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How to Find a New Geographical Route for Economic Exchange: A Visionary Project

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Abstract

The article aims to evidence how the construction of an intermodal hub with a free trade zone in Europe can open a new geographical route for economic exchange. This European corridor could represent an hub able to intercept important goods' traffic flows with possibility to create added value through both handling services and appropriate processes on some goods chains.

Key Words: *Economic, Project, Geographical Route, Exchange*.

Introduction

The recent admission of the States of Central and Eastern Europe into the European Union has increased the strategic value of the geographical and political position of Hungary. The capital Budapest is now located approximately in the geographical centre of the new Europe, in an area that can offer many opportunities for future growth (Lasserre, 2004; Caiazza and Nueno, 2014; O'Kelly and Miller, 1994). The centrality in Europe poses it in a crucial position to intercept traffic flows of goods, products and manufactured goods between East and West and between North and South. The construction of an hub lets Budapest to assume the role of a natural crossroad between East and West and of an ideal logistic platform for the interchange between the Central and Eastern Europe and the far East (China, Japan, South Korea, India etc.), the two areas that are growing at higher rates in the world. The presence of the intermodal freight hub Budapest Terminal 1 with free trade zone would assume an high relevant role. In fact, long-distance cargo flights could arrive in the intermodal freight hub where the discharged goods could be sent to final destinations through regional flights or trains or other conveyances (Bookbinder and Tan, 2003, Hong, 2007; Trappey et al., 2007).

In particular, the new rail corridors in Europe already projected, some of that already in operation and other in developing stages, for the interconnection between the EU Countries and those in the East such as Ukraine and Russia, will give Budapest the role of bridge between the old and the new Europe. Another element of high strategic value is represented by the existing connection between Budapest and the port of Trieste (Jiazhen, 2005; Caiazza, 2013a, 2013b, 2014; Chow at al., 2007). This connection has a potential to develop a partnership between the two convenient intermodal freight hub, the airport and seaport one, for the inter-modality of transport of goods (Hesse and Rodrigue, 2004; Caiazza and Volpe, 2014; Ishfaq and Sox, 2011; Lee and Yang, 2003). In fact, the two intermodal freight hub are reciprocally connected for both the inter-modality and partly because the goods that arrive at the port of Trieste can be routed on the intermodal freight hub of Budapest Terminal 1 where they can be processed and distributed later (Trappey et al., 2008; Caiazza et al., 2013; Zäpfel and Wasner, 2002; Zhang, 2003). Trieste is an important centre of world maritime transport because of its centrality between developed and developing regions, because of

the natural water depths of its docks that allow the smoothly dockage even at huge tonnage vessels, and because of its organizational and technological setting depending on its historical role of seaport of Austria-Hungary (Haralambides et al., 2011; Caiazza and Ferrara, 2013; O'Kelly, 1998). In particular it should be noted that the shortest maritime route to connect the Middle-Eastern Europe with the most dynamic countries of Asia is the Suez Canal and the Mediterranean, and for this reason Trieste is a really important port (Groothedde et al., 2005; Ishfaq and Sox, 2012; Caiazza and Audretsch, 2013; Sohail and Sohal, 2003).

Analytical Approach

The creation of the intermodal freight hub Budapest Terminal 1, with a free trade zone and a storage area for goods, and its regional production and logistics platform can really change the face of logistics, generating great investment opportunities for all companies wishing to settle and participate in this project. Through this the intermodal freight hub products and goods arrived may be processed, re-exported and distributed, in the markets of Central and Eastern Europe, with considerable savings on duties and customs procedures. This process of creation of a new geographical route for economic exchange has to be based on many elements: Free Trade Zone, highway and rail hub, infrastructure, Cargo City, Distripark and European Distribution Center (EDC), airlines.

Free Trade Zone is an area specifically aimed at promoting import/export trade, and the opening of the national economy to the outside world. The free trade zone serves to encourage trade and foreign investment. It must provide business well-endowed of comfort, services and communications infrastructure needed to open a business and meet the needs of investors, in addition to the exemption from taxes and customs duties and no duties on exports and imports. For many companies, opening an office in the free trade zone of intermodal freight hub Budapest Terminal 1 will be definitely interesting, especially because it is located in a strategic position and it will provide them with a free market environment, new infrastructures, political stability, expanding economy and tax exemption policies. It is therefore necessary, in order to develop a truly competitive project, to realize a free trade zone in that area with the same facilities of the other existing free trade zones. Aspects that make very attractive investments in the free trade zone of Budapest Terminal 1 are attributable to tax treatment, the abundance of low cost energy that reduces the production costs of goods and services, to the extent of the relevant market and the simplification of bureaucratic procedures for the installation of the initiatives and the low cost of labor.

The highway and rail hub is a consequence of a proposal adopted in 2011 by European Commission to redefine the unified Transport European Network (TEN-T). It consisted of a network of comprehensive and integrated transport consisting of roads, railways, airlines, inland waterways and maritime transport and intermodal platforms extended to all Member States and all regions and provide the basis for a balanced development of all modes of transporting in order to facilitate their respective strengths, thereby maximizing the added value of the network for Europe.

The new TEN-T network will consist of a Central Network and a Global Network. The Central Network, consisting of 10 Corridors, has been intended to eliminate bottlenecks, to modernize infrastructure and to streamline cross-border operations of passenger and freight transport throughout the EU, in order to improve the links between the different modes of transport and to help the achievement of the EU's objectives with regard to reducing CO2 emissions caused by transport. The Global Network instead, to be completed by 2050, will feed the Central Network at regional and national level and will provide full coverage of the EU territory and accessibility to all regions. The aim is to gradually allow the vast majority of citizens and goods in Europe to achieve Global network within 30 minutes. The Global Network will be funded primarily by Member States, with the possibility, in some cases, to tap into EU funds of transport policy and regional policy, including through new innovative financing instruments.

An efficient system is represented by the set of *infrastructures* and subjects able to attract continuously goods flows and new settlements such as to promote and support the virtuous logistical-infrastructure-airport area. The construction of an intercontinental hub within a production system-planning becomes, from the start, an important marketing tool that encourages, in the first instance, the knowledge of the potential of the territory where the airport is located, and later serves as a fundamental element of territorial competition policies in those areas heavily industrialized with a production planning oriented largely towards exports. The competitiveness of an airport system, as mentioned earlier, however, linked to economic-territorial system that must be capable of supporting, through ad hoc accompanying policies, the development of the airport itself. The capacity of an airport system is dependent on both the quality and quantity of services offered and by its degree of multimodal accessibility.

Another important point in the context of the intermodal freight hub enclave Budapest terminal 1 is the realization of a *Cargo City*. It's a great strategic infrastructure for managing and handling of new freight traffic volumes expected in an area of strong growth as Budapest. It is an innovative project under every aspect: structural, logistic, security and technology. Cargo City will be a cutting-edge reality, able to manage and efficiently handling all kinds of goods: perishable goods, dangerous goods, valuable goods and animals. The Cargo City could respond concretely to the prospects more than favorable growth of cargo sector representing innovative business opportunity that would produce positive effects on employment and ensure a better quality of logistics services offered. Cargo City will be built in a strategic position near the Airport Terminal 1 and will be directly linked to the intermodal freight hub, to the motorway network and to the passenger Terminal 2. The project must be developed for subsequent modules, to allow progressive extensions in the light of the increased volumes of traffic and requests by operators. The structure should also accommodate office areas, policies and services for businesses (banking and post office, dining, etc.). Specialized freight-handler will operate in the Cargo City that must be provided with warehouses and refrigerated areas of adequate automatic storage systems. Cargo City should have, in addition, pitches for all-cargo aircraft, placed just in front of the warehouses so as to facilitate and expedite freight operations. In Cargo City must be present all State bodies responsible for carrying out all the necessary procedures for the handling of import and export goods. Ample space for offices and warehouses will be dedicated to air carriers, freight forwarders and freight operators. New aircraft parking areas, paving of roads and parking lots, as well as the engineering works, electrical, mechanical and electromechanical and its highway access ramp have to be realized. The area also will be served by a shuttle to the Terminal 2 passengers and train station nearby the intermodal freight hub.

Another element of the new project is the creation of a *Distripark and an European Distribution Center* (EDC). The Distripark has to be an advanced logistic platform that can also be a link between industry and services. An area located near the Terminal 1 and closely connected to it, where it is possible to give added value to simple loading and unloading of containers. The goods are removed from the container and through value-added logistical tasks such as packaging, labeling, assembling, quality control and packaging, are then prepared for the expedition, adapting them to the requirements of the end customer and the requirements of the destination country.

The Distripark will arise at the service of companies and industries, both local and outside the area. Inside the Distripark there must be warehouses, management services, information technology and telecommunications services, but also sheds where manufacturing activities can be carried out to transform semis, international or national backgrounds, into finished products to enter foreign markets. The European Distribution Center instead will be a trans-national logistics platform that will handle the distribution of goods on the European continent as if it were a single country, thanks to its "Hub-Spoke" having as main hub the interport free trade zone of Budapest Terminal 1, with hub function, which conveys all loads to and from outlying airports, having spoke function. The network is therefore a functional structure in a radial pattern.

Cargo *Airports* can be divided into various types depending on the different degree of specialization in freight traffic, and with respect to the presence or absence of additional logistics services within the airport system. Budapest 1 Terminal may belong to the airports with cargo city within passenger hubs and all cargo airports. The Frankfurt hub, London Heathrow, Schiphol in Amsterdam and De Gaulle in Paris are among those belonging to the first category.

These hubs are United by the fact of being dependent on a single strategies airline and possibly of his allies. The system works around the centrality of the relationship between airports and airlines in society, which often advise and direct the airport company to implement certain policies.

In this category may return Budapest Terminal 1 as it is very close to Terminal 2 passengers and with links can be considered a single Airport System, but lacks a strategic national airline can handle all the freight that will grow with the new project. The airport will be able to fully meet the needs of many airlines and many logistics operators because, not having to share the space with services for passengers, there is more availability of free slots for the storage of the goods, and the surrounding transport infrastructure such as rail or roads, they are fully dedicated to the support of logistics activities.

Conclusions and Discussion

The analysis until now carried out shows that Budapest, supported by its natural strategic location and with an efficient intermodal freight hub, can impose itself on the European and world markets as strategic and very important airport hub, in relation to the quantity of goods to be transported, acquiring the nickname of gateway to Central-east Europe. The construction of an intermodal hub with a free trade zone on Budapest can open a new geographical route for economic exchange. This European corridor could represent an hub able to intercept important goods' traffic flows, including the ones non-originating or destined to Hungary, with possibility to create added value through both handling services and appropriate processes on some goods chains.

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