

## Eastern Europe

### Logistics in eastern Europe

The importance of eastern European countries has grown as a result of EU enlargement. Thanks to their central position between central Europe and Russia, many of these countries fulfill a bridge function. The transport networks are relatively well developed, but they do not meet western European standards. Despite the rapid growth of road transports, railroads remain the dominant means of transport. Because many manufacturing companies are moving their production facilities to eastern Europe, logistics service providers are being compelled to take this step as well.



Transport hubs in eastern Europe

### Geographic challenges of eastern Europe

The countries of eastern Europe occupy a strategically central position on the continent and are located at western Europe's interface with Russia. As a result of the European Union's enlargement to the east, they are increasingly serving as a bridge. As far back as antiquity and the Middle Ages, important trade routes, including the amber and silk roads, ran through eastern Europe on their way from western Europe to Russia and Asia.

### Core countries for trade

Eastern Europe's most important trading partners are the central European countries of Germany, France, Great Britain, Austria, Spain, Italy and the Netherlands as well as Russia and Sweden. Trade is also frequently conducted among these countries as well [1].

### Eastern European infrastructure

As far back as the 1970s, a radical shift from rail transports to road shipments took shape in eastern European countries. Even though the growth of road transports has eased considerably, this trend is still under way. But, rail transports are still the dominant form of shipping in eastern Europe.

The road network of eastern European countries is relatively well developed. But many countries lack networks of superhighways. The rail network is generally very dense and relatively well developed. Inland waterway transports play only a minor role. For eastern Europe's infrastructure to reach western European standards, around €16 billion must be invested by 2015 in central and southeastern European countries in railways, roads and airports.

The eastern European logistics market is characterized by wide regional differences. While the Czech Republic, Slovakia, Slovenia, Hungary and Poland have made major strides, Romania, Bulgaria and Croatia are trailing far behind. The infrastructure is in even worse shape farther to the east. Eastern European harbors, particularly the major [sea ports](#) in Poland, perform a significant amount of transshipping and are being increasingly expanded. In an international comparison, Poland's harbors in particular are making enormous improvements to the quality of their services and are gaining on western European ports. The Polish harbors of Gdansk and Gdynia are striving to become the leaders among container ports in the southern Baltic region. They have the potential of becoming a regional Baltic hub [2].

## Logistics requirements and service areas

The networking of all European regions has been improved by the opening of the former Eastern bloc countries and the enlargement of the European Union. As a result, it becomes easier for many manufacturing companies to move their production facilities to eastern Europe for cost reasons. Logistics service providers have to follow these companies or exploit the new markets by carrying out mergers or acquisitions.

These changes are generating considerable growth in the transport sector - particularly in freight transports. Estimates show that road-based freight transports will climb 50 percent by 2010. But road-based freight transports will have only a limited ability to meet the demands of European industry in a cost-effective manner. The causes of these limitations include traffic jams, the limited potential for expanding network capacity, rising energy costs and growing intermodal competition from railways.

Modern logistics service providers must overcome and coordinate many challenges. Consideration must be given to broad logistics trends like increased shareholder-value thinking, deregulation and "on-demand worlds" as well as to the high growth rates, the European Union's eastern enlargement and the significance of sustainable development. For this reason, forwarders are working to extend cooperation and planning in freight transport in order to improve the use of all transport options.

Eastern European markets for CEP services are profiting from the increasing consolidation on the western European CEP markets. In this process, the providers are searching for new markets as they seek new expansion opportunities. As a result of this development, the size of Poland's CEP market doubled to about €400 million between 2000 and 2005. The market is largely controlled by western companies [3].

## Logistics centers in eastern Europe

The European Union's enlargement and fundamental logistics trends like just-in-time concepts have led to demands for altered criteria in location decisions for European distribution centers. Here, eastern Europe will feel the biggest effect of the European Union's enlargement. Today, most distribution centers are located in the Benelux region and France. But many companies will build a regional distribution center in eastern Europe in order to reach this region in an acceptable period of time. This can hardly be done by the European

distribution centers in the Benelux countries and France.

The European Union's enlargement and the increasing transport volumes will result in intensified storage and distribution activities in the countries of central and eastern Europe. Many retailers and suppliers will be active in the main markets of Poland, Czech Republic and Hungary. Experts think Hungary fits the requirements for becoming the main hub in southeastern Europe. One major future challenge will be overcoming the barriers that exist between eastern and western Europe, including the transport infrastructure [3].

## Important logistics service providers

The most important logistics service providers in eastern Europe are CargoLine, Dachser, DHL, Fiege, Hellmann, ILS, Imperial Logistics, Interspe Hamann, Schenker, Thiel, Wilhelm Kentner Spedition and Wincanton Trans European.

## Recommended reading

Fundamentals of Logistics Management | Grant / Lambert / Stock / Ellram  
2005

## References

- [1] The World Fact Book | Central Intelligence Agency 2007
- [2] Transportmarkt Barometer | Progtrans / ZEW 2007
- [3] Logistics in Poland, Hungary & the Czech Republic | Datamonitor 2002

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