

# ICE

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## SPANISH FOREIGN SECTOR

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**ALCALÁ OLID, Francisco****The Enlargement of the Euro Area**

**Abstract:** The present paper contains an analysis of the macroeconomic conditions prevailing in the candidate countries in the EU's fifth expansion, from the standpoint of real and nominal convergence. After reviewing employment and income, it describes the extent of their compliance with the criteria laid down in the Treaty of the European Union for joining the euro area. The conclusions are characterised by the uneven performance of the twelve economies involved, in terms of the adoption of the single currency in a still uncertain time frame.

**Key words:** European integration, monetary union, economic convergence, euro.

**JEL Classification:** E42, F02.

**AULLÓ COLOMA, Neus and REQUENA SILVENTE, Francisco****Why the Factor Endowment Model is Unable to Explain Production Location in Spanish Provinces**

**Abstract:** This paper contains a review of the relationship between factor endowment and the production pattern with data for Spanish provinces. The results show a fair degree of indetermination in production when the endowment factor model is used. Two circumstances that may magnify production indetermination are consistent with these results: (1) low shipping costs for manufactured goods and (2) the presence of geographic externalities in certain regions.

**Key words:** industrial location, regional analysis, manufactured products, Spain.

**JEL Classification:** F11.

**FERNÁNDEZ-OTHEO, Carlos Manuel****Spain's Foreign Direct Investment from 1993 to 2002. Taxation and Production System**

**Abstract:** The present article reviews Spain's foreign direct investment in the period running from 1993 to 2002 from perspectives only rarely considered to date. These include the activity of non-resident-controlled foreign security holding companies (ETVE), whose immediate effect is to raise Spanish investment inflows and outflows; the possibility of interpreting direct investment under new parameters such as gross investment recorded and gross actual and net investment; and the analysis of the process followed to convert Spain into a net direct investor on the international market.

**Key words:** direct investments, foreign investments, taxation, Spain.

**JEL Classification:** F21, H87.

**FLORIDO DE LA NUEZ, Carmen and ALDANONDO OCHOA, Ana**

**International Investment and Multinationals in the Fresh Produce Export Industry**

**Abstract:** The theoretical model developed in this paper is intended to reflect the incentives for multinational companies to invest directly in developing company agriculture, in the so-called «plantation economies». This international investment and trade model covers areas such as intermediate goods, specific factors and externalities. The results show how the existence of external economies of scale, along with shipping and marketing infrastructure, explain the concession of arable land to companies with large capital resources in countries short on such resources.

**Key words:** international investments, multinational companies, international trade, agriculture, developing countries.

**JEL Classification:** F1, F21, F23, O1, O4, Q1.

**GONZÁLEZ EXPÓSITO, Isabel**

**Foreign Direct Investment by Spanish Banks: Determining Factors and Strategies**

**Abstract:** The present paper contains an empirical analysis of the influence exerted by some of the characteristics of the economies of the countries where the Spanish banking industry has located, on these institutions' foreign direct investment. A series of hypotheses based on several theoretical approaches is put forward and then contrasted with an econometric model. The endogenous variable in this model is the Spanish banking industry's foreign direct investment in each of the countries involved, whilst the exogenous variables include the foreign direct investment outflows from all other sectors of the economy, the size of the host market, the development of its financial services industry, differential interest rates, the exchange rate and the volume of foreign trade between Spain and each of the countries surveyed.

**Key words:** direct investments, foreign investments, banking system, Spain.

**JEL Classification:** C23, D23, F23, G21, G24.

**HERNÁNDEZ MARTÍN, Raúl**

**Economic Impact of Tourism. The Role of Imports as Leaks in the Model**

**Abstract:** Several approaches assume that the impact of tourism on host income is limited by the tendency to resort to imports. This paper reviews the chief methodological models used to analyse the effect of tourism on imports and subsequently adapts the input-output model to estimate the direct, indirect and induced impact of tourist consumption on foreign

purchases. The empirical analysis conducted for the Canary Islands shows that the two variables are related.

**Key words:** tourism, imports, input-output model, Keynesian model, Canary Islands.

**JEL Classification:** F10, L83.

**LÓPEZ DUARTE, Cristina and GARCÍA CANAL, Esteban**

**Value Creation in International Expansion Through Foreign Direct Investment:  
The Case of Spanish Companies**

**Abstract:** The present paper reports on a survey of the reaction of the securities market to Spanish companies' foreign direct investments. The study analyses not only the extent to which such processes generate wealth for investor company shareholders, but also the manner in which the investment formula chosen by the company – creation of a wholly owned subsidiary, creation of a joint company or acquisition – affects the market reaction. It also addresses the impact that the interaction between such formulas and other factors characteristic of the investor company – accumulation of intangible assets and volume of discretionary funds – or the host market – cultural gap and degree of economic development – have on that reaction.

**Key words:** direct investments, investments, abroad, securities market, subsidiaries, joint ventures, mergers and acquisitions, Spain.

**JEL Classification:** D74, F21, G34.

**MADRID GUIJARRO, Antonia and GARCÍA PÉREZ DE LEMA, Domingo**

**Influence of Size, Age and Performance on the Export Intensity of Spanish  
Industrial SMEs**

**Abstract:** In order to ensure the effectiveness of suitable export development in a dynamic and complex business environment, public agencies and business people need to identify the characteristics that determine a company's export intensity. In this context, the present paper analyses – for Spanish industrial SMEs – the effect of general company characteristics such as experience, manager training and size, and economic factors such as performance, labour productivity and growth opportunities, on export intensity. The results of the empirical study show that the first set of variables is beneficial in certain industries. Moreover, the inclusion of economic variables enhances the model's explanatory power.

**Key words:** exports, small and medium size firm, competitiveness, Spain.

**JEL Classification:** C24, F14.

**MAÑÉ ESTRADA, Aurelia and de la CÁMARA ARILLA, Carmen**

**Exchange Rate Policy for Integration in the EMU: Unilateral «Euroisation»**

**Abstract:** Against the backdrop of the forthcoming expansion of the EU and the relevance of exchange rate policy for integration strategy, the authors analyse the risks inherent in prioritising such policies, exemplifying the hazards on the grounds of the most extreme approach, namely unilateral «euroisation». The paper first introduces the distinguishing characteristics of the present integration scenario, to subsequently analyse the theoretical arguments on which the «euroisation» proposal is based. The central part of the study addresses the question of whether «euroisation» can deliver balanced integration. The final section contains the conclusions drawn from the study.

**Key words:** European integration, exchange rate, policy, euro.

**JEL Classification:** E61, F31, F36, O52.

**MINGORANCE ARNÁIZ, Ana Cristina**

**Is the Stability and Growth Pact in Need of Reform?**

**Abstract:** Under the monetary union arrangements in place in Europe, a rule contributing to control the fiscal policies implemented by the Member States and guaranteeing co-ordinated behaviour would be more than welcome. The question is not whether fiscal rules are necessary, but whether the SGP, as designed, is the best possible alternative. Criticism of the pact has grown and proposals for reform have proliferated as changing economic conditions have rendered compliance more difficult. The present paper aims primarily to determine whether the criticism levelled against the SGP makes sense in the context of European fiscal rules, and discuss possible reforms that would help solve the problems that have prompted such criticism.

**Key words:** European integration, fiscal policy, monetary union.

**JEL Classification:** F02, F36.

**MORALES ZUMAQUERO, Amalia**

**Inflation in the Euro Area: A Supply-side Analysis**

**Abstract:** This paper explores the effect of supply-side factors on inflation in the euro area. Specifically, a mark-up econometric model is estimated from quarterly aggregate data for the euro area over the period 1971 (1) to 1998 (2). The empirical analysis is based on multivariate co-integration econometric methodology and dynamic modelling from the general to the particular. The results suggest that, in addition to the existence of substantial

and persistent inflation, unit labour costs seem to be the chief determining factor in the euro zone.

**Key words:** European Integration, monetary integration, inflation, econometric model.

**JEL Classification:** C51, C52, E31, F00.

**NIETO SOLÍS, José Antonio**

### **The Structural Fund Experience in the EU: Possible Application in Central America**

**Abstract:** The Central American Customs Union may be strengthened by the creation of two structural funds: the Economic Development Fund and the Social Cohesion Fund. The two instruments may be financed from a common budget and managed by institutions created for this purpose. A good deal of useful information can be drawn from the European experience, although it needs to be adapted to the region's structural realities. This article introduces methodology, objectives, instruments, stages and institutional models for the creation and operation of these two structural funds, designed to heighten economic and social integration in Central America.

**Key words:** economic integration, customs union, structural funds, economic and social development, Central America.

**JEL Classification:** F02.

**NÚÑEZ GAMALLO, Ramón**

### **An Overview of Empirical Studies on Spanish Intra-industry Trade**

**Abstract:** The importance of intra-industrial trade (IIT) in Spanish foreign trade has grown in recent decades, with a volume equal to three quarters of the volume of traditional inter-industrial trade. After a brief review of theoretical studies on IIT, the paper quantifies and analyses the empirical studies conducted on this type of trade for the Spanish economy, discussing what they have in common and where they differ.

**Key words:** international trade, foreign trade, intra-industry trade, empirical analysis, Spain.

**JEL Classification:** F11, F14.

