

# Implications about the Impact of COVID-19 on International Trade in Saudi Arabia

Anwar Kashgari

**Abstract**—COVID-19 has severe impacts on business all over the world. The great lockdown of many business owners requires a sage deal with this pandemic. This paper seeks to support business leaders with a standpoint about the COVID-19 situation and provides implications for the SMEs (Small and Medium Enterprises) and companies. The paper reflects the author's view about the impact of COVID-19 on business activities. We discussed the impact of COVID-19 upon three aspects, namely, startups, SMEs, and e-commerce. The KSA is taken as an example of the developing countries about which we present the current situation. Finally, recommendations to policy and decision-makers are given.

**Keywords**—COVID-19, business networking, globalization, Saudi Arabia.

## I. INTRODUCTION

COVID-19 was a pandemic that had tremendous effect on every aspect of living conditions, it changed human perspective and behavior. It made a rapid change in various business especially in the nature of trading [1]. It spread the fear among people which results in people to avoid interacting with others. The “Great Lockdown” related to the COVID-19 pandemic is a policy challenge in business. The serious downturns across the globe are not the health crisis fundamentally, but somewhat the policy reaction that has been significant in its suddenness, magnitude, and synchronization across countries [2]. Governments have accepted extraordinary inhibition policies to knock down the rate of new COVID-19 incidents to relieve the burden on health facilities. Additionally, governments put a block on economic activity by suspending operations of non-essential businesses, by shutting borders to non-essential activities.

Every single industrial sector has to reinvent itself to realize growth and sustainability. Supply chain managers, for instance, are challenging one of the toughest environments which requiring a leading role in safeguarding SMEs potential margin and growth towards the structural dynamical shift. This leads to decreasing the rate of production in some sectors or even stopping production at all. Therefore, many workers lost their jobs, and the governments should support them to survive. Thus, governments have to expend from the strategic savings. This challenge can be increased even if the burden of the pandemic releases, all governments will seek to compensate the drop in savings and turn the production wheel. Moreover, demand on goods and services will escalate to fill in the empty stocks.

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It was concluded that the current COVID-19 pandemic may have a lasting impact on globalization in general and more specifically on how enterprises configure their cross-border activities [2]. Van Assche and Lundan [2] reviewed the latest papers talking about global policy challenge that faced international policy during COVID-19 crises from different points of view. They concluded that physical distancing restricts the face-to-face working and meetings that brace up the production of intangible assets in municipal hotspots. Altogether, travel constraints restrict multinational enterprises to connect to their foreign partners. Although virtual conferencing has helped enterprises to deal with these challenges, it remains an imperfect substitute. A public health catastrophe might push enterprises to reconfigure their management strategies locally and globally.

This paper gives a glance about the impact of COVID-19 on business activities, especially, startups, SMEs, and e-commerce, worldwide. This context is focused on developed countries with big business potential such as the USA and European Union countries. In this paper, we focus on the effect of COVID-19 on the business in the developing countries and take the KSA as a typical example.

The remainder of the paper is organized as follows: Section II discusses the impact of COVID-19 on business, Section III addresses the impact of COVID-19 on the business in KSA, and Section IV reviewed the implications and recommendations for business developers towards the pandemic.

## II. THE BUSINESS IMPACT OF COVID-19

This section is dedicated to discussing the impact of COVID-19 on three branches in business, namely, startups, SMEs, and e-commerce.

### A. Impact of COVID-19 on Startup Business

Effect et al. [3] proved that the COVID-19 pandemic effect on business does not have a systemic basis. They concluded that the state's efforts should be focused on supporting all small businesses, while large businesses should become a support for the state. Hernández-Sánchez et al. [4] studied the effect of COVID-19 on young workers, their mental health, and interest in entrepreneurship. They addressed the psychological need satisfaction on the self-employment intention of university students. They conducted an online survey in Latin American students, and hence, developed regression models to examine the relationships between COVID-19 on that. The results showed that students' perception of COVID-19 is related to

entrepreneurial intention. Kalogiannidis and Chatzitheodoridis [5] addressed the impact of COVID-19 in the European start-ups business. Although start-ups had generated a lot of employment and have found new markets and opportunities, the pioneers of commerce have been left behind by smart innovation and sheer brilliance.

### B. Impact on SMEs

Syriopoulos [6] studied the impact of COVID-19 on SMEs and entrepreneurship. Apart from before, most SMEs have faced difficulty in operating businesses because of the significant drop in the demand for goods and services. SMEs have a limited capacity to face the complicated consequences and to manage the increasing expenses caused by the decelerated business activities. As a result, several problems emerged such as the lack of funds and liquidity, issues related to employees and customers, and lack of customized technology. Consequently, SMEs became severely incapable to service their customers, pay salaries, and lost the commitment with their suppliers. Accordingly, several SMEs got out of business.

### C. Effect of COVID-19 on e-Commerce

Bhatti et al. [1] targeted the aspects and trends of e-commerce during the COVID-19 pandemic. As a rule, growth in e-commerce affects consumer behavior, hence, e-commerce grew rapidly due to COVID-19. E-commerce has become a good candidate and alternative source of business activities. We have seen e-retailers provide goods, which consumers bought in hypermarkets. In accordance with an investigation [1], 52% of customers escape from going to crowded areas, 36% keep away from shopping until they get the vaccine. As a result, e-commerce selling was boosted, thus, people keeping social distance and working and purchasing from home. The media usage as well has grown such as Google and Facebook that updated their features to be adapted to users. Applications such as Zoom achieved outstanding revenues. Top ten retails of e-commerce are shown in Fig. 1. The most purchased products are disposable gloves, toilet paper, bidet, bread machine, paint by numbers, kettlebells, puzzles, coloring book, treadmill, and exercise equipment [7]. The developing countries also have witnessed flourishing in e-commerce, such as Malaysia, Thailand, and Singapore.

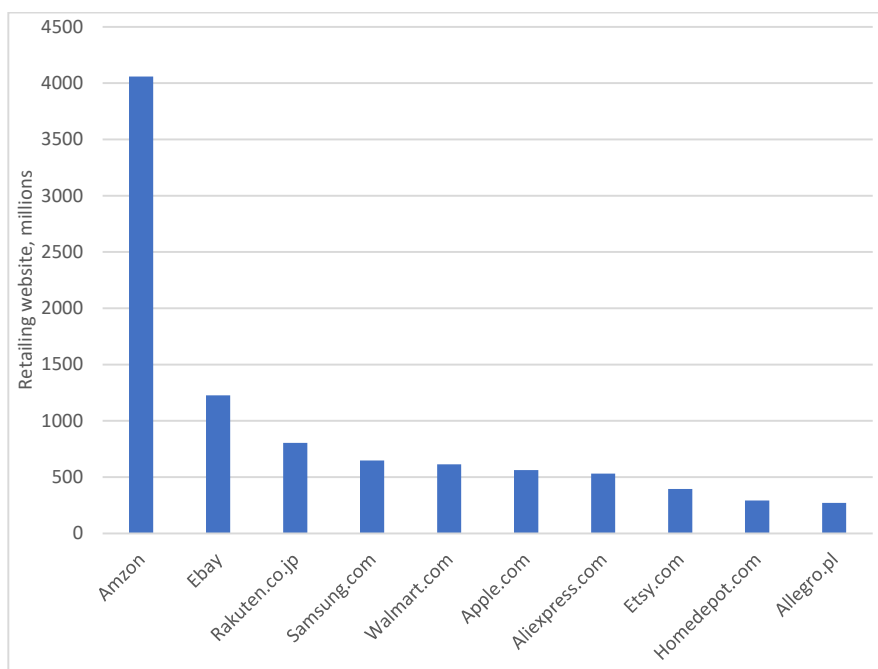


Fig. 1 Top ten of retail e-commerce websites during COVID-19 [7]

### III. IMPACT OF COVID-19 ON BUSINESS IN THE KSA

By November 2020, the total number of COVID-19 cases in KSA reached about 348,000 cases. In addition, there were 5,456 deaths and 335,000 survivals, as shown in Fig. 2. According to [8], in a survey on the evolution of the warehousing sector in Saudi Arabia in 2020 during COVID-19, 29% of respondents stated a drop in business incomes between 21% to 40% in the first quarter of 2020. Moreover, 14% of respondents reported an increase in business revenues in the first quarter of 2020. The epidemic caused inconsistencies in the supply and demand, and restrictions in the supply chain, as depicted in Fig. 3. On the

other hand, some people have started a business during the pandemic of COVID-19 in KSA. Global Entrepreneurship Monitor presented a survey regarding this issue in countries around the world [9]. The sum-up of this report is as follows: About 57% of survey respondents reported that although at least one person had stopped managing a business due to the COVID-19 pandemic, 42% had started a business. This was based on a sample of 4,027 working-age adults (18–64 years of age). There was a very fast alteration in the Saudi Arabia's business after the lockdown, especially the first few months. Including the disappearance and shutdown of existing

businesses and the appearance and flourishing of new ones. Travel, entertainment, and tourism were the most affected businesses with a negative impact after the pandemic. Basically, the mechanism of the negative impact starts by decreasing the demand in markets which in turn reduce profitability with greater side effects on SMEs. In other words, it will limit the cash reserves, which will lead to the inability to meet the expenses for the following months. A report presents [10] the effect of COVID-19 on entrepreneurship in KSA, stating the following remarks: More than 50% of established business owners wanted to explore new areas for business. It is

more difficult to start a business compared to the previous year of the pandemic. There was a lower job growth for 52% of entrepreneurs and 63% of established business owners. The report also concludes the success of the government's response to the economic impact of the COVID-19 [10]. Core business activities were ended in 85% of established business. Therefore, these results from the survey are beneficial TO policymakers and stakeholders to be aware of the early effects of the pandemic on entrepreneurship and business activities. Furthermore, they could be used to track patterns in the entrepreneurship sector.

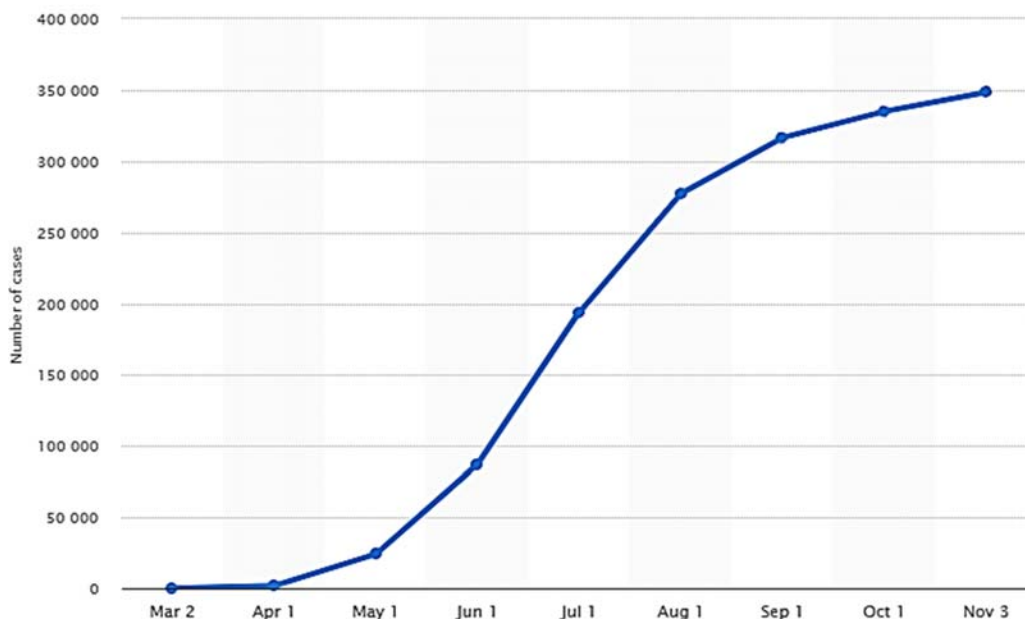


Fig. 2 Total number of COVID-19 cases in KSA from March to November 2020 [9]

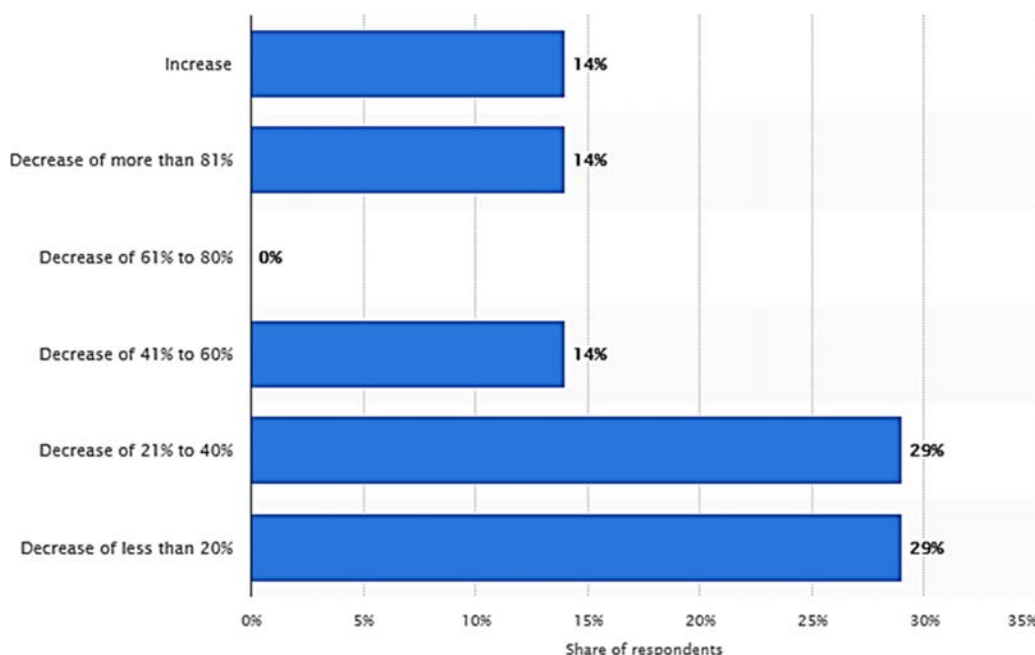


Fig. 3 Evolution of warehousing sector in Saudi Arabia in 2020 during COVID-19 [8]

#### IV. IMPLICATIONS

More awareness of COVID-19, combined with additional time to prepare, may help to manage case growth. Nevertheless, facilities with less vigorous health systems could see the more overall transmission. Demand on tourism, aviation, and hospitality could get slower growth of the global economy; sectors could be influenced to different degrees. E-commerce actors need to comprehend their efficacy to permanence cost and benefits and connected actions in coming upcoming. Anand [10] proposed economic policies for COVID-19 in the UK. The Bank of England reduced its base rate to 0.1%, however, the government was blamed as it was considered a bias towards business more than employees.

As soon as the pandemic resides, heavy demand for goods and services will be increased which will cross the borders between countries. This would disturb the supply chains due to the unbalance between supply and demand. All producers at the same time will request production material, which could increase the prices and increase the charging fees.

#### V. CONCLUSIONS AND RECOMMENDATIONS

This article gave a glance at the impact of COVID-19 on international business. Overall, it is needed to focus on supporting all small businesses by governments, while large businesses should be supportive of governments. Startups and SMEs should be incubated by big business companies. Alternatively, all companies should expand using e-commerce and online platforms and applications in most business activities. Workers can work from homes in the activities that do not need commuting to work every day. Consequently, this can expand the Internet of Things (IOTs) business [11], [12]. Regarding startups, the impact of the COVID-19 pandemic on the start-up industry should be carefully studied to make more knowledgeable policies.

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