



# ASSESSMENT AND OUTLOOK FOR AIR TRAFFIC BETWEEN EASTERN EUROPE AND EMILIA ROMAGNA

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The countries that formerly belonged to the Soviet bloc and the Yugoslav Federation underwent a major turning point in their history, in recent years orienting their economies and institutions to western Europe and the United States. Following the well known political changes which occurred since 1990, some of the east European and Balkan countries have joined the European Union as full members while others are on the same path, albeit with slower and more difficult progress. Tumultuous economic growth in the last fifteen years contributed to raising the profile of this area in terms of its economic-financial dynamism, in contrast to the rest of the continent. Foreign investment and privatization, alongside marked and generalized deregulation of the economic and business environment, led to sustained GDP growth which continued without interruption until the second half of 2008.

Against this background of economic growth, exchanges of capital, people and goods have increased significantly, especially with western Europe. The economies of the two regions, which until just a few years ago were distinctly divided, have integrated, not without problems and contradictions. The two halves of Europe have reached a level of interpenetration that puts eastern Europe in a position of dependency on the western part of the continent. Nevertheless, eastern Europe and the Balkans also play a significant economic role vis-à-vis the founding member states of the EU. While over 60% of Eastern European and Balkan trade and economic relations are with western Europe, the latter have benefited substantially from the opportunities which emerged out of the conversion to a liberal market economic system of the ex-Soviet bloc and former Yugoslav countries.

These developments, despite the economic and financial crisis of the last few years, have also naturally involved transportation (air, train, maritime and road) between the two areas. European transportation links are becoming increasingly oriented towards internal movement in a single economic area (the EU and its bordering countries), rather than communication lines between bordering states or those belonging to the same geographical region. This is occurring parallel to deepening European economic and cultural integration. In terms of development and implementation of national transportation strategies, the countries of eastern Europe all share an even greater tendency to orient themselves towards the West. After the first steps in this direction in the 1990s under European political and financial influence, east European countries developed their transport systems with a systematic policy of integration with the western part of the continent. For several years now, reducing travel distances by means of rapid and efficient transportation has been one of the highest economic priorities for the countries that make up eastern Europe. Among the various modes of transportation, one of the most modern and

useful in terms of saving time and transport capacity is certainly air transport. Indeed, this sector has experienced dramatic and continuous growth over the last ten years in eastern Europe.

The above-cited trend in the orientation of east European transport in accordance with its new political-economic union with western Europe, naturally also applies to the air transport sector. This has grown steadily, following the routes that connect various economically and demographically important centers of eastern Europe with commercially and financially attractive areas in western Europe. One of these is Emilia Romagna, a region in northeastern Italy. This is one of the most economically dynamic regions in Italy and over the last two decades has attracted numerous immigrants from eastern Europe. Migration is therefore one of the main factors supplying the airline routes between Emilia Romagna and eastern Europe. Airline connections between a highly industrialized and economically developed area and multiple geographically adjacent countries with expanding economies, are essential and in fact have been promoted by both parties involved. The migratory flow which has inevitably emerged between the two areas has benefited from the convenience of air transport in reducing the substantial distances between the two sides of Europe at reasonable costs. Thus hundreds of thousands of east European citizens have come to this Italian region for work purposes, with the possibility of returning home for brief periods without great difficulty.

Another essential factor that has decisively contributed to the development of airline routes between Emilia Romagna and eastern Europe is trade. In this case manufacturing sites which have been moved from this Italian region to the Balkans and east-central Europe from the mid-1990s up until today, have led to an increase in the movement of people and goods by air transport. The foreign direct investment and import-export generated by these moved manufacturing sites, like the process of

internationalization of the main markets of Emilia-Romagna companies, have generated an increase in business travel and freight transport. Romania and Albania are the most important countries to have experienced this type of development of air transport as a consequence of an increase in economic relations between Emilia Romagna and eastern Europe.

To respond to the demand for routes between the two geographic areas concerned, the Emilia Romagna region has three civilian and commercial airports, in Bologna, Forlì and Rimini, all concentrated in the central and southeastern part of the region. While the northwestern part of Emilia Romagna (the provinces of Piacenza and Parma) are served by Milan's airports, the northeastern part (the provinces of Ferrara and Ravenna) are covered by the airport in Venice. Bologna is economically and demographically the most important city in the region and at the same time serves passengers and companies in the provinces of Modena and Reggio Emilia. Rimini attracts clientele from the region bordering to the south (Marche) in addition to exploiting its own highly developed tourist trade. In this way these airports can better take advantage of the two factors described above (migration and foreign trade) in contrast to the airport in Forlì, which struggles economically and with the issue of attracting customers due to the current difficult business climate as well as its location right between Bologna and Rimini. This difficulty is also reflected in the number and frequency of existing flights to and from eastern Europe. Whereas the airport in Rimini has focused decisively on Russia in order to attract flows of tourists belonging to the country's small but wealthy business elite which formed after the fall of the USSR, Bologna is able to better catalyze the exchange of incoming and outgoing goods and people from the region eastwards due to the greater number of economic actors and inhabitants in its territory and the surrounding areas. Furthermore, several incoming and outgoing flights in Forlì are also present in the other two airports, thus impeding

Forlì's specialization in specific routes and giving rise to competition that is as fierce as it is detrimental to the respective airports' budgets. From the eastern counterparts' point the view, these circumstances could push the operators to orient themselves to the internationally better known airports. This would further weaken the airports in Emilia Romagna. In addition, there is the possibility that the three regional airports would focus exclusively on maintaining niche markets (such as Russian tourists for the Rimini airport). In addition to being inadequate for maintaining a wide range of flights and routes, this would progressively eliminate the region's aspirations to be one of the top airport systems in Italy and of European and continental relevance.

Thus the airport infrastructure of the Emilia Romagna region in relation to the east European one has two distinct dimensions. The positive aspect is that this is a robust economic area with optimal potential, already exploited in part, in terms of exchanges of passengers and goods with an area of Europe that is in many ways complimentary to this Italian region. The negative dimension is that the situation of the airports is still not optimal, battered by financial uncertainty and a lack of strategic and managerial coordination between the three regional airports. From this perspective the future could on the one hand be promising in terms of the opportunities offered by eastern Europe, while on the other hand it seems not to be able to fully optimize these potentialities. The airport issue in this Italian region is strictly private, which determines the level of freight traffic (directly) and passenger traffic (indirectly) between Emilia Romagna and eastern Europe. This seems to be particularly true for the Forlì and Bologna airports, which are only marginally interested in the tourism sector (in contrast to that of Rimini). Like the beginning of air connections between the two areas, which came about thanks to the growth of commercial relations, one would assume that these will only develop if economic and trade factors which simultaneously involve Emilia Romagna and eastern Europe will give rise to favorable

conditions in this sense. Thus there is a need to involve companies in order to establish those business contacts that lead to an increase in flights and volumes of goods transported. For Bologna and Forli therefore, connections with eastern and central Europe depend on how diversified the offering is for passengers as well as the creativity of services in attracting passengers and meeting the needs of companies which could potentially use this means of transport. From this point of view it could be the sector's demand for higher education and know how on the part of many eastern and central European countries to indicate the direction for a logical and coordinated relaunch of the three regional airports.

In this regard two factors could push toward a prompt and concerted effort with eastern Europe. On the one hand the forecast of a further increase in business volumes linked to the east European airport system. On the other hand the prospect of increasingly close European integration of east European air traffic with that of the western part of the continent in the context of greater numbers of flights and increased general usage of air transport.

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