b>38.02</b>	<b>29.06</b>

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<b>ES</b>					
781	4.71	7.64	333	22.41	18.62
784	7.20	6.95	343	7.46	4.88
542	4.58	3.66	842	1.97	3.18
799	1.99	2.23	781	1.87	2.82
713	1.95	2.20	845	2.01	2.82
<b>Sum</b>	<b>20.44</b>	<b>22.68</b>		<b>35.72</b>	<b>32.32</b>
<b>PT</b>					
781	7.56	7.39	333	35.72	25.25
784	4.23	5.14	343	4.11	6.43
792	0.28	4.35	334	3.50	2.93
542	3.72	3.13	776	0.53	2.88
764	1.97	2.39	764	2.63	2.45
<b>Sum</b>	<b>17.75</b>	<b>22.40</b>		<b>46.49</b>	<b>39.94</b>

Source: Eurostat Comext

Description of SITC product groups of *Table A4*

333	PETROLEUM OILS AND OILS OBTAINED FROM BITUMINOUS MINERALS, CRUDE
334	PETROLEUM OILS AND OILS OBTAINED FROM BITUMINOUS MINERALS (OTHER THAN CRUDE); PREPARATIONS, N.E.S.
343	NATURAL GAS, WHETHER OR NOT LIQUEFIED
542	MEDICAMENTS (INCLUDING VETERINARY MEDICAMENTS)
641	PAPER AND PAPERBOARD
713	INTERNAL COMBUSTION PISTON ENGINES AND PARTS THEREOF, N.E.S.
752	AUTOMATIC DATA-PROCESSING MACHINES AND UNITS THEREOF; MAGNETIC OR OPTICAL READERS
764	TELECOMMUNICATIONS EQUIPMENT, N.E.S., AND PARTS, N.E.S., AND ACCESSORIES OF APPARATUS FALLING WITHIN DIVISION 76
772	ELECTRICAL APPARATUS FOR SWITCHING OR PROTECTING ELECTRICAL CIRCUITS OR FOR MAKING CONNECTIONS TO OR IN ELECTRICAL CONSOLES, DESKS, CABINETS AND OTHER BASES, EQUIPPED WITH TWO OR MORE APPARATUS FOR SWITCHING
776	THERMIONIC, COLD CATHODE OR PHOTO-CATHODE VALVES AND TUBES
778	ELECTRICAL MACHINERY AND APPARATUS, N.E.S.
799	ADJUSTMENTS (TRADE BROKEN DOWN AT CHAPTER NC LEVEL ONLY)



781	MOTOR CARS AND OTHER MOTOR VEHICLES PRINCIPALLY DESIGNED FOR THE TRANSPORT OF PERSONS
784	PARTS AND ACCESSORIES OF THE MOTOR VEHICLES OF GROUPS 722, 781, 782 AND 783
792	AIRCRAFT AND ASSOCIATED EQUIPMENT; SPACECRAFT (INCLUDING SATELLITES) AND SPACECRAFT LAUNCH VEHICLES; PARTS THEREOF
821	FURNITURE AND PARTS THEREOF; BEDDING, MATTRESSES, MATTRESS SUPPORTS, CUSHIONS AND SIMILAR STUFFED FURNISHINGS
842	WOMEN'S OR GIRLS' COATS, CAPES, JACKETS, SUITS, TROUSERS, SHORTS, SHIRTS, DRESSES AND SKIRTS, UNDERWEAR, NIGHTWEAR AND SIMILAR ARTICLES OF TEXTILE FABRICS, NOT KNITTED OR CROCHETED
845	ARTICLES OF APPAREL, OF TEXTILE FABRICS, WHETHER OR NOT KNITTED OR CROCHETED, N.E.S.
999	CONFIDENTIAL TRADE

*Note:* Confidential trade - because of companies' request, if the number of companies on the market is limited, (e.g. fewer than three companies contribute to a single data cell); or the company is in a dominant position on the market.