

AIR TRANSPORT VECTOR IN THE ECONOMIC CONTEXT OF GLOBALIZATION

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Abstract:

In the global context of the airline industry is necessary in each organization a comprehensive analysis of multiple methods to reduce operational costs. Effective and constant cost control is crucial for most airlines. Continuous reduction of costs has become a cult. This is due mainly to the following aspects: market deregulation and globalization of the industry have increased the competitive pressure on firms, reducing the error rate and making essential the "reduce costs cult." This observation applies especially to businesses in commercial air transport.

Key words: aircraft, air transport, globalization, economy, costs

JEL classification: M31, L91

Introduction

Air Transport provides important flows of people, goods, capital and information worldwide. Since the discovery of the "Coanda effect" and other achievements in the field, from the construction and launch of the first aircraft in traffic, air transport has gotten international attention because of certain advantages it offers compared to other means of transport, speed and comfort being primordial.

For safe and secure use of this form of transport and communication, it appeared the necessity of specific regulations. Since 1890 when Paul Fauchille proposed a legal status for aero-states, consisting of 32 articles with rules and regulations, and to this day, were adopted several international conventions, which constituted the international air law and based on it the internal air law.

Starting with the "International Convention of Paris on international air navigation" in 1919 and the establishment of the International Commission for Air Navigation (I.C.A.N.) – as a permanent body with administrative, judicial and legislative attributions- in the area have been adopted several legal conventions and regulations, and were established specific bodies mentioned in this chapter.

Of these are mentioned: the Warsaw Convention (1929), the Chicago Convention (1944), the Hague Protocol (1955) and others, and from the international organizations with responsibility in the legal regulations and air transport area are mentioned the International Civil Aviation Convention (I.C.A.O), the International Air Transport Association (IATA) etc.

The current issue of globalization - seen both as a phenomenon and as a worldwide "mega trend", contributes to the creation of a new economic and political world order. As controversial and in the same time useful in the development of society, globalization justifies its real historical importance, supported mainly by the "three balances of power" (Friedman L. Thomas, 2001) embodied in the development of links between states, the development of global markets and ensuring individual freedom through eliminating communication barriers.

1. Globalization

Similar to major historical transformations that open new paths to the future globalization is accompanied by disturbing changes in all forms of existence of human society.

Two major features accompany debates everywhere on globalization: on the one hand, their vast load of anxiety and dilemmas about the fate of countries and their national sovereignty, especially of the smaller and economically weak ones and on the other hand, is the assessments paradox - some only laudatory, others only negative - that make globalization when a panacea when a general danger.

There are at least four reasons justifying the historical importance of globalization (Belli, N., 2002):

First globalization causes a real assault on the nation-state. This attack starts from the assumption that the national sovereignty and state borders are concepts outdated by history and, as such, must be removed.

Second, globalization requires the creation of a new economic and political world order. Coming on the wave of the information revolution and reflecting the new global power relations, globalization involves restructuring the entire system of relations between the countries of the world, according to new historical conditions.

Third, globalization commits in its course, all countries, regardless of size, scale and profile of their economic and political development: it is therefore a universal problem.

Fourthly, globalization, envisioning a new historical reality brings into the socio-economic and of the historical experience field a new value system.

Different from the one created by industrial development of human society, this new system of values calls into question not only the concept of nation-state, national sovereignty and national borders, but also many other concepts that made the era in the economic theory.

It is obvious that the new realities created by globalization through joining national markets into common or sole markets without national borders, cannot be explained by the old notional instruments of knowledge of the economic theory and policy. It requires restructuring of these instruments through reconsideration of concepts and notions, or also creating new one, therefore asking for a new social economic thinking of the development.

To understand exactly the globalization system must be known the "three balances of power" presented by Thomas L. Friedman.

The first equilibrium refers to the traditional relation between states, specifying the recognized power of the United States and that the other nations subordinate to it in one way or another. This imbalance of power makes the U.S. to be seen as a super-state.

The second balance from the globalization system is the one between national states and global markets. These global markets are composed of millions of investors who gather in key global financial centers such as New York, Hong Kong, London, Frankfurt, and that turns them into true super-markets. The power of super markets is so great that can cause the change of state's government. An example of this is the removal, in 1998, of the Indonesian leader Suharto, phenomenon possible following the withdrawal of support by the super-markets for the national economy.

The third equilibrium, considered the newest, is the balance between individuals and nation states. Since today everyone has the right to express their views freely and the Internet crumbled any communication barrier, everyone now has more power than ever before in history, to influence both national markets and states. These individuals can act globally without being supported by another state; therefore there are not only super states and super-markets, but also super-individuals.

Authors prefer the term of international economy to the one of global economy. They criticize the invocation of the term globalization for the reason that it is often made too easy, without thinking enough about what this term actually means and what implications its usage may have.

International - said Mulheart and Vane - means between nations. International economy is therefore an economy where markets have become generalized beyond the national level but, crucially, is maintain the relevance of individual nation-states through important ways. (Mulheart, C. and Vane, H., 1999.)

In contrast, globalization is global, i.e. a situation in which markets transcend national boundaries. Trying to conceptualize the global economy, the authors conclude that it involves two approaches: one radical and the other more nuanced, namely:

The radical definition of globalization takes into account a global economy "in which the markets transcend national borders in such a way that individual nation-states lose much of their economic and even cultural significance". It is clear that this vision is of a radical nature: it assumes that the most important economic decisions are now taken not by sovereign governments or by their agents, but by transnational corporations, monetary speculators, those who operate on the non-governmental markets of the finance capital.

Nuanced definition globalization suggests that while the markets growingly become global and therefore threatening national sovereignty, it is still possible for the states, through recognizing their growing interdependence, to work collectively to solve economic problems. For this purpose, they may act through institutions such as the World Trade Organization (WTO) or G.7.

Another problem that still bears controversies is the clarification of the two concepts, namely globalization and mondialization.

Some authors consider that the two words are synonymous, but from different backgrounds, so the concept of globalization has a francophone linguistic origin, while the concept of mondialization has an Anglophone linguistic origin.

Economic globalization means closely connecting the national and regional economies in order to achieve a world economy governed by rules established by international and bilateral- or multilateral agreements between companies, countries or regions.

For some authors globalization is identified with Americanization, others associate the term with the growing importance of the global market, while another group used the concept to describe an ideological reality - globalization as a victory of the market economy.

Globalization complexity results from its adjacent reasons of political, economic and socio-cultural nature. Usually globalization is associated with its implications.

It is not seen as an irreversible process, but rather in its dynamic perspective.

One of the most commonly used definitions of the concept of globalization is the following one: "Globalization is the process by which geographic distance becomes a less and less important factor in the establishment and development of cross-border economic, political and socio-cultural relations. Global networks of relationships and dependencies acquire a growing potential to become international and global. ", (Bari, I., 2001)

Importance of transnational corporations is a key element of the globalization of the world economy. However, views on the importance of globalization of corporate work for national and international economic affairs differ greatly. According to some analysts companies believe that today multinational corporations have freed themselves from the national economy and became a powerful and independent force, decisive both for international economic affairs, as well as for the political ones.

Other analysts reject this claim and believe that transnational corporations remain a part of the national economy.

The role of multinationals increased significantly with the integration and organization of the global economy. However, it is important to appreciate that most economic activities are still mostly based on nationality. Often, the idea that multinationals are intended to govern the global economy may prove to be incorrect. Global politics and economy are based and must continue to be based on a safe social and political foundation and there is no guarantee that these foundations will survive for years to come.

The size of multinationals, their power on the market and tracking their global strategies have raised concerns for many groups of countries of not to be subjugated and exploited by the globalization of production and services of multinational companies. These concerns are not without foundation, because transnational companies are indeed a concentration of economic power and frequently political one.

Transnational corporations are a pioneer in the process of globalization, which, in fact, is the expansion of free market capitalism.

2. Global trends in air transport

2.1. Commercial aviation

Commercial aviation has seen an enormous growth during its relatively short history. Globalization and international trade have led to an increased accessibility of this means of transport, an increase in international tourism and a strong growth in the volume of goods transported by air.

Air transport sector deregulation and the forming of alliances have resulted in a strong building current on the transatlantic and trans-Pacific market.

The first international alliance was formed in 1986 between Air Florida and British Island. Air Florida supplied with American traffic the flights shared on the route London - Amsterdam.

Since then, many airlines have formed an impressive number of alliances.

Such an alliance concluded between two carriers is able to provide frequent and convenient service for passengers wishing to travel between destinations located on different continents. Because of this main reason behind their formation, most alliances have brought major changes in the way airlines directs traffic through the arteries of the route network, not only in international traffic and in the domestic one as well. Recently, the intercontinental consolidation expanded from Europe - North America - Asia to new regions, including Latin America, Caribbean and Africa.

As foreseen by some specialists (Oum, TH, Taylor, A., Zhang, A., 1993) began to form global networks of alliances. Currently, there are three global networks of alliances and a network of intra-European alliances. These are detailed in the next chapter entirely dedicated to airline alliances.

Northeast Asian region is among the most mature aviation markets in the world. Annual growth rate of GDP in the region is expected to be 2.1% over the next 20 years.

Airline fleet structure in this region will change depending on global trends in the airline industry. Regionalization will increase the share of intermediate size aircrafts from 40% to 52% over the next 20 years. Pacific and to Europe routes shall be subject to fragmentation, as more and more pairs of airports are serviced with higher frequencies of intermediate size aircraft.

Japan has a relatively mature economy and low population growth. Air transport market has grown considerably in the last decade. However, it seems that in recent years the Japanese airline market recorded a negative situation.

Reform of the legislation frame must generate a better mobilization of inputs, which have a very high cost on the Japanese market. Asian markets integration allows Japanese airlines to capitalize opportunities for new sources of inputs from optimal locations to respond appropriately to the intense demand for air transport from East Asia.

2.2. Low-cost airlines

Low-cost airlines recorded a stunning explosion across the globe. Everyone talks about their growing importance as a mode of transportation. The concept emerged in the United States with the advent of Southwest Airlines in the mid 1970s.

In Europe, these types of airlines have started to play an important role in the mid 1990s, first in Britain and Ireland. Since then, the trend has spread successfully throughout Europe. From 1999 to 2003, the number of places offered increased by 400%. Transport capacity on the German market increased 5 times only during 2002.

The development of these airlines will continue. Projections indicate that in 2010 their market share as a percentage of intra-European routes increased from around 10% today to 20-25%.

Most sector growth will not be made by transferring traditional airlines service consumers, as it turned out that low-cost airlines generate additional transport demand.

The number of low cost airlines is booming in the Asia-Pacific region as well. The main companies in this area are Air Asia, Bangkok Air, Pacific Blue Airlines and Freedom Air.

Unlike traditional airlines, low cost carrier's serve large and medium sized cities, with direct links, point-to-point.

Low-cost airlines remain in the international landscape, showing a strong flexibility and adaptability. They are the success story of international aviation as a result of deregulation and liberalization of this industry.

2.3. Synthesis of the European market

Globalization of the airline industry accompanied by deregulation and liberalization of the European air sector and from some parts of Asia has encouraged a new force in an industry relatively stable. This dynamic determined the rise of a multitude of low-cost competitors, with the fundamental restructuring of existing airlines and airline industry consolidation. Consolidation was first represented by a wave of mergers and acquisitions, and then by creating global competitive alliances. These two phenomena are interrelated, survivors of intra-industry consolidation forming global alliances (Lawton, C. Th., 2002).

European aviation market has about 32% of world air traffic measured in R.P.K. (Revenue Passenger Kilometer), almost on an equal position with the USA.

Average annual growth of the world economy during 2004 - 2023 is estimated at 2.9% for Airbus for industrialized countries, and over 4% for countries still developing. In this context, both Boeing and Airbus believes that traffic measured in R.P.K. will have an average annual growth of 5.3%.

Across the globe have been established two forms of air network organization.

First of these, the most classic, consists in direct links between airports, called "point-to-point". Each city from the network is directly linked to a number of cities, through direct airlines.

The second ones known as "hub-and-spoke" network is organized around a pivot airport ("the hub"), the other cities of the network being connected through it. This structure requires the transfer of passengers wishing to travel from one city to another, transfer taking place in the city with the hub role.

So Europe has both air network structures, structures that coexist and feed each other passengers.

As the competition between traditional airlines and low cost deepens, some regional airlines see their survival significantly reduced. Option for a traditional company to become a low-cost one appears as unwanted.

Thus, an airline has two alternatives on the secondary market:

- restructuring in regional companies specialized in intra-European destinations with high frequency;
- to be absorbed by a company operating in an airport with a hub role.

New states that joined and candidate countries continued to lead to the growth in air transport activity in Europe.

Measured in terms of number of flights operated per week air capacity in Europe grew by 4.3%.

The number of airports involved in across intra-European borders air services has increased, mainly due to their low-cost airlines.

Emergence of low cost carriers on domestic and international routes generally leads effectively to stimulating the market. Thus, their purpose isn't winning the market share from the traditional air competitors, but to create new market segments by attracting passengers using other modes of transport.

In the global context of the airline industry is necessary in each organization a comprehensive analysis of multiple methods to reduce operational costs. Effective and constant cost control is crucial for most airlines.

Fixed operational costs mainly relate to the following expense categories: flight cost (fuel and crew costs), maintenance and amortization, or aircraft rent.

To these is added flight insurance and taxes.

Fuel cost is about the same for all companies. It doesn't generate savings for low-cost companies. One can even say that traditional transportation company can negotiate lower costs on the one hand, and can optimize the cost by purchasing at airports with the lowest prices.

Cost of airport infrastructure is reduced due to the lack of waiting rooms, reduced staff due to simplified registration operations and boarding of passengers, not using specific equipment, not handling packages, etc.

Conclusions

Air transport constitutes a type of transport that has imposed from his first beginnings, due to the special advantages offered, rapid browsing of long distance in a time increasingly shorter, being a great help for people and for all fields of activity.

Also there were created international regulatory, surveillance and control bodies, was strengthened the international legal framework and on its basis were developed national regulations, and governments and airlines have raised the quality and safety of transport bar even higher, of communications and conditions offered in their struggle to be as safe and competitive as possible.

The study of literature published in recent decades both abroad and in our country, of the documentation provided by official websites, of the statistical situations and our own practical applications, studies and research have concluded on the importance of air transport, as a key factor in globalization.

The global economy was positively influenced in terms of quality and quantity, by the use of air transport for goods for civilian, military and even tourism purposes. In a mutual determination and influence, air transports and the markets have known a large amplitude, for which were necessary some deregulation measures.

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