

THE ROLE OF COOPERATION BETWEEN CHINA AND ITALY

IN THE CIVIL AVIATION SECTOR IN THE DEVELOPMENT
OF THE CULTURAL TOURISM OF THE TWO COUNTRIES
IN THE CONTEXT OF THE "BELT AND ROAD INITIATIVE"

*THE CASE STUDY OF
CHINA EASTERN AIRLINES (CEA)'S DEVELOPMENT IN ITALY*

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LUISS



THE ROLE OF COOPERATION BETWEEN CHINA AND ITALY
in the civil aviation sector in the development of the cultural tourism of the two countries
in the context of the Belt and Road Initiative
— **Case study of China Eastern Airlines’ development in Italy**

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— Case study of China Eastern Airlines' development in Italy

I. Historical review of China-Italy cooperation in civil aviation and tourism industry

1. Historical review of China-Italy cooperation in civil aviation (1970-2020)

1.1 After establishing diplomatic relations, China and Italy sign a civil air transport agreement

2020 marks the 50th anniversary of the establishment of diplomatic ties between China and Italy, as the two countries officially established diplomatic relations in 1970. In 1972 and 1973, civil aviation delegations from the two governments exchanged visits and signed the “Agreement between the Government of the Italian Republic and the Government of the People’s Republic of China relating to Civil Air Transport.”

On October 19, 1972, a delegation from the Civil Aviation Administration of China (CAAC) led by Ma Renhui, then Deputy Director of CAAC, paid a goodwill visit to Italy and met with General Felice Santini, head of the Italian aeronautical delegation. During the visit, the Chinese delegation held friendly talks with their Italian counterparts, achieving fruitful results.¹

On January 5, 1973, the Italian aeronautical delegation headed by General Felice Santini visited China.² Three days later, on January 8, Kuang Rennong, then Director of CAAC, and General Felice Santini formally signed the “Agreement between the Government of the Italian Republic and the Government of the People’s Republic of China relating to Civil Air Transport” on behalf of their governments.³ The agreement was signed “to facilitate the friendly contact between the peoples of China and Italy and develop the relations between the two countries with respect to air transportation, in accordance with the principles of mutual respect for independence and sovereignty, non-interference in each other’s internal affairs, equality and mutual benefit as well as friendly cooperation, and with regard to the establishment of scheduled air services between and beyond their respective territories.”⁴ The two appendixes of the agreement contained specific provisions for routes and

¹ “China’s civil aviation delegation ends its visit to Italy and leaves Rome”, *People’s Daily*, 29.10.1972, p. 6.

² “The Italian aeronautical delegation arrives in Beijing”, *People’s Daily*, 06.01.1973, p. 3.

³ Wang Heying et al., *Events in the Foreign Economic and Trade Relations of the People’s Republic of China 1949-1985*, Beijing: Foreign Trade Education Press, 1987, p. 420.

⁴ Ministry of Foreign Affairs of the People’s Republic of China, “Agreement Between the Government of the People’s Republic of China and the Government of the Italian Republic relating to Civil Air Transport”, <http://treaty.mfa.gov.cn/Treaty/web/index.jsp>

frequency of flights, as well as navigational services, radio communication, meteorological services, and other ancillary services. The agreement entered into force on January 29, 1975.

1.2 After the beginning of China's reform and opening up, the two countries launch new flight routes

Since the beginning of the reform and opening up in 1978, China's civil aviation has developed rapidly, becoming increasingly active in international exchanges and foreign trade. International air transport and international relations have also expanded at full speed.⁵ China's three major airlines, namely Air China, China Eastern Airlines (CEA), and China Southern Airlines, have gradually launched flight routes between China and Italy.

1) Air China's Rome–Beijing route

In June 1986, Air China officially inaugurated the Rome–Beijing route, the first direct route between China and Italy, thus building a communication bridge between the two countries.⁶ From July 14 to 28, 1986, a delegation headed by Ke Deming, then Deputy Director of CAAC, visited Rome, Florence, and Venice. An Italian delegation also visited Beijing and Xi'an on July 23.⁷

2) Air China's Beijing–Milan–Rome route, Shanghai–Milan–Rome route, and Shanghai–Milan route

In 1996, Air China opened the Beijing–Milan–Rome route. In September 2003, Air China inaugurated the Shanghai–Milan–Rome route, and the company expanded the number of direct weekly flights to Italy to five.

Shanghai and Milan have been sister cities since 1979; with the Shanghai–Milan route opening, the partnership between the two cities has grown ever closer, playing an essential role in promoting China and Italy's economic and trade deals.⁸ In March 2008, Air China launched a direct flight from Shanghai to Milan and, at the same time, decided to expand the number of weekly flights from Beijing or Shanghai to Milan or Rome to 14.⁹

⁵ Li Liu, and Wang Yong (edited by), 2018, A Brief History of China's Civil Aviation Development, Beijing: China Civil Aviation Publishing House, p. 80.

⁶ Zhang Rui, "Air China celebrated the 30th anniversary of the first passenger flight to Italy in Rome", 01.07.2016, www.oushinet.com/ouzhong/ouzhongnews/20160701/234959.html

⁷ "[Civil Aviation of China's History – Today]: Sichuan Airlines began operation", 14.07.2014, <http://news.carnoc.com/list/287/287675.html>

⁸ Economic and Commercial Office of the People's Republic of China in Milan, "Air China Opens Milan-Shanghai New Route", 29.09.2003, <http://milan.mofcom.gov.cn/article/jmxw/200309/20030900132380.shtml>

⁹ "Air China is about to open a direct flight from Shanghai to Milan", 28.02.2008, http://www.ce.cn/xwzx/mil/junmore/200802/28/t20080228_14669812.shtml

3) China Eastern Airlines and Alitalia's Rome–Beijing route, and Rome–Shanghai route

In February 2011, CEA and Alitalia announced the creation of direct flights from Rome to Beijing and Shanghai. CEA became the first Chinese airline to fly non-stop from Shanghai to Rome, operating eight round-trip flights a week.¹⁰ Thus, the third regular route between China and Italy was successfully established.¹¹ CEA and Alitalia signed two cooperation agreements, a Memorandum of Understanding (MoU) on cooperation, and a codeshare agreement, marking the beginning of in-depth collaboration between the two sides. According to the agreements, CEA was in charge of the Shanghai–Rome route, while Alitalia was in charge of the Beijing–Rome route. The two sides entered into a codeshare arrangement, supporting each other's flight operations and ground handling services and establishing a frequent flyer program to achieve mutual benefit.¹²

1.3 After the establishment of the Belt and Road Initiative, China-Italy cooperation in civil aviation develops rapidly

1.3.1 High-level visits to promote cooperation in aviation and civil aviation

In 2013, China presented the Belt and Road Initiative. One of the initiative's key elements is the "infrastructure network," which includes developing and establishing platforms and mechanisms for comprehensive cooperation in civil aviation between China and the countries along the New Silk Road. Thanks to the Belt and Road Initiative, the China-Italy collaboration in the field of aviation has made significant progress.

1) Cooperation in aviation and civil aviation under the framework of China-Italy three-year and four-year Action Plans

In June 2014, the then Italian Prime Minister Matteo Renzi visited China to celebrate the 10th anniversary of the establishment of the comprehensive strategic partnership between China and Italy. During the visit, the two governments signed the three-year "China-Italy Action Plan for Strengthening Economic Cooperation (2014-2016)." The agreement noted aviation as one of the five areas the two sides intended to promote in order to strengthen bilateral exchanges and cooperation.

¹⁰ Economic and Commercial Office of the People's Republic of China in the Republic of Italy, "China Eastern Airlines and Alitalia officially announced the opening of direct flights between Beijing and Shanghai to Rome", 18.02.2011, it.mofcom.gov.cn/article/jmxw/201102/20110207407606.shtml

¹¹ Economic and Commercial Office of the People's Republic of China in the Republic of Italy, "China Eastern Airlines' direct flight between Rome and Shanghai officially opened on March 29th", 30.03.2011, <http://it.mofcom.gov.cn/article/jmxw/201103/20110307474131.shtml>

¹² Civil Aviation Administration of China, "China Eastern Airlines and Alitalia signed a cooperation agreement", 28.02.2011, www.caac.gov.cn/XWZX/HYDT/201102/t20110228_16939.html

China and Italy also agreed to encourage a collaborative approach between competent authorities.¹³

In May 2017, the then Italian Prime Minister Paolo Gentiloni visited China to attend the “Belt and Road Forum for International Cooperation.” On this occasion, the two governments signed the “Action Plan for Strengthening Cooperation in Economy, Trade, Culture and Science and Technology (2017-2020).” The agreement stated that both sides regarded aviation as one of the priority areas in the strategic cooperation. China and Italy agreed to guide their respective competent authorities in implementing collaboration in the relevant fields. Taking account of the strategies “Industry 4.0” and “Made in China 2025” planned by the Chinese and Italian governments, the Action Plan targeted aviation as one of the priority areas in which to strengthen cooperation. Moreover, the paragraph in the Action Plan regarding “Urbanization and Infrastructure” mentioned that the two sides expressed satisfaction with the bilateral cooperation results in the field of aviation and hoped to increase flights between the two countries, according to the wishes of shipping companies and passenger demand. In addition to the newly signed agreement, China and Italy agreed to increase the frequency of flights and cargo between the two countries on a reciprocal basis in the short term to meet the growing demand for business travel and tourism. The two sides also decided to hold consultations on implementing a new MoU as soon as possible.¹⁴ The “Action Plan for Strengthening Cooperation in Economy, Trade, Culture and Science and Technology (2017-2020)” also included more specific and detailed content on aviation and civil aviation, reflecting the increasingly close cooperation between China and Italy in these fields.

2) Cooperation in aviation and civil aviation as an important topic at the Joint Meetings of the China-Italy Government Committee

In May 2016, during the visit of the Chinese Foreign Minister Wang Yi to Italy, China and Italy signed the “Joint Communiqué of the 7th joint meeting of the China-Italy Government Committee.” The two sides reaffirmed the importance of further promoting tourism and personnel exchanges to increase mutual understanding and deepen friendship. To strengthen personnel exchanges, the delegates expressed their support for the new direct flights between China and Italy and agreed to fully implement the agreement reached between the aviation authorities based upon mutual satisfaction.¹⁵

¹³ “The Three-year Action Plan on Strengthening Economic Cooperation between China and Italy (2014-2016)”, People’s Daily, 12.06.2014, p. 2.

¹⁴ Ministry of Foreign Affairs of the People’s Republic of China, “Action Plan for Strengthening Cooperation in Economy, Trade, Culture and Science and Technology (2017-2020)”, 16.05.2017, https://www.fmprc.gov.cn/web/gjhdq_676201/gj_676203/oz_678770/1206_679882/1207_679894/t1462262.shtml

¹⁵ Ministry of Foreign Affairs of the People’s Republic of China, “Joint Communiqué of the 7th joint meeting of the China-Italy Government Committee”, 10.05.2016, https://www.fmprc.gov.cn/web/gjhdq_676201/gj_676203/oz_678770/1206_679882/xgxw_679888/t1361905.shtml

In December 2017, on the occasion of the official visit to China of Angelino Alfano, then Italian Minister of Foreign Affairs and International Cooperation, the “Joint Communiqué of the 8th joint meeting of the China-Italy Government Committee” was signed after a meeting attended by the two foreign ministers. While discussing infrastructure and connectivity, they reiterated their willingness to develop synergies between the Belt and Road Initiative and the Italian transport and infrastructure system. They also expressed the desire to consolidate the flight routes between the two countries.¹⁶

In January 2019, during a visit of the Chinese Foreign Minister Wang Yi to Italy, the foreign ministers signed the “Joint Communiqué of the 9th joint meeting of the China-Italy Government Committee.” While discussing connectivity, the two sides expressed their willingness to strengthen air links between the two countries, facilitating national carriers’ work and access to the partner’s market.

3) President Xi Jinping’s visit to Italy further deepens cooperation in civil aviation

In March 2019, President Xi Jinping paid a historic visit to Italy, ushering China-Italy relations into a new era. China and Italy signed the “Memorandum of Understanding between the Government of the Italian Republic and the Government of the People’s Republic of China on Cooperation within the framework of the Silk Road Economic Belt and the 21st Century Maritime Silk Road Initiative.” Italy thus became the first G7 country to join the Belt and Road Initiative. In the “Joint Communiqué on Strengthening Comprehensive Strategic Partnership” signed by the two countries, China and Italy welcomed the signing of the bilateral MoU on jointly advancing the Belt and Road Initiative development. The two sides recognized the great potential of the initiative in promoting connectivity and expressed the desire to expand the number of flights between the two countries, facilitating national carriers’ work and access to the partner’s market.¹⁷

1.3.2 CAAC signs agreements with Europe and Italy, promoting the China-Italy cooperation in civil aviation

In December 2014, Wang Zhiqing, Deputy Director of CAAC, led a delegation to attend the “European Civil Aviation Conference” (ECAC) in France and signed a Memorandum of Cooperation between CAAC and ECAC. The two sides agreed to develop closer cooperation and communication, establish a regular meeting mechanism, and improve the Sino-European relations in the civil aviation

¹⁶ Ministry of Foreign Affairs of the People’s Republic of China, “Joint Communiqué of the 8th joint meeting of the China-Italy Government Committee”, 19.12.2017,

https://www.fmprc.gov.cn/web/gjhdq_676201/gj_676203/oz_678770/1206_679882/1207_679894/t1520725.shtml

¹⁷ “Joint Communiqué on Strengthening Comprehensive Strategic Partnership between the People’s Republic of China and the Republic of Italy”, People’s Daily, 24.03.2019, p. 2.

sector. On this occasion, Wang Zhiqing met with the heads of civil aviation authorities of seven countries, including Italy.¹⁸

In January 2015, meetings between China and Italy were held in Beijing. Wang Zhiqing and Alessio Quaranta, General Director of the Italian Civil Aviation Authority, signed an MoU to grant more air traffic rights between the two countries. The new agreement eased the transport capacity limits, laying a solid foundation for more flights between China and Italy.¹⁹

In February 2017, Wang Zhiqing met the then Italian Minister of Infrastructure and Transport Graziano Delrio and his delegation in Beijing. The two sides had an in-depth exchange of views on expanding the air services agreement and strengthening bilateral civil aviation cooperation.²⁰

In January 2020, a CAAC delegation led by Cui Xiaofeng, CAAC's Deputy Director, and an Italian delegation headed by Nicola Zaccheo, then President of the Italian Civil Aviation Authority, held bilateral meetings on aviation in Beijing. During the meetings, the sides signed an MoU to expand air services between China and Italy and reviewed the results of the two countries' air transport markets. The delegates agreed that air transport is a critical element in building the Belt and Road Initiative and pursuing connectivity partnerships, as it plays a positive role in promoting economic, trade, and cultural exchanges between China and Italy. As 2020 is the "China-Italy Year of Culture and Tourism 2020", and taking into consideration the current market demand as well as future plans, the two sides agreed to increase capacity, destinations, and operational flexibility significantly. In January 2020, seven Chinese and Italian airlines operated passenger and cargo flights from 14 cities in China, including Beijing, Shanghai, Guangzhou, and Hangzhou, to Rome and Milan, offering 53 flights per week.²¹ Signing the MoU, the two sides hoped to expand the number of direct weekly flights to 164.²²

1.3.3 New flight routes and personnel exchanges between China and Italy

Other Chinese airlines also started to open up routes to Italy under the Belt and Road Initiative framework. The number of cities with non-stop flights also increased: in addition to Beijing and Shanghai, connections with other major Chinese cities were launched.

¹⁸ Civil Aviation Administration of China, "Civil Aviation Administration of China and European Civil Aviation Conference signed a Memorandum of Cooperation", 15.12.2014, www.caac.gov.cn/XWZX/MHYW/201412/t20141215_13916.html

¹⁹ Civil Aviation Administration of China, "China and Italy hold aviation talks", 14.01.2015, www.caac.gov.cn/XWZX/MHYW/201501/t20150114_13949.html

²⁰ Civil Aviation Administration of China, "Wang Zhiqing met with the Italian Minister of Infrastructure and Transport", 24.02.2017, www.caac.gov.cn/XWZX/MHYW/201702/t20170227_42772.html

²¹ "China and Italy hold aviation talks", CAAC Journal, 16.01.2020, p. 1.

²² Ministry of Infrastructures and Transports of Italy, "Air transport: connections between Italy and China tripled", 14.01.2020, <https://www.mit.gov.it/comunicazione/news/trasporto-aereo-aeroporti/trasporto-aereo-triplicati-i-collegamenti-tra-italia-e>

1) Eastern Airlines and Wenzhou Longwan International Airport's Wenzhou–Rome route

After signing a cooperation agreement with Wenzhou Longwan International Airport on September 17, 2013, CEA opened the Wenzhou–Rome route on December 24. It was the first direct route to connect a Chinese prefecture-level city to Europe, offering two round-trip flights every Tuesday and Thursday. It is worth noting that most of the overseas Chinese currently residing in Italy come from Wenzhou. The opening of new routes has promoted economic and trade exchanges between Wenzhou, Italy, and Europe.²³

2) Eastern Airlines and Ningbo Lishe International Airport's Ningbo–Rome route

Ningbo's international route to Rome operated by CEA was officially inaugurated on May 28, 2015. It was the first direct passenger route opened by Ningbo Lishe International Airport to fly to Europe. CEA's Zhejiang Branch took the opportunity of the "Expo 2015", hosted by Milan, to launch this route to facilitate business travel between the countries and strengthen the economic cooperation and cultural communication between Ningbo and Italy.²⁴

3) China Southern Airlines' Guangzhou–Wuhan–Rome route

On December 16, 2015, China Southern Airlines launched the Guangzhou–Wuhan–Rome round-trip route, offering three flights every week. The Guangzhou–Wuhan–Rome round-trip route was the first route to connect southern China and Italy, and Guangzhou to Rome, an important city on the Maritime Silk Road. The newly established flight has significantly strengthened the economic and trade exchanges and personnel exchanges between the two counties.²⁵ Meanwhile, Alitalia signed a new code-sharing agreement with China Southern Airlines: the Italian flag carrier shared codes on eight routes operated by China Southern Airlines, including the newly established Wuhan–Rome route. The agreement covered 28 routes between Italy and China and promoted China-Italy cooperation in civil aviation.

4) Hainan Airlines' Chongqing–Rome route, Haikou–Chongqing–Rome route, and Xi'an–Rome route

On April 27, 2015, Hainan Airlines officially launched a direct flight between Chongqing and

²³ Civil Aviation Administration of China, "China Eastern Airlines and Wenzhou Longwan International Airport Signed a Cooperation Agreement", 22.09.2013, http://www.caacnews.com.cn/1/6/201309/t20130922_1146835.html

²⁴ Civil Aviation Administration of China, "China Eastern Airlines' first direct flight from Ningbo to Rome took off on the 28th", 28.05.2015, www.caacnews.com.cn/1/6/201505/t20150528_1182898.html

²⁵ "Flights from Guangzhou to Rome: China Southern Airlines will open the first route from south China to Italy", 04.12.2015, www.oushinet.com/news/qs/qsnews/20151204/214373.html

Rome. As no direct flights connected Chongqing and southwest China to Western Europe, the Chongqing–Rome route stepped in and filled the gap.²⁶

Established on December 30, 2013, the Italian Consulate General in Chongqing signed a Framework Agreement with Hainan Airlines in February 2015. Sergio Maffettone, then Consul General in Chongqing, stated that the route's opening resulted from the two governments' coordinated efforts. This new connection was of strategic importance to strengthening bilateral relations between Italy and southwest China²⁷ On May 21, 2016, Hainan Airlines launched Haikou's first intercontinental regular route: the Haikou–Chongqing–Rome route.²⁸

On December 9, 2015, Hainan Airlines launched the Xi'an–Rome international flight, connecting the beginning and the end of the ancient Silk Road. The route's opening furthered the deepening of friendly relations between China and Italy, building an air bridge promoted by the Belt and Road Initiative, and deepened the exchanges between China and Italy in various fields, such as business exchanges, tourism, and different kinds of group visits.²⁹

5) Alitalia's Beijing–Rome route and Milan–Shanghai route

After suspending flights to China in 2013, Alitalia officially inaugurated the Beijing–Rome route on July 19, 2016. Earlier, during the “Expo 2015” hosted by Milan, Alitalia launched a direct flight between Milan and Shanghai to encourage Chinese tourists to visit the Expo, and promote tourism and cultural exchanges between China and Italy. In 2015, approximately 1.4 million Chinese tourists visited Italy for sightseeing and shopping.

6) Nanjing Lukou International Airport's Nanjing–Milan route

On May 4, 2017, Nanjing Lukou International Airport opened a direct passenger flight between Nanjing and Milan operated by the Italian airline NEOS. The Nanjing–Milan route was the first regular passenger airline operated by NEOS in China. The route's opening filled the gap between Jiangsu Province, Italy, and Southern Europe, while expanding bilateral economic and trade cooperation.³⁰

²⁶ Civil Aviation Administration of China, “Hainan Airlines launched a direct flight between Chongqing and Rome to help the Belt and Road Initiative”, 27.04.2015, www.caacnews.com.cn/1/6/201504/t20150427_1181401.html

²⁷ Lu Yu, “Chongqing will open direct flights to Rome on April 27th: two flights a week every Monday and Friday”, 06.02.2015, http://cq.cqnews.net/html/2015-02/06/content_33415077.htm

²⁸ Li Shuping, “Hainan Airlines' A330 flies twice a week on the Haikou-Chongqing-Rome route”, 23.05.2016, <https://news.163.com/air/16/0523/17/BNP3AU6C00014P42.html>

²⁹ Civil Aviation Administration of China, “Hainan Airlines will open an international route between Xi'an and Rome on December 9th”, 08.12.2015, www.caacnews.com.cn/1/6/201512/t20151208_1190604.html

³⁰ “Non-stop flight from Nanjing to Milan”, 05.05.2017, www.jiaotongwang.cn/plus/view-49787-1.html

7) Guiyang Longdongbao International Airport's Guiyang–Milan route

On July 25, 2017, Guiyang Longdongbao International Airport opened the Milan–Guiyang non-stop charter flight, the first direct passenger flight to Europe in Guizhou Province's civil aviation history. The Italian airline NEOS operated the flight.³¹ In response to the national Belt and Road Initiative, it was important to open the first direct charter flight to Milan and implement personnel exchanges to turn Guizhou Province into an international tourist destination.³² On January 14, 2019, the Guiyang–Milan route became a regular intercontinental route. The route's opening deepened the cooperation between Guiyang and Milan, encouraged tourism and trade exchanges, and increased tourist flow.³³

8) Hainan Airlines' Shenzhen–Rome route

On May 30, 2019, Hainan Airlines officially launched a direct flight from Shenzhen to Rome. The opening of the Shenzhen–Rome route aimed not only to provide more convenient travel options for business and leisure travelers in the Pearl River Delta region, but also to boost the economic development of the Guangdong–Hong Kong–Macao Greater Bay Area and contribute to the high-level of innovative cooperation between China and Italy.³⁴

9) Zhejiang Provincial Airport Group's Hangzhou–Rome route

On June 12, 2019, Zhejiang Provincial Airport Group launched a regular passenger flight between Hangzhou and Rome operated by Air China; it was Air China's first non-stop flight from eastern China to Rome. Passenger traffic between China and Italy increased in recent years, with the annual growth rate of passenger traffic from Hangzhou and Wenzhou to Rome reaching 14%. The Rome–Hangzhou route was a necessary measure taken by the Zhejiang Provincial Airport Group to implement the Belt and Road Initiative and consolidate the strategic cooperation agreement between the provincial government and China National Aviation Holding. The new route will help Zhejiang Province open up to the outside world, building a more convenient and practical air bridge between China and Italy, and promoting fuller cooperation and exchanges in economy, trade, tourism, culture, and other fields.³⁵ It's worth noting that most of the overseas Chinese currently residing in Italy come

³¹ "The First Successful Flight of Italian NEOS Airlines' Milan-Guiyang Route", 25.07.2017, gz.people.com.cn/n2/2017/0725/c194849-30526132.html

³² "The first charter flight from Guiyang to Milan: Guizhou Province's first direct flight to Europe", 25.07.2017, news.gog.cn/system/2017/07/25/015923932.shtml

³³ Chen Wenpu, Zou Kun, "The first non-stop flight from Guiyang to Milan took off yesterday", 15.01.2019, https://wb.gywb.cn/epaper/gywb/html/2019-01/15/content_33912.htm

³⁴ Civil Aviation Administration of China, "Hainan Airlines will launch direct flights between Shenzhen and Rome on May 30th", 25.03.2019, www.caacnews.com.cn/1/6/201903/t20190325_1269958.html

³⁵ Chinese Civil Aviation, "Air China's Hangzhou-Rome direct route starting in June", 18.04.2019, www.ccaonline.cn/news/hot/511002.html

from Zhejiang Province, especially Wenzhou.

Since establishing a comprehensive strategic partnership in 2004, and mainly thanks to the launching of the Belt and Road Initiative in 2013, the cooperation between China and Italy in the fields of economy, trade, investment, culture, tourism, and education has grown stronger and stronger. Furthermore, the frequent personnel exchanges between the two countries have promoted bilateral cooperation in civil aviation.

2. Overview of the history of cooperation between China and Italy in the tourism sector (1970-2020)

2.1 Introduction and historical overview

In order to understand the current state of affairs of the cooperation between Italy and China in the tourism sector, it is necessary to note some key dates concerning the historical cooperation between the two countries. As affirmed by Wang Yi, “China and Italy stand respectively as outstanding representatives of Eastern and Western civilizations, they have always respected each other, and they respect the path of development chosen by their people in their country from a cultural perspective”.³⁶

As early as 2000 years ago, the ancient Silk Road had already connected the two ancient civilizations of the East and the West. In the 17th century, Italian Jesuits in China - such as Matteo Ricci and Alessandro Valignano - promoted economic and cultural exchanges between China and Italy. Today, their efforts are, to some extent, still relevant to understanding the friendship and desire for cooperation between the people of both countries. Since the foundation of the People’s Republic of China in 1949, important personalities within the respective political and cultural circles have supported the collaboration between the two countries.³⁷ As for bilateral relations, a key moment took place on January 24, 1969 when Pietro Nenni announced his decision to move forward with Italian recognition of the People’s Republic of China. Italy and China established formal diplomatic relations on November 6, 1970. Since the establishment of diplomatic relations, China-Italy cooperation has developed smoothly and in various fields. Another key period for Italy’s relations with China was the three-year period between 2009 and 2011, when the political and economic interaction between the two countries grew, notwithstanding the unfavourable environment of the global financial crisis which erupted in 2008-2009.

³⁶ Embassy of the People’s Republic of China in the Republic of Italy, “Wang Yi summarizes the development experience of China-Italy relations in the past 50 years”, 27.08.2020, <http://it.china-embassy.org/ita/sbdt/t1809788.htm>

³⁷ Yang Lin, “Uno sguardo al passato: i rapporti tra Cina e Italia prima della normalizzazione delle relazioni diplomatiche”, *Il Ponte*, no. 5, September-October 2020, pp. 22-35.

2.2 Preliminary data about Italy-China cooperation in the tourism sector

The analysis of China-Italy cooperation in the tourism industry can be divided into different periods. The first period runs from the establishment of the diplomatic relationship in the 1970s up until the mid-1980s. This period saw the improvements of bilateral exchanges between Italy and China with regards to different sectors. However, China's period of reform and opening-up had just begun and, therefore, exchanges with regards to the tourism industry were limited. From the 1990s onwards, and specifically with China's opening up to the outside world, China-Italy cooperation improved, and the two countries signed a civil aviation agreement. The third period began with the launch of the Belt and Road Initiative in 2013. Since then, the cooperation of the tourism industry between the two countries improved consistently: the number of Chinese visitors to Italy (as well as Italian visitors to China) increased. In addition, Italy's sustainable tourism attracted Chinese visitors to different parts of the country. China's cooperation with European countries in the tourism sector increased thanks to the Belt and Road Initiative. China represents the world's largest travel market for both outbound travel and expenditure. European destinations are strengthening their position in this market, attaining 10.1 million Chinese visitors in 2015. This accounts for a share of 13% of all outbound travel from China. 2018 has been the EU-China Tourism Year (ECTY) and it represents a key moment for Chinese tourism in Europe. According to the European Travel Commission (ETC), for the first eight months of 2018, Chinese arrivals in the EU were 4.0% up on the same period in 2017. Among European countries, Italy ranks as the top destination. Upon the initiation of the EU-China Tourism Year, Italy and China signed an agreement with the aim of promoting interchanges and collaboration between the two countries in the field of tourism, and to further develop sustainable tourism and global destinations. The agreement was signed by Dorina Bianchi (then Italy's State Secretary) and Mr. Jiang Du (then Vice-Chairman of the China National Tourism Administration) and deepened the two countries' consensus on bilateral tourism cooperation reached in 2016. The agreement is structured along five pillars: 1) the expansion of tourist destinations, with a focus on villages and UNESCO sites; 2) supporting the development of common strategies for tourism and cultural promotion, according to the results of the Italy-China cultural forum; 3) boosting joint initiatives for development to enhance the Maritime Silk Road Western Region, with Venice at the centre of it; 4) enhancing the sharing of tourist flow data; and 5) promoting the improvement of specific hosting standards to facilitate visiting China for Italian tourists and Italy for Chinese

tourists.³⁸

The trend of Chinese tourism in Italy is an upward trend: the flow has nearly tripled in the last decade (2009-2019). Data from China's National Tourism Administration (CNTA), as reported by ENIT, the Italian National Tourism Board, showed that Italy is a top destination among European countries for Chinese tourism, being the second most popular destination after France. According to data provided by ENIT, in 2015 the Italian diplomatic-consular network in China issued a total of 473,224 visas for tourism, of which 127,362 were individual tourist visas and 345,862 were ADS tourist visas (that is, tourist travel organized by travel operators and regulated by the MoU between China and the European Union). This data shows a substantial increase compared with previous years. For instance, in 2011, individual tourist visas totalled 173,793 (of which 20,350 were individual tourist visas and 98,837 were ADS tourist visas). Italian cities that are more attractive to Chinese citizens are major cities such as Milan, Rome, Venice, and Florence, as they currently account for roughly 60% of Chinese tourists in Italy. However, those cities once considered less popular for visiting, such as Verona or Bologna (as well as cities in Southern Italy), can today also be considered as promising destinations for Chinese visitors.

2.3 The strategic relevance of the Belt and Road Initiative framework

The Belt and Road Initiative represents an important framework for the context of cooperation in the tourism sector between China and Italy. Italy is seen as a strategic hub for China in Europe and cooperation in different sectors has intensified since the launch of the initiative. The Belt and Road Initiative has also been a fundamental initiative in the broader context of Italy's relations with China. In 2017, and again in the context of the Belt and Road Initiative, Italy and China signed the four-year "Action Plan for Strengthening Cooperation in Economy, Trade, Culture and Science and Technology (2017-2020)". In 2019, Italy's government signed the MoU. The MoU has been considered as a first step in strengthening cooperation in logistics, infrastructure, transportation, trade, environmental protection, and finance. The MoU is expected to benefit both parties. For Italy, many considered the MoU to be an opportunity to increase exports to China, and to Asia more generally, as well as to create economic benefits among different stakeholders in Italy. At the same time, it should be mentioned that the MoU signed in 2019 between the two countries generated a cascade of roughly 30 parallel contracts in different sectors, with deals estimated at around 2.5 billion euros. The most relevant contracts include: Italy's state lender Cassa Depositi e Prestiti (CDP) signed an agreement

³⁸ "Signed in Venice by Bianchi (State Secretary) and Jiang Du (CNTA) the Italy-China Tourism Cooperation Agreement on the opening of the EU China Tourism Year", 19.01.2018, <https://www.turismo.beniculturali.it/en/news/italy-china-cooperation-agreement/>

with Bank of China to let it issue Panda bonds in Italy; CDP and the Italian gas company Snam signed an MoU with the Silk Road Fund for cooperation in international investments in China, and in another 120 countries; Ansaldo Energia signed an MoU with China United Gas Turbine Company for technology cooperation in the field of heavy duty gas turbines; the China e-commerce group Sunning also signed an agreement with the Italian Trade Agency. Another relevant agreement was signed by Trieste and Genova Ports with China Communications Construction Company (CCCC). Following the general MoU signed by the Italian government and the Chinese government on March 23, 2019, the relevant MoUs signed in different areas seemed also to boost cooperation in the tourism industry. For instance, in March 2019, Federturismo Confindustria (Italy's National Federation of Travel and Tourism) signed an agreement with China's largest online agency, Ctrip. In addition, Ctrip signed other strategic deals with different Italian authorities, such as airports, railways, and museums, with the intent of further boosting Chinese luxury travellers' visits to Italy. Among the most relevant partners of Ctrip following the signing of the Belt and Road Initiative MoU were ENIT, Airports of Rome (ADR), Italian Railway Trenitalia, Ferrari Museums, and the Municipality of Rome – all major stakeholders in the field of the Italian tourism sector. Another remarkable MoU – expected to increase the volume of tourist flow between Italy and China in the forthcoming years – was signed by ENAC, the Italian Civic Aviation Authority, and CAAC, on January 13, 2020. The MoU increases flight frequency between China and Italy to 164 flights per week, of which 108 were planned to start in January 2020, with an additional 28 flights from the summer season of 2021, and a further 28 flights starting from the summer season of 2022. Following the agreement, Italy has become the European nation with the most flight connections with China. Italy has been targeted for quite some time as an important European country with which to increase cooperation in the civic aviation service. In 2018, the six major airlines operating between Rome and China reached a peak of 760,000 passengers, with an increase of 40% compared with 2014. Within a few years – and particularly from 2015 – the Leonardo Da Vinci-Fiumicino Airport has become one of the top airports in Europe, in terms of the number of Chinese cities served, with a total of twelve destinations. The main Chinese airlines which now have routes to Rome include CEA, Hainan Airlines, Air China, Sichuan Airlines, and Cathay Pacific. Another successful strategy envisioned by the Fiumicino hub to increase tourist flow from/to China is providing services dedicated to Chinese passengers. Fiumicino is one of the first airports in the world to be accredited as a “Welcome Chinese” airport. Furthermore, other initiatives dedicated to Chinese customers – such as free hot water at all bar and restaurants, and Chinese-language signage – are among the new services provided. Last but not least, it is worth mentioning the digital sector, and its great significance for tourism cooperation between Italy and China. In 2019, WeChat launched its WeChat Mini Programs. Italy's official tourism board, ENIT, has pioneered an app (which

functions within the Mini Program, and does not need to be downloaded separately) called WeChat Tourism. The app is expected to solve two key problems faced by independent Chinese travellers: the limited access to Chinese-language information, and the inability to pay in CNY via WeChat Pay. In this way, it will be possible for Chinese travellers to organize their own travel by using a single app.³⁹

2.4 The year 2020: a remarkable but unfortunate year

2020 stands as a key year in the history of China-Italy relations in the area of tourism. The year 2020 is in fact known as the “China-Italy Year of Culture and Tourism 2020”.⁴⁰ Moreover, the year is remarkable because it marks the 50th anniversary of diplomatic relations between China and Italy. In order to celebrate both events, a series of cultural initiatives were scheduled in different parts of Italy. These events are of strategic importance for two main reasons: on the one hand they celebrate the status of the long-standing relationship between the two countries; on the other, they can boost tourism in the context of China-Italy cooperation. We can mention for instance, the initiative promoted by the famous Italian tourist site, the Parco Archeologico del Colosseo in Rome. For the occasion, the key monuments of the two countries, the Colosseum in Rome and the Temple of Heaven in Beijing, were identified to symbolize the cultural identity of the two nations. The initiative had a new logo designed, with icons of the two monuments placed side by side. In December 2018, with the intent of increasing the flow of tourists from China, the Parco Archeologico del Colosseo launched a Chinese website. In 2020, a permanent exhibition inside the monument site was inaugurated with one of the languages chosen for the exhibition panels being Mandarin Chinese.

Nevertheless, due to the current Covid-19 pandemic, the Italian government was forced to cancel direct travel between China and Italy at the end of January 2020, while restrictions to European citizens travelling to China were also established. As reported by ENIT, the 15th week of observation and monitoring results of airport arrival trends in 2020 shows that, from January 1, 2020 to July 12, 2020, the total number of tourists arriving in Italy decreased by 81%, compared with the same period in 2019, with a steady decrease in international demand. The trend is negative but in line with the global trend figures. According to ENIT, in July 2020 arrivals from China reached a record low of -88.8%, followed by the US figure of -87.5%. However, it should be mentioned that the deterioration of exchanges in the tourism sector between Italy and China is in line with the international trend. The Covid-19 pandemic has unexpectedly transformed the tourism industry on the global level. According to OECD estimates, the economic outcome for 2020 is expected to reveal a decrease in international

³⁹ See for instance: “Can Tencent revive Chinese tourism in Italy?”, Jing Culture and Commerce, <https://jingculturecommerce.com/tencent-italy-mini-program-independent-chinese-travelers/>

⁴⁰ Due to the pandemic, the “China-Italy Year of Culture and Tourism 2020” has been postponed to 2022.

tourism by around 80%. The economic and social consequences for many peoples and places are huge. In OECD countries, tourism is a key driver for growth, it generates foreign exchanges, and it supports jobs and businesses. Before the Covid-19 crisis, the tourism industry generated “4.4% of GDP, 6.9% of employment and 21.5% of service exports in OECD countries”. Within such a framework, and with the specific aim of minimizing job losses and sustaining the ecosystem of the tourist sector, encouraging domestic tourism and its sustainability is envisioned as a straightforward action taken by national governments to support the safe return of international tourism and more generally, make this industry more sustainable in the future.⁴¹

⁴¹ OECD, “Rebuilding Tourism for the Future: Covid-19 policy response and recovery”, 22.10.2020, https://read.oecd-ilibrary.org/view/?ref=137_137392-qsvjt75vnh&title=Rebuilding-tourism-for-the-future-COVID-19-policy-response-and-recovery

II. The role of China-Italy cooperation in civil aviation in the development of the tourism industry of the two countries

1. Data analysis: the cooperation between China and Italy in civil aviation and tourism

Before the pandemic, tourism was one of the fastest growing industries worldwide. According to the World Tourism Organization of the United Nations (UNWTO), in 2019, tourism at the global level had an increase in the total number of international arrivals that varied from a low of +2% in the Americas, to a high of +7% in the Asia-Pacific region, with the latter and Europe being the most visited areas of the planet, with 348 million and 710 million arrivals respectively. In this global context, China and Italy are the fourth and the fifth most visited countries respectively, with 63 and 62 million arrivals (Figure 1).

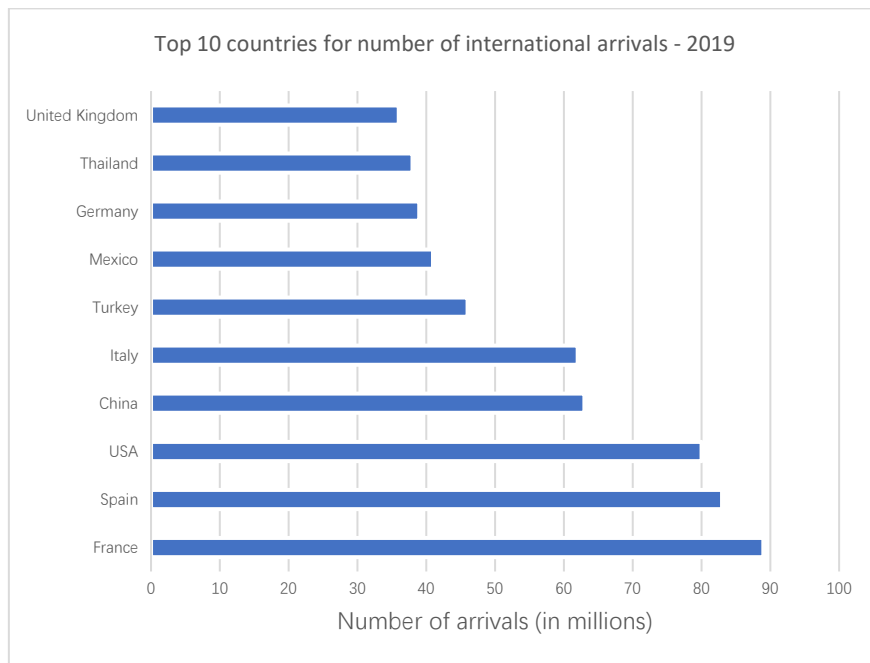


Figure 1 - Most visited countries in 2019 (source: World Tourism Organization)

1.1 Tourism in China

As far as Asian destinations are concerned, China has been the most visited country by foreign tourists in the last decade. Figure 2 shows the composition of the arrivals in 2018. Although destinations like Thailand and Japan are increasing their market share in the Asian market, China remains by far the most attractive country.

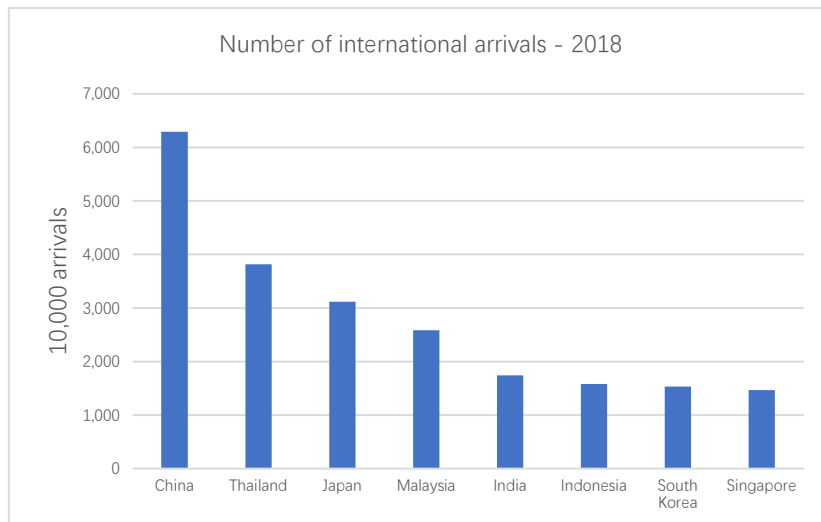


Figure 2 - Total arrivals in most visited Asian destinations in 2018 (source: World Bank)

These numbers have risen increasingly in the last few years, and particularly from 2013, when the Belt and Road Initiative agreement was signed. The Belt and Road Initiative has indeed boosted tourism in China, and particularly in terms of inbound tourism. Figure 3 and Figure 4 show the trend of outbound and inbound tourism expenditure in the last 10 years. The Belt and Road Initiative has produced impressive results given that from 2013, Chinese tourists have increased their foreign travels, and, more importantly, that China has seen a tremendous growth in international tourist arrivals, with an average annual growth rate of 5.5% between 2014 and 2019.⁴²

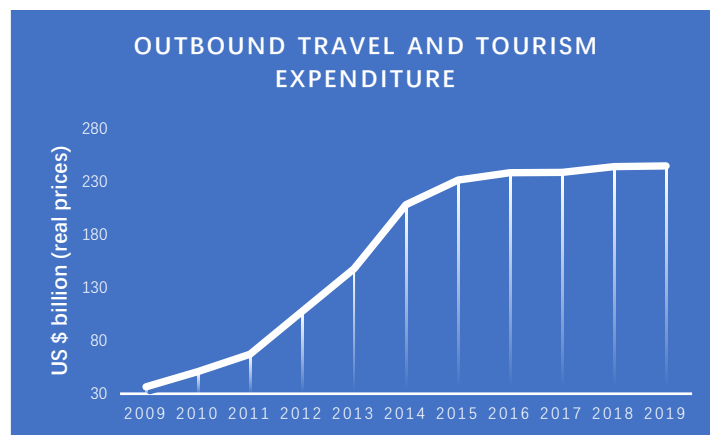


Figure 3 - Chinese outbound tourism expenditure (source: World Travel & Tourism Council - wtcc.org)

⁴² Author's elaboration on WTTC data



Figure 4 - Foreign visitors' expenditure in China (source: World Travel & Tourism Council - wtcc.org)

As far as international arrivals are concerned, the most important markets for China are the Republic of Korea, Japan, Russia, and the United States, respectively. However, in 2017, Europe as a whole accounted for a total number of 6 million arrivals, more than any other country, and second only to the entire Asian market.⁴³ European markets recorded an increase from 2010 to 2017, with an annual average growth rate of 1.9%. However, this data presents very differentiated values when we look at the contribution of each European country.

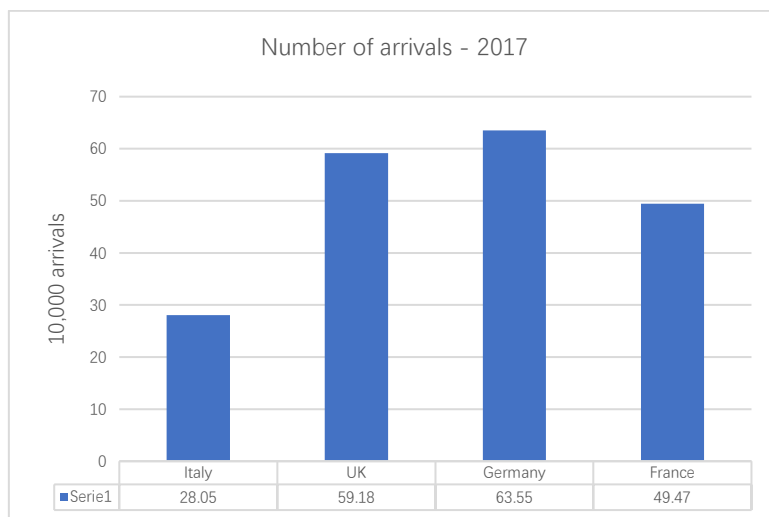


Figure 5 - Number of international arrivals in China in 2017 from main European countries (source: China Statistical Yearbook, 2018)

⁴³ Chinese Statistical Yearbook, 2018

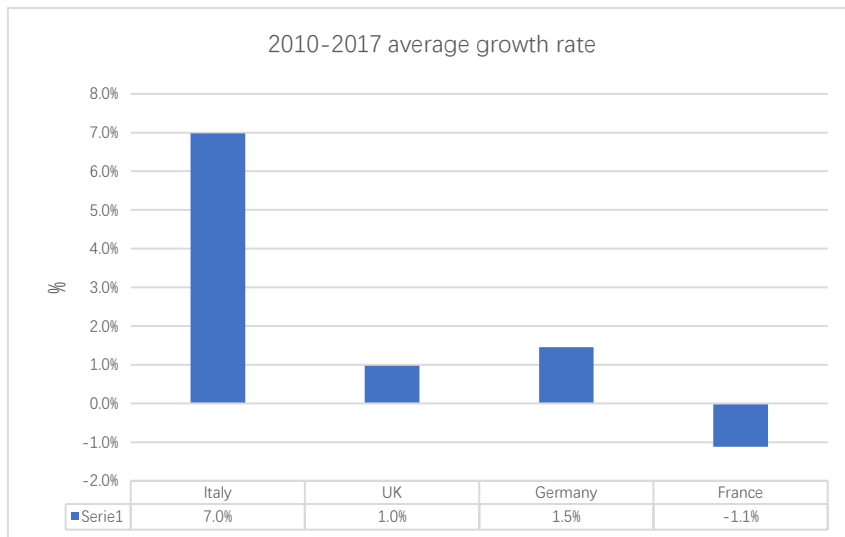


Figure 6 - 2010-2017 average growth rate in international arrivals from main European countries (source: China Statistical Yearbook, 2018)

Germany and UK are the main European markets for China, followed by France and Italy (Figure 5). However, Italy is the fastest growing market and has seen an increase in travel to China by 7% yearly from 2010 to 2017, acting as a driving force for the entire European market (Figure 6). This data clearly shows the important relationship that characterizes Italy and China in the tourism sector. Indeed, on the one hand, it shows that the interest of Italian tourists in China is growing significantly. On the other hand, it shows the effectiveness of the cooperation strategies between the two countries aimed at promoting tourism. For example, in 2020, the Italian Ministry of tourism – in partnership with the Embassy of China – launched an initiative called the “China-Italy Year of Culture and Tourism 2020” to strengthen the connections between the two countries, and to highlight the relevance of cultural tourism as the main driver of Italian visits to China and vice versa.

In the context of this growth, civil aviation has played a leading role for China. According to data provided by the China Statistical Yearbook 2018, civil aviation is the main source of tourism-related income, accounting for 24.7% of the total income provided by foreign visitors in 2017, followed by 18.6% related to shopping and 9.9% to accommodation. Civil aviation is thus clearly the main source of revenue related to international inbound tourism for China. This explains the relevance of the recent agreements aimed at enhancing cooperation between China and Europe, and particularly with Italy. In this sense, the agreement signed on March 2019 between the two countries acquires greater relevance, since one of areas in which they pledged to strengthen cooperation involves transportation, infrastructure, and civil aviation.

1.2 Tourism in Italy

Italy, with almost the same number of international arrivals as China, is the third most visited

country in Europe, after France and Spain (Figure 7).

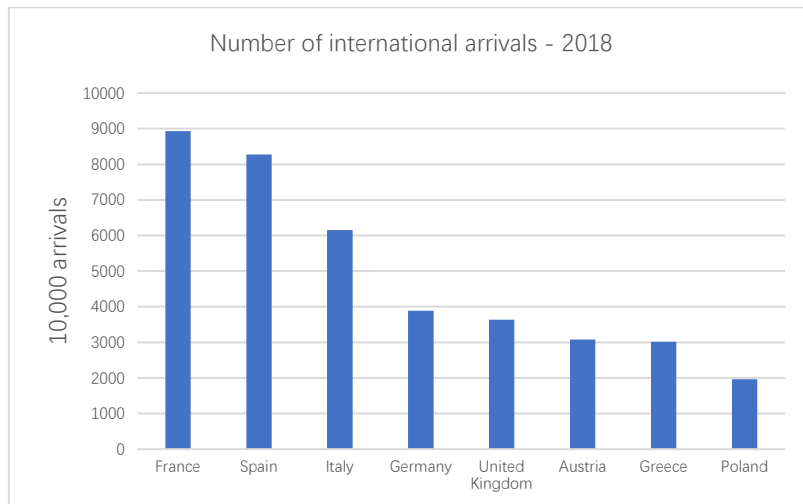


Figure 7 - Total arrivals in most visited European destinations in 2018 (source: World Bank)

2013 has been a crucial year for Italian tourism as well. Figure 8 shows that from 2013, Italian expenditure in international tourism began to increase significantly, helping it achieve full recovery from the 2009 financial crisis in 2015. In the following four years, Italy's international tourism expenditure continued to grow, reaching unprecedented numbers in 2019. Similarly, exports due to visits from international tourists have been steadily increasing over the last decade, with an average annual growth rate of 5.6% between 2017 and 2019 (Figure 9). Such results are consistent with the outbound tourism data that characterizes Chinese tourism.

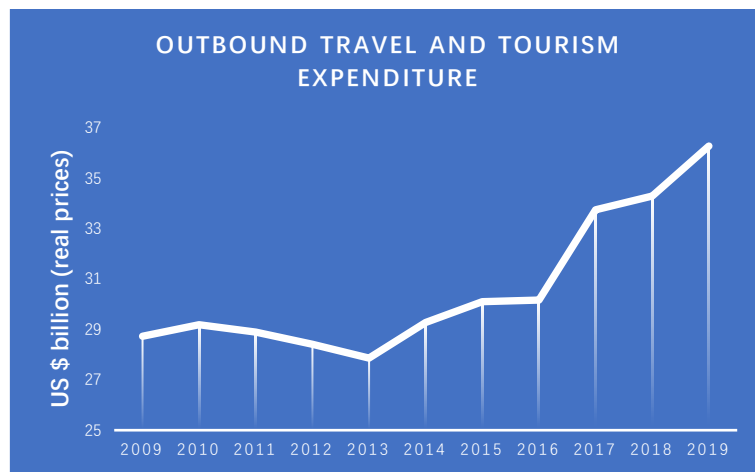


Figure 3 - Italian outbound tourism expenditure (source: World Travel & Tourism Council - wttc.org)

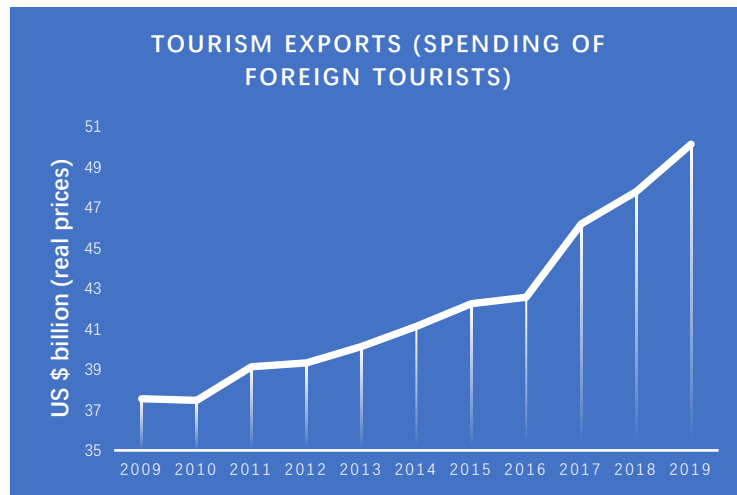


Figure 4 - Foreign visitors' expenditure in Italy (source: World Travel & Tourism Council - wtcc.org)

Before the pandemic, Chinese visits to Italy were increasing year by year with a double-digit growth rate, and in 2018, Italy was the second most visited European country by Chinese tourists, the 13th most visited in the world. Likewise, Italian visits to China have grown tremendously in the last few years: in 2017, 2018, and 2019 China has consistently ranked among the top 10 visited countries by Italian tourists – about 600,000 arrivals per year, ninth for total expenditure, and second for expenditure per night.⁴⁴ With such numbers, China accounts for 17% of Italian travel to Asia, being the second most visited non-European country after the USA. As seen above for the flow of Italian tourists to China, cultural tourism is still the most important segment, even if the preferences of Chinese tourists are also shifting towards the exploration of internationally less-known destinations, as they look for more authentic experiences. In other words, from a mass tourism perspective, they are increasingly seeking sustainable travel and experiences that Italy can provide. For example, the growing interest of the Chinese market for Italian food and wine highlights this trend. The above data not only shows that the two countries are further consolidating their already-solid cooperation in the industry, but also indicates that the two countries have new tourism market segments with development potential in the coming years. Indeed, the interests of Italian and Chinese tourists in the main cultural attractions of the two countries will soon translate into a much broader interest in other attractions in the two countries, which will give birth to new products based on existing tourism products. For this reason, the data analyzed once more suggests the mutual benefit in consolidating the relationship between the two countries, and also points the way for future developments in the markets that may drive the development of new products and services in line with tourists' expectations.

⁴⁴ Indagine sul turismo internazionale – Bank of Italy, 2020

2. The case of China Eastern Airlines: a robust and innovative Chinese airline

2.1 Introduction

China Eastern Airlines Corporation Limited (CEA), is a Chinese airline that has enjoyed considerable success and significant growth in recent years, especially internationally. During the last ten years, the company has witnessed the historical, economic, and social evolution of China, demonstrating the company's sustained ability to adapt to different historical periods, and to reinvent itself in a resilient way to become not only one of the three main civil aviation companies in China, but also one of the most interesting companies worldwide.

The purpose of this section is to analyze in detail the characteristics of CEA, and to use it as a case study for our research. Through the collection of secondary data, the analysis of the data provided by the company, and direct dialogue with some members of the top management, we will analyze the strengths of the company at the local and international level. However, it should be noted that this work is the result of elaborations by the authors and the content does not reflect the official position of the company.

As is often shown in the case of foreign direct investments in Europe and other parts of the world (we suggest visiting the Mercator Institute for China Studies website⁴⁵ for more detailed information), and also studied in depth by our team in Sant'Anna (thanks also to the unique observatory of the Galileo Galilei Italian Institute⁴⁶ in Chongqing, created in collaboration with our Chinese partner at Chongqing University⁴⁷) we can state that the external image a Chinese company projects of itself is closely linked to the strength that it is capable of demonstrating, primarily in the Chinese domestic market.^{48,49}

In fact, being strong and structured, along with their ability to control China's main regional markets, enables Chinese companies to implement a "go global" strategy,^{50,51} projecting themselves into the global market to find new opportunities and challenges. According to this perspective, the link between domestic development and growth at an international level can therefore be said to be fundamental.

⁴⁵ MERICS - Mercator Institute for China Studies, <https://merics.org/en>

⁴⁶ Galileo Galilei Italian Institute, <http://www.galileiinstitute.it/>

⁴⁷ Galileo Galilei Italian Institute, "From the leaning tower along the new high-tech Silk Road: the 10th Anniversary of the Galileo Galilei Italian Institute", 15.12.2017, <http://www.galileiinstitute.it/from-the-leaning-tower-along-the-new-high-tech-silk-road-10th-anniversary-of-the-galileo-galilei-italian-institute/>

⁴⁸ Antonio Crupi, "Luckin Coffee disruptive business model", 15.03.2020, <http://www.galileiinstitute.it/luckin-coffee-disruptive-business-model/>

⁴⁹ Galileo Galilei Italian Institute, "Research In & On China", <http://www.galileiinstitute.it/research-in-on-china/>

⁵⁰ David Shambaugh, *China Goes Global: The Partial Power*, Oxford: Oxford University Press, 2013.

⁵¹ Joel Backaler, *China Goes West: Everything You Need To Know About Chinese Companies Going Global*, London: Palgrave Macmillan, 2014.

This section will be divided into three main parts: the first is a brief introduction to the main characteristics of the company at an operational, financial, and strategic level. The second focuses on the role of CEA internationally. The third examines the most recent developments reported by both Chinese and Western media and highlights the new developments in CEA’s strategy.

2.2 The national dimension: be strong at home to become great internationally

The documents that we have considered for this short introduction to the company are mainly two: the Form 20-F issued by the CEA to the U.S. Securities and Exchange Commission,⁵² and the 2019 Corporate Social Responsibility Report.⁵³

We believe that these two documents can, due to their extreme clarity and the huge amount of information contained within, be our guides to describe the evolution of CEA, from an operational, financial, and strategic point of view. In addition to these, we have also used some other resources, such as documents downloaded from the company’s website⁵⁴ and a variety of other web articles.^{55,56,57}

CEA is one of the three main Chinese airlines – the so-called “Big Three”⁵⁸ – together with Air China, and China Southern Airlines. Originating from the first civil aviation squadron established in Shanghai in January 1957, it is the first Chinese airline to be listed in New York, Hong Kong, and Shanghai. In 2010 it merged with Shanghai Airlines and in June 2011 joined China Southern within the Skyteam Alliance.⁵⁹

At 62 years old, it ranks among the top 10 global airlines.⁶⁰ It currently operates a fleet of over 730 aircraft, with an average of 6.4 years of service, and is one of the youngest fleets among the world’s leading airlines. In addition, it boasts the largest, in-flight Wi-Fi, wide-bodied fleet, with the

⁵² U.S. Securities and exchange commission, “Form 20-F China Eastern Airlines Corp Ltd. Annual and transition report of foreign private issuers [Sections 13 or 15(d)]”, 29.04.2020, <https://sec.report/Document/0001193125-20-124188/>

⁵³ China Eastern Airlines, “2019 年度社会责任报告”, 2019, <http://www.ceairgroup.com/upload/2020/4/2019%E5%B9%B4%E7%A4%BE%E4%BC%9A%E8%B4%A3%E4%BB%BB%E6%8A%A5%E5%91%8A.pdf>

⁵⁴ China Eastern Airlines Italy, <https://it.ceair.com/it/>

⁵⁵ Caac News, “东航：持续发力“空中丝路””, 18.12.2019, http://www.caacnews.com.cn/1/6/201912/t20191218_1287884.html

⁵⁶ Caac News, “东航上海-罗马航线开航 8 周年启用 A350-900 执飞”, 25.03.2019, http://caacnews.com.cn/1/6/201903/t20190325_1269957_wap.html

⁵⁷ Caac News, “东航与开发开放事业共成长助推而立浦东振翅高飞”, 12.12.2020, http://www.caacnews.com.cn/1/6/202011/t20201112_1313924.html

⁵⁸ Kenji Kawase, “China’s big 3 airlines rake in \$5bn net cash despite record loss”, 30.04.2020, <https://asia.nikkei.com/Business/Transportation/China-s-big-3-airlines-rake-in-5bn-net-cash-despite-record-loss2>

⁵⁹ SkyTeam, “China Eastern Joins SkyTeam”, 21.06.2011, <https://www.skyteam.com/EN/about/press-releases/press-releases-2011/china-eastern-joins-skyteam#:~:text=About%20SkyTeam&text=The%20fourteen%20members%20are:%20Aeroflot,Air,%20TAROM%20and%20Vietnam%20Airlines.>

⁶⁰ Benjamin Zhang, “The 20 biggest airlines in the world, ranked”, 06.03.2019, <https://www.businessinsider.com/biggest-airlines-world-oag-2019-3?IR=T>,

leading commercial technical model in China.

The company currently operates 109 offices (46 domestic and 63 foreign) around the world. Thanks to its entry into the SkyTeam Airline Alliance network, the company has created an air transport network covering 1,150 destinations in 175 countries and regions. CEA's annual passenger transport turnover exceeds 130 million.

If we look then at the company's strategic hubs, as pointed out in Form 20-F, they are distributed within three main areas of the country: the east, the northwest, and the southwest.

The first most important hub is Shanghai, where CEA's main airports are Shanghai Pudong International Airport (PVG) and Shanghai Hongqiao International Airport (SHA). In Western China, CEA is present both in the northern part, thanks to its Xi'an hub, and in the southern part, thanks to the strategic hub of Kunming.

According to CEA, in 2019, domestic routes contributed to 65% of the total passenger revenue. In 2019, new routes were launched, such as those from Shanghai to Budapest, from Xi'an to Dubai, from Qingdao to Paris, and from Qingdao to Dubai. According to data provided by the company, as of 2019, the route network covered 1,150 domestic routes and international destinations in 175 countries through the collaboration with SkyTeam. As for the number of flights, 988,000 safe flights were completed in 2019, for a total of 2.394 billion flight hours, with a particular focus on safety and air defense security. The number of passengers has increased significantly in the last three years, as shown in Figure 1.

The following table sets forth some of our passenger operating statistics by route for the years 2017, 2018, and 2019 (as of December 31):

	2017	2018	2019
Passenger Traffic (in RPKs) (millions)	183,182	201,486	221,779
Chinese Mainland	117,033	128,906	142,921
Hong Kong, Macao, and Taiwan	4,758	5,289	5,046
International	61,391	67,290	73,812
Passenger Capacity (in ASKs) (millions)	225,996	244,841	270,254
Chinese Mainland	141,067	154,059	171,684
Hong Kong, Macao, and Taiwan	5,948	6,374	6,408
International	78,981	84,408	92,162
Passenger Yield (RMB)	0.52	0.54	0.52
Chinese Mainland	0.54	0.56	0.54
Hong Kong, Macao, and Taiwan	0.72	0.73	0.74
International	0.47	0.49	0.47

Passenger Load Factor (%)	81.06	82.29	82.06
Chinese Mainland	82.96	83.67	83.25
Hong Kong, Macao, and Taiwan	79.99	82.99	78.75
International	77.73	79.72	80.09

Figure 1. Passenger operations. Source: Security and Exchange Commission (2020)

In particular, we can see how domestic passengers account for the vast majority of total passengers, and how they have increased in just two years by about 40 million passengers. In 2019, the total number of passengers reached the significant figure of circa 222 million (73 million internationally).

A further strategic hub recently opened is that of Beijing Daxing International airport (PKX), inaugurated in 2019 by President Xi Jinping, in which CEA was one of the first airlines to enter and currently has the largest total operation volume. Following the inauguration of this important hub, the company has adopted the strategy of “two hubs with four airports” in Beijing and Shanghai, with the ambitious and highest goal of building an “Aerial Silk Road”, supporting the development of the Beijing-Tianjin-Hebei Region, the integration of the Yangtze River Economic Zone, and the construction of the new strategic zone of Xiong’an. The company has also invested heavily in promoting the development of western China, where it is present in Xi’an and Kunming, a region which, in the past decade, has seen significant development and the launch of new policies to support economic growth.^{61,62,63} CEA enhanced its influence by actively participating in the development of all the main economic zones of the country.

As pointed out in the Form 20-F, national competition takes place mainly with two other airlines: Air China Limited, based in Beijing and listed on both the Hong Kong Stock Exchange and the London Stock Exchange, and China Southern Airlines Company Limited, based in Guangzhou and listed on both the Hong Kong Stock Exchange and the New York Stock Exchange. The competition between these companies is on all fronts, from the coverage of the three main Chinese destinations (Shanghai, Beijing, and Guangzhou) and in the number of passengers transported, to the revenues and services offered locally.

At the same time, the national competition for CEA is also made fierce by low-cost carriers, such as Spring Airlines, which is particularly active in the coverage of internal routes between main

⁶¹ Marco Bonaglia, “From quantity to quality: The Western Development strategy”, 21.09.2020, <http://www.galileiinstitute.it/western-development-strategy-chongqing-development/>

⁶² Marco Bonaglia, “Chongqing Model and the shift towards innovation”, 22.10.2019, <http://www.galileiinstitute.it/chongqing-model-and-the-shift-towards-innovation/>

⁶³ Marco Bonaglia, “Urbanisation in China and the Chongqing-Chengdu city cluster”, 17.09.2019, <http://www.galileiinstitute.it/urbanisation-in-china-and-the-chongqing-chengdu-city-cluster/>

airports and second-tier cities – such as Harbin, Shenyang, Guangzhou, Xiamen, Sanya, Kunming, and Chongqing – and is a serious competitor.

In addition, at the regional level, and therefore including destinations such as Hong Kong, Macao, and Taiwan, CEA also faces other competitors. An example is Cathay Pacific, an international company based in the Hong Kong Special Administrative Region.

2.3 “Flying global” – the new challenge for China Eastern Airlines

One of the most important challenges faced by CEA in 2020 was to increase its presence on an international scale by covering long-haul destinations. In some way we can say that this challenge represents phase 2.0 of the company, after a first phase in which CEA has managed to conquer a leading position in the Chinese national market with great success.

In this way, competition for CEA is twofold: on the one front, the company competes with the other two major Chinese airlines, and on the other front, it is up against players that have already been on the scene for decades, with enormous success on both a regional and a global scale (for example the American “Big Three” - Delta Airlines, American Airlines, and United Airlines; Lufthansa; Air France KLM; IAG; All Nippon Airways, just to name a few).

On the international scene, CEA generally has to compete with companies that boast, compared to CEA, more solid and deep-rooted relationships, longer reputations, and inclusion in circuits successfully built in previous decades. The main moves implemented by CEA in recent years can be summarized here:

1. creation of additional dedicated overseas sales offices and branches
2. launch of the CEA frequent flyer program
3. participation in the Asia Miles Program
4. entering into sharing agreements with a large number of foreign airlines

In 2018, CEA launched new code-sharing itineraries in collaboration with Xiamen Air, Vietnam Airlines, Kenya Airways, and Alitalia. In December 2019, the company also launched collaborative activities with 13 airlines outside the SkyTeam Airline Alliance, in particular in code-sharing activities.

2.4 Recent developments and the three arrows of China Eastern Airlines towards a new “golden decade”

Other notable recent developments relate to CEA’s operations in China. As claimed by Liu Shaoyong, in 2019 the company launched the integrated services system for “smart travel”, becoming

the first airline in the world to promote the new “5G + AI” technology. Also, from the point of view of ground presence in airports, CEA has become the first airline to provide a facial recognition check-in service and to create electronic baggage tags.

As mentioned above, one of the most recent and important innovations for the company is certainly its inclusion in a prominent position in the Beijing Daxing International Airport (PKX). The most recent “corporate strategy” places great emphasis on both the company’s international development and its digitalization.

In this way, as we have seen previously, the two central drivers of CEA’s future may be that of internationalization and digitization through the use of new technologies to obtain a comparative advantage not only at national, but also at regional and international level. This trend follows China’s development strategy of achieving rapid economic growth through high-quality development in the country’s “new era”. Building on the foundations laid by the “golden decade” (2009-2018), CEA will continue to create a future-facing, “world-class enterprise with global competitiveness”.

During the pandemic, CEA acted decisively, responding to the impact of the lockdown in China and to restrictions on flights to the rest of the world. The situation was severe, especially during the first months of 2020. Two thirds of Chinese passenger planes remained on the ground in the early stages of the epidemic.⁶⁴ Despite this, as we will see in the next section, the Chinese civil aviation sector seems to have managed to overcome the crisis, and their “Big Three” continue to catch up with the American “Big Three”, waiting for an opportunity to overtake them.^{65,66}

In particular, CEA reacted⁶⁷ and launched the “Fly at Will” deal,⁶⁸ selling over 100,000 passes, managing to increase the load of passengers on domestic routes to over 75% during the summer. The company has also invested a lot of resources towards a “green transition”, with the aim of reducing CO₂ emissions. The compiler of global indices MSCI pointed out that the company has obtained a rating ‘A’ in the latest ESG (Environmental, Social, Governance) criteria, and has ranked first, together with Delta Airlines and Singapore Airlines, in terms of carbon emissions, privacy, and data

⁶⁴ George Hammond, Hollinger Peggy and Sun Yu, “Two-thirds of Chinese airlines’ planes grounded over coronavirus. Passenger numbers tumble due to travel restrictions and fear sparked by outbreak”, 13.02.2020, <https://www.ft.com/content/2caa82d4-4e51-11ea-95a0-43d18ec715f>

⁶⁵ Dan Reed, “China’s big three airlines are on a fast track to overtake U.S. big three within a few years”, 20.09.2020, <https://www.forbes.com/sites/danielreed/2018/09/20/chinas-big-three-airlines-are-on-a-fast-track-to-overtake-u-s-s-big-three-within-a-few-years/?sh=136e7f1e1234>

⁶⁶ The Economist, “The Dragons take off. Chinese carriers are the new disrupters in air travel”, 05.04.2018, <https://www.economist.com/business/2018/04/05/chinese-carriers-are-the-new-disrupters-in-air-travel>

⁶⁷ Will Horton, “China Eastern Airlines plans to resume 70%-80% of flights by June”, 30.04.2020, <https://www.forbes.com/sites/willhorton1/2020/04/30/china-eastern-airlines-plans-to-resume-70-80-of-flights-by-june-in-coronavirus-recovery-push/?sh=354f9c3e2875>

⁶⁸ Asia Nikkei, “Chinese airlines plug ‘all you can fly’ deals to revive travel. Global aviation industry waits to see if promotion lures pandemic-weary flyers”, 28.07.2020, <https://asia.nikkei.com/Business/Business-trends/Chinese-airlines-plug-all-you-can-fly-deals-to-revive-travel>

security.^{69,70,71}

Sustainability can therefore be regarded as the third arrow of CEA's new strategy, together with those of internationalization and digitalization, with the aim of creating a modern, international, and sustainable company in the "new era" of its history, projecting towards a new "golden decade".

⁶⁹ PR Newswire, "China Eastern ranked among top global airlines in MSCI ESG rating", 19.08.2020, <https://www.prnewswire.com/news-releases/china-eastern-ranked-among-top-global-airlines-in-msci-esg-rating-301114697.html>

⁷⁰ Dove, "China Eastern Airlines è la prima compagnia al mondo per basse emissioni di CO2", 23.09.2020, <https://viaggi.corriere.it/eventi/china-eastern-airlines-e-la-prima-compagnia-al-mondo-per-basse-emissioni-di-co2/#:~:text=Secondo%20l'ultimo%20rapporto%20di,compagnie%20aeree%20di%20tutto%20il>

⁷¹ La Repubblica, "Aerei, China Eastern Airlines punta sulla sostenibilità e rilancia i voli sull'Italia", 01.09.2020, https://www.repubblica.it/economia/2020/09/01/news/china_eastern_punta_sulla_sostenibilita_e_rilancia_i_voli_sull_italia-265974292/

III. Challenges and opportunities of Covid-19 for the civil aviation sector and tourism industry

1. The impact of Covid-19 on civil aviation

1.1 General impact on the aviation industry worldwide

Covid-19, as described very effectively in a recent report,⁷² hit the aviation industry hard in 2020, leading to new interventions by states and led to a “new suite of loans, loan guarantees, wage subsidies and equity injections”, which raised concerns about competition and the efficient use of public resources.

Air transport, which is part of the aviation industry, represents a small share of GDP, but is closely linked to – and significantly affects – the activities of other sectors that are part of the aviation industry, such as the activities of airports, and aircraft manufacturing. The airline industry is able to influence and to contribute to the development of other industries. The ups and downs of the industry can bring benefits or serious economic problems to certain sectors, such as happened in 2020 to the tourism industry, not only in Italy, but all over the world.

Within the aviation industry, as pointed out by the OECD, there are other sub-categories, such as air transportation, aircraft and spacecraft manufacturing, and airport operations. Air transportation can be sub-divided into two further categories, namely passenger transportation and cargo. The focus of this section is on civil aviation, one of the two principal categories of non-military aviation, whether commercial or private.

1.1.1 The constant growth in the number of passengers and the arrival of Covid-19

If we look at civil aviation, we can see that in recent years there has been a trend of constant growth regarding the number of airline passengers.⁷³ If we take into consideration the data collected by the World Bank for the number of passengers transported globally from 1988 to 2018 (2018 is the last year available), we can see that the growth is continuous and remarkable.

The graph below shows data from the International Civil Aviation Organization (ICAO), the Civil Aviation Statistics of the World, and estimates made by ICAO staff. It shows the powerful growth of the last thirty years, with only two brief periods of decline, in the years following the 9/11 attacks and those of the 2007 global financial crisis.

⁷² OECD, “COVID-19 and the aviation industry: Impact and policy responses”, 15.10.2020, <http://www.oecd.org/coronavirus/policy-responses/covid-19-and-the-aviation-industry-impact-and-policy-responses-26d521c1/>

⁷³ The World Bank: Air transport, passenger carried”, 2020, <https://data.worldbank.org/indicator/IS.AIR.PSGR?end=2018&start=1988>



Figure 1. Air transport, passengers carried (source: The World Bank – Data)⁷⁴

⁷⁴ Data available at: <https://data.worldbank.org/indicator/IS.AIR.PSGR?end=2018&start=1988>

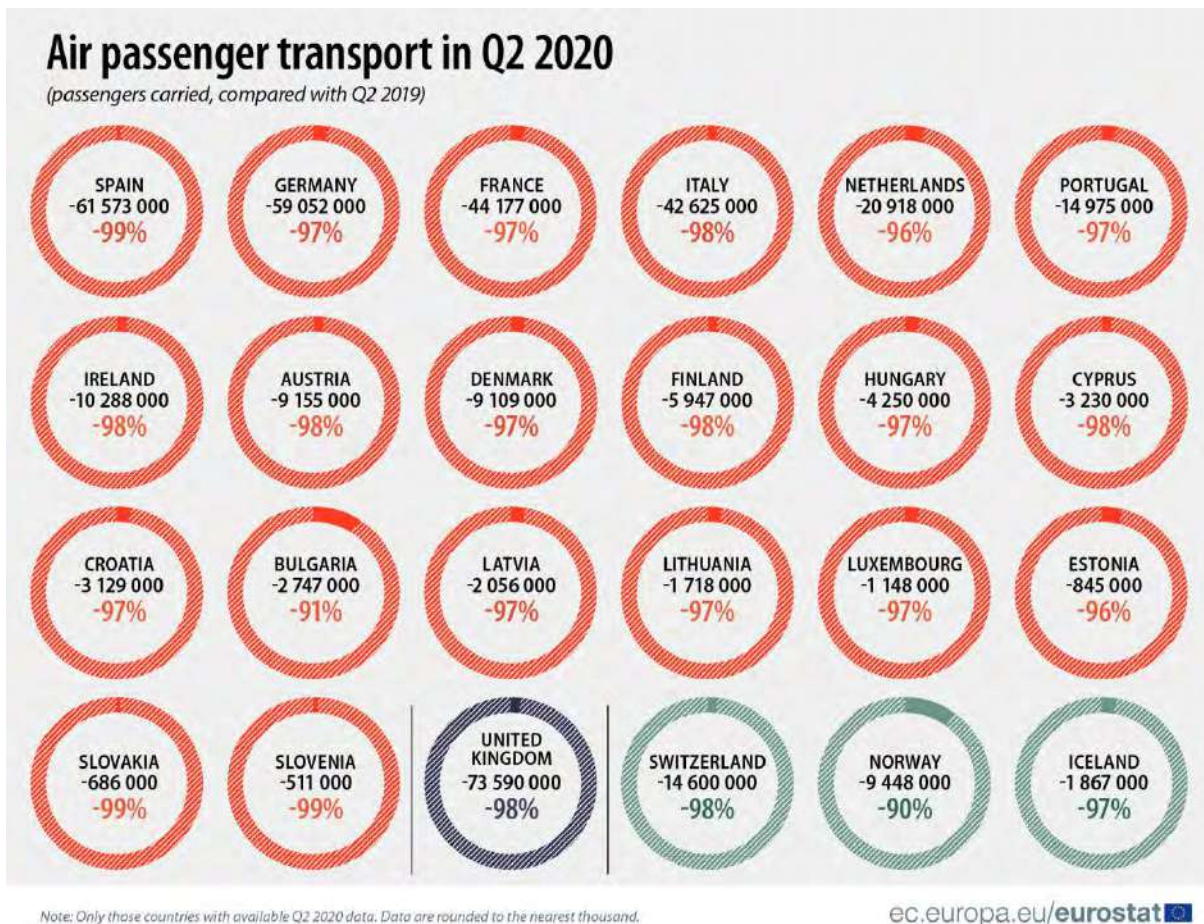


Figure 2. Air passenger transport in Q2 2020 (source: Eurostat [2020])

With the outbreak and spread of the virus, resulting in a new pandemic, and the consequent measures taken by the affected countries, passenger numbers have dropped dramatically. Figure 2 shows the data relating to European countries,⁷⁵ and compares the number of passengers in the various European countries in the second quarter of 2019 to that of 2020. This analysis summarizes the heavy toll of the pandemic on air transportation in numerical terms. Italy, in particular, has lost more than 42 million passengers in one year, with a decrease of 98%.

1.1.2 The economic impact of Covid-19 on the civil aviation sector - ICAO data

Covid-19 posed immediate challenges to the civil aviation sector which we can define as historic. In our research we particularly consulted data provided by the ICAO (a specialized and autonomous agency of the United Nations), whose task is to develop the principles and techniques of international air navigation, routes, and airports, and to promote the design and development of international air transport by making it safer and more orderly.

⁷⁵ Eurostat, “Impact of COVID-19 on air passenger transport in Q2 2020”, 15.10.2020, <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/DDN-20201015-2>

The ICAO works on different “scenarios” to highlight the uncertain nature of the current situation and the very rapid evolution to which this sector is subjected. In recent months, the agency has published several reports very close together in time relating to the economic impact of Covid-19 on the civil aviation sector.⁷⁶

In its analysis of the economic impact of Covid-19, the ICAO proposes two scenarios: the V-shaped scenario and the U-shaped scenario. The first case is a scenario that follows the normal form of recession in which a short period of contraction is followed by a rapid/regular recovery. This is a more optimistic route, shown in the graph below by a yellow arrow. In the second case, however (the U-shaped scenario), civil aviation faces a long-term recession with slow recovery, and the possibility that it may not even return to the growth trend line (producing an L-shaped scenario), and is thus a more pessimistic path, shown in the graph by a red arrow.

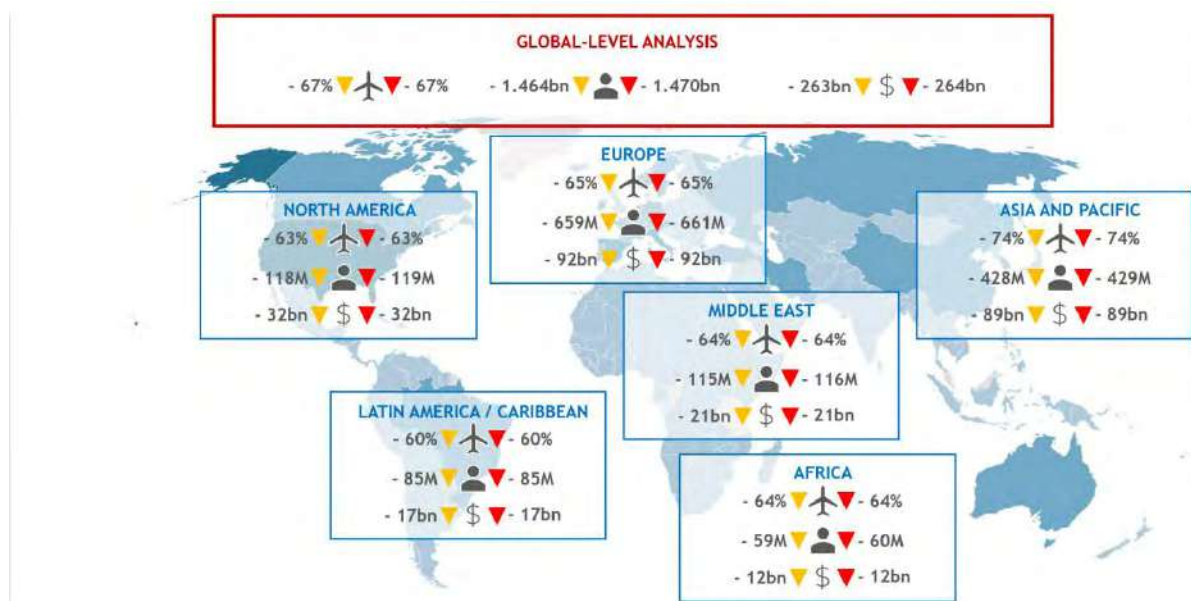


Figure 3. Global level analysis (source: ICAO [2020])

In the ICAO graphs that we chose for this report, we can see how they focus on the impact of Covid-19 on international and domestic traffic. The analytical period proposed by the ICAO therefore covers the entire year of 2020 and the first quarter of 2021.

In the first case, we can see how international air traffic may decrease by 67%, both in the case of the V-shaped scenario and in the case of the U-shaped scenario, with passenger losses of 1.464 billion (V-shaped scenario) and 1.470 billion (U-shaped scenario), and with financial losses

⁷⁶ ICAO, “Economic Impacts of COVID-19 on Civil Aviation”, 2020, <https://www.icao.int/sustainability/Pages/Economic-Impacts-of-COVID-19.aspx>

amounting to 263 billion dollars (V-shaped scenario) and 264 billion dollars (U-shaped scenario). The forecast of the impact of Covid-19 for the whole of 2020 and the first quarter of 2021 is therefore extremely significant.

The ICAO also makes forecasts for the economic impact of Covid-19 on industries affected by the civil aviation crisis. Figure 4 shows the results of a reworking of data from the ICAO, the International Air Transport Association (IATA),⁷⁷ the Airport Council International (ACI),⁷⁸ the UN World Tourism Organization (UNWTO),⁷⁹ the World Trade Organization (WTO),⁸⁰ and the International Monetary Fund (IMF).⁸¹

As reported on the web pages consulted, the figures in the graph are compared to 2019 data, except for the figures with an asterisk, which are “compared to 2020 baseline”.

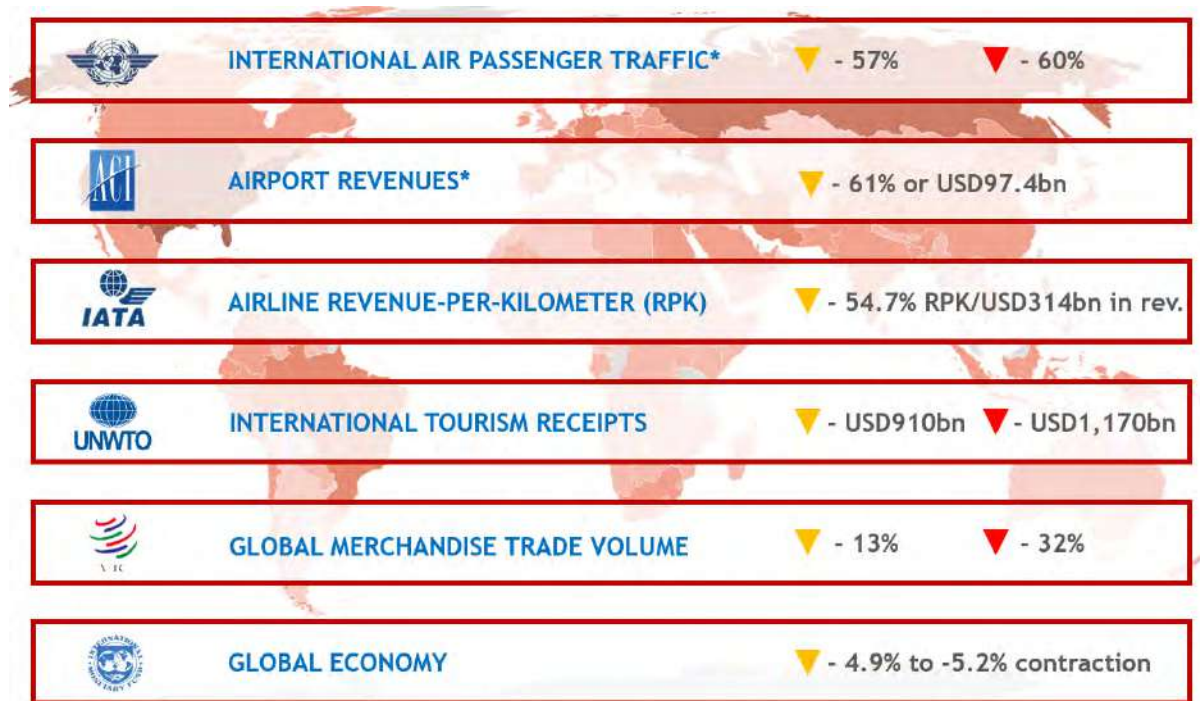


Figure 4. Economic impact of Covid-19 on industries affected by the civil aviation crisis
(source: ICAO [2020])

From the figures above, it is possible to observe the immense impact of Covid-19 on airport revenue, airline revenue per kilometer (RPK), international tourism revenue, global merchandise trade volume, and the global economy.

⁷⁷ IATA official website - <https://www.iata.org/>

⁷⁸ ACI official website - <https://aci.aero/>

⁷⁹ UNWTO official website - <https://www.unwto.org/>

⁸⁰ WTO official website - <https://www.wto.org/>

⁸¹ IMF official website - <https://www.imf.org/external/index.htm>

1.1.3 A comparison with other crises of the past

Another way to understand the large impact of Covid-19 on the civil aviation sector is to compare it with other past crises which had consequences both at a regional level and also on a global scale.

This was the case for the outbreak of SARS (Severe Acute Respiratory Syndrome) in 2003, and of MERS (Middle East Respiratory Syndrome) in 2012, which were both forms of coronavirus. We have taken the work edited by Bart Elias, specialist in Aviation Policy, created for the Congressional Research Service of the United States as a reference for this comparison.⁸²

Regarding SARS, Elias writes in his report that the crisis resulting from widespread concern about the epidemic led to a decrease in total annual air travel in 2003 by 8% among air carriers in the Asia-Pacific region, and by about 3.7% among US air carriers. The loss for airlines around the world has been estimated at \$7 billion, of which \$1 billion was for US airlines.

As for MERS, Elias states that it had a minimal impact on the aviation sector, as it was mostly contained in the Arabian Peninsula. A local outbreak of MERS occurred in 2015 in South Korea, but it was quickly isolated, while there were only a couple of cases recorded in the United States. If we compare this data with the previous data provided by the ICAO, we can clearly deduce that Covid-19 is without precedent in modern history. This virus has had a huge impact on civil aviation, and, in particular, on airlines that operate commercial flights.

As Elias writes, “the combination of travel restrictions, state and local mandates to stay at home, shelter in place, and self-quarantine after travel from certain areas, public concerns over the risk of contracting Covid-19 from travel related activities has had a significant impact on air travel demand since March 2020”.

If we take into consideration other publications,^{83,84} they all stress the fact that Covid-19 is developing in a very different way and is having a deeper impact on the sector than other crises, like those of SARS in 2003 and MERS in 2015, had in the past.

The airline industry has proven to be resilient in previous crises, but this time it has been hit in a way never seen before. According to IATA,⁸⁵ the SARS crisis is the most similar to the present one. During SARS, the market that was hit most was the Chinese market and those of Asia-Pacific, but the recovery was possible due to a rapid return of passenger confidence in flying. This is something

⁸² Bart Elias, “Addressing COVID-19 Pandemic Impacts on Civil Aviation Operations”, 17.08.2020, <https://crsreports.congress.gov/product/details?prodcode=R46483>

⁸³ International Transport Forum, “Government support measures for domestic air connectivity”, 10.12.2018, https://www.itf-oecd.org/sites/default/files/docs/domestic-air-connectivity_0.pdf

⁸⁴ IATA, “What can we learn from past pandemic episodes?”, 24.01.2020, <https://www.iata.org/en/iata-repository/publications/economic-reports/what-can-we-learn-from-past-pandemic-episodes/>

⁸⁵ IATA, “COVID-19 Updated Impact Assessment”, 14.04.2020, <https://www.iata.org/en/iata-repository/publications/economic-reports/covid-fourth-impact-assessment/>

that currently can only be seen in the Chinese aviation market, but not in other parts of the world.

1.2 Is China recovering faster than other countries?

The Chinese civil aviation market is the second largest in the world and is in the process of becoming the first globally.⁸⁶ According to a forecast by Boeing (which is a direct competitor of the Chinese Comac, the manufacturer which struck a deal with RyanAir to produce Comac C919, a Chinese-made airplane that should make its debut in 2021 with China Eastern Airlines [CEA]), by 2039, Chinese companies will need to acquire 8600 new airplanes, 6.3% more than a previous forecast by the same American company last year. The value of this acquisition, according to Boeing itself, would be equivalent to \$1.4 trillion, based on list prices.⁸⁷

As recently reported by the news agency Reuters, Richard Wynne, managing director of China Marketing for Boeing Commercial Airplanes stated, “Not only has China’s recovery from COVID-19 outpaced the rest of the world, but also continued government investments toward improving and expanding its transportation infrastructure, large regional traffic flows, and a flourishing domestic market mean this region of the world will thrive.”⁸⁸

As underlined by The Economist, and by other digital newspapers,⁸⁹ the three main Chinese companies suffered a serious blow in the first part of the year. The revenues of the “Big Three” plummeted 46% year-over-year in the first quarter to 54 billion CNY (equivalent to \$7.7 billion). They suffered a combined net loss of 14 billion CNY.

According to the words of Kelvin Lau, of Daiwa Capital Markets, reported in an interview by The Economist in May 2020, he expected that travel bans and lockdowns would have reduced the revenues of the “Big Three” by less than a third, to 286 billion CNY in 2020. He also stressed the fact that the “Big Three” have not relied on mass layoffs to tackle the crisis.

But after an initial blow, the “Big Three” and the civil aviation sector in China were able make a comeback. The Chinese market and the confidence of its customers is gradually recovering. So far, CEA has led this “comeback”, launching innovative plans, like the “Fly at Will” deal.⁹⁰

⁸⁶ The Economist, “Eyeing the dragon. Chinese carriers restart their engines”, 09.05.2020, <https://www.economist.com/business/2020/05/07/chinese-carriers-restart-their-engines>

⁸⁷ Asian Aviation, “Boeing issues upbeat forecast on China market”, 12.11.2020, <https://asianaviation.com/boeing-issues-upbeat-forecast-on-china-market/#:~:text=Boeing%20forecasts%20China's%20annual%20passenger,over%20the%20next%20%20years.>

⁸⁸ Reuters, “Boeing raises 20-year forecast for China aircraft demand despite pandemic”, 12.11.2020, <https://fr.reuters.com/article/china-aviation-boeing-idINKBN27S0DE>

⁸⁹ South China Morning Post, “China’s top three carriers see domestic passenger numbers soar in July, pointing to recovery of aviation sector”, 27.08.2020, <https://www.scmp.com/business/companies/article/3099034/chinas-top-three-carriers-see-domestic-passenger-numbers-soar>

⁹⁰ Iris Ouyang, “China Eastern targets business travel with revamp of unlimited flights package as domestic competition intensifies”, 13.08.2020, <https://www.scmp.com/business/article/3097148/china-eastern-targets-business-travel-revamp-unlimited-flights-package>

If we look at the data collected by Snoddon, Mordvinova, Doctoroff, Di Pietro, and McKeown (2020),⁹¹ we can see that the recovery of the sector in China took place earlier than in other countries. This is not a real rebound, but we can see how in the markets selected by the researchers (Canada, Australia, Brazil, Germany, Russia, and the United States), their recovery took place about two months later, and still remains much weaker than the Chinese one.

Two factors will certainly play a key role: the first is the presence of a huge and dynamic domestic market, while the second is the strict and effective control of the epidemic in China so far. China can certainly count on a large domestic market and is much less dependent on neighboring countries (which is not the case for Germany, whose companies and destinations are inextricably linked to the European market context), while for now a second wave has been successfully avoided in China.

If we take into account other more recent data, we can highlight how the Chinese civil aviation market appears to have recovered in less time than other global markets. According to the Civil Aviation Administration of China (CAAC) (reported by the Reuters agency),⁹² in September the Chinese market saw a total number of flights of 371,000 units, which was even 3.5% more than the same period last year. The number of domestic passengers reached 47.75 million units, approximately 98% of 2019 levels.

This new situation opens up historic challenges and needs brave solutions and clear strategies. One consequence of this very problematic year for Chinese civil aviation could be the further expansion of the “Big Three” presence in the domestic market. Already accounting for 41% of the domestic capacity in 2019, they could emerge from the crisis even stronger, and increase their share of the Chinese market.

At the same time, with international companies struggling following the second wave of Covid-19 in both Europe and America, the Chinese state-owned “Big Three” could also grab a larger slice of international routes.

2. China Eastern Airlines’ exceptional role during the Covid-19 pandemic

2.1 A victory in the battle against Covid-19

After the Covid-19 outbreak, the transportation industry played a crucial role in providing medical care and epidemic prevention supplies. As one of China’s three major airlines, CEA

⁹¹ C. Snoddon, V. Mordvinova, F. Doctoroff, L. Di Pi etro, and L. McKeown, “COVID-19 impacts on civil aviation: An international comparison”, 09.10.2020, <https://www150.statcan.gc.ca/n1/en/pub/45-28-0001/2020001/article/00084-eng.pdf?st=XhYNIskE>

⁹² Reuters, “UPDATE 1-China's domestic flight numbers top pre-COVID-19 levels in Sept”, 15.10.2020, <https://www.reuters.com/article/china-aviation-idUSL4N2H60Z7>

immediately stepped up efforts on pandemic prevention and control, and mobilized all resources, including aircraft capacity, aircrews, and flights, to unblock a “channel in the air to save lives” and win the battle against the novel coronavirus.

At 00:01 on January 25, a Boeing 737-800 chartered by CEA and its crew took off from Shanghai Hongqiao International Airport to transport the first group of 136 healthcare workers to Wuhan. It was the first medical charter flight to land in Wuhan to aid Hubei Province. On January 26, CEA operated a non-stop chartered freight flight to transport 3.16 million respirators from abroad to Wuhan: it was the first international flight organized by CAAC to transport epidemic prevention supplies to Wuhan. Furthermore, CEA was the first airline to digitalize the method of recording information relating to the health of passengers, implementing the “Cloud Information Reporting” online model to improve passenger services and avoid the risk of exposure to Covid-19. From the first flight organized by the Chinese civil aviation to assist Hubei healthcare workers to November, CEA has helped 23,000 medical workers reach every corner of the world and sent 70,000 tons of epidemic prevention supplies to more than 20 countries to combat the disease worldwide. CEA is the airline that chartered the highest number of flights to support CAAC’s work: its chartered air freight volume occupied over 40% of the industry.⁹³

In 2016, CEA pilot He Chao was labeled a hero after his quick thinking avoided a runway collision, thus saving the lives of 443 passengers. This year, He Chao appeared once again on the news for his incredible efforts in the fight against the epidemic. On April 10, the MU9001 charter flight headed by Captain He Chao landed safely at Shanghai Hongqiao Airport, taking home 51 health workers who risked their lives in Wuhan.⁹⁴ The spirit of service and the responsibility He Chao showed could be compared to the medical personnel who bravely fought to save their patients’ lives from the menace of Covid-19.

He Chao is just one of the many examples of the pilots and aircrew members who, for 50 days, dedicated themselves to transport medical equipment and health workers to all corners of the country. Facing the raging epidemic, CEA has played an essential role in providing medical assistance and material support at the national level, and has actively strengthened novel coronavirus preventive measures. As the epidemic situation in China stabilized, various provinces gradually resumed work and production. After conducting market research, CEA launched customized charter flights to help the resumption of work and production in several cities and decided to resume domestic and international flights. On February 24, the company operated the maiden “Shanghai Chartered Flight

⁹³ Zhao Yuanfang, “During China Eastern Airlines’ war against the ‘pandemic’, the flag of the Party was flying high in the front line”, 01.03.2020 http://www.ceair.com/about/dhwx/202003/t20200301_14229.html

⁹⁴ Jin Zhigang, “China Eastern Airlines’ ‘heroic captain’ brought the last medical team home”, 10.04.2020 <https://dy.163.com/article/F9S4PUIG05149B4D.html>

for Work Resumption” to support work and production resumption in the city.

The Covid-19 outbreak represents a very “dark hour” for the civil aviation industry. While things are currently improving in China, the pandemic is still evolving abroad. Statistics showed that Air China, CEA, and China Southern Airlines had a combined loss of 26.68 billion CNY in the first three quarters of 2020. Comparing data from the last quarter with previous quarters, the domestic civil aviation industry shows an accelerated recovery trend: in the third quarter, CEA transported 24.7697 million passengers (an increase of 105.83% from the second quarter), and the passenger load factor increased to 74.43% (a rise of 9.14% from the second quarter). The operating income, 17.171 billion CNY, also showed a significant increase from the second quarter.⁹⁵

While playing an essential role in providing medical assistance, CEA also promoted the recovery of the domestic and international civil aviation industry. On June 18, CEA launched the “Fly at Will” deal, which allowed customers to pay 3,322 CNY to enjoy unlimited weekend flights for destinations across the country before December 31, 2020. Following this trend, Spring Airlines, Hainan Airlines, Huaxia Airlines, Jixiang Airlines, China Southern Airlines, and other major airlines have also launched similar deals. By creating this promotion, CEA and the other national airlines hoped to strengthen the post-pandemic air travel market, while helping restart the national tourism sector.

The numbers showed CEA was right: the company announced that, as of June 24, more than 100,000 tickets had been redeemed by the passengers with the right to “Fly at Will,” while more than 65,000 tickets were redeemed on June 27 and 28. On that weekend, CEA chartered 58 flights between Shanghai and Chengdu for 4,049 passengers, accounting for 59% of the total number of passengers of all the airlines in China.⁹⁶ Beijing, Kunming, Xi’an, Hangzhou, and other cities were the most popular destinations among travelers. The deal also helped to connect areas often regarded as “remote,” such as Inner Mongolia and Qinghai Province, while supporting the local economy.

On September 25, on the occasion of the first anniversary of the opening of Beijing Daxing International Airport, CEA announced the launch of a second deal: “Fly at Will from Daxing”, allowing customers to pay 6,666 CNY to fly from the new airport to many national destinations before June 30, 2021.⁹⁷

Up to now, CEA has sold hundreds of thousands of “Fly at Will” deals and welcomed more than two million passengers. The team in charge of developing “Fly at Will” stated that this deal’s launch

⁹⁵ Pan Fuda, “The three major airlines had a total loss of 26.68 billion CNY in the first three quarters. Civil aviation industry is picking up in the third quarter”, 02.11.2020, <https://finance.sina.com.cn/chanjing/cyxw/2020-11-02/doc-iiznctkc9016914.shtml>

⁹⁶ Civil Aviation Authority of China, “65,000 people bought China Eastern Airlines’ ‘Fly at Will’ deal”, 27.06.2020, http://www.caacnews.com.cn/1/6/202006/t20200627_1305003.html

⁹⁷ Civil Aviation Authority of China, “Full-service and economical: China Eastern Airlines launches ‘Fly at Will from Daxin’”, 25.09.2020 http://www.caacnews.com.cn/1/6/202009/t20200925_1310988.html

has brought economic benefits to the company and contributed to the air transportation market's economic growth. Thanks to local governments' cooperation, the deal will support the recovery of national tourism and multiple cities' economic development.

In the fight against the epidemic, CEA focused its work on three fronts: "Firmly upholding the government's decisions; safeguarding passenger health; and caring for employee health", demonstrating strong overall planning, mobilization, communication, and coordination capabilities. The company's quick response to implementing infection prevention and control measures has contributed significantly to the global battle against Covid-19: speed and strength embody CEA's corporate culture and spirit and demonstrate the enterprise's commitment to social responsibility.

2.2 Global cooperation in the fight against Covid-19

As the pandemic spread worldwide, CEA connected different parts of the world and chartered several flights to transport medical personnel and anti-pandemic supplies to Italy, the Czech Republic, Laos, Pakistan, London, San Francisco, and other important countries and cities.

On March 12, CEA operated the first chartered flight to send medical teams abroad to support partner countries fighting against the novel coronavirus: a new Airbus A350-900 set off from Shanghai Pudong International Airport and landed in Rome, carrying nine special passengers and 8.6 tons of anti-pandemic supplies.⁹⁸ As a direct consequence of the outbreak of Covid-19, the Italian Prime Minister Giuseppe Conte announced a complete suspension of flights between Italy and China on January 31. Thus, the Shanghai headquarters of CEA worked closely with its Representative Office in Rome to obtain permission to land in Italy. There were only nine passengers on this first charter flight, but three experienced captains and three co-pilots were inside the cockpit. Lin Bo, one of the co-pilots, stated, "After the outbreak of COVID-19, I have always wanted to contribute: this flight is my way of contributing, but I don't want to be compared to the front-line health workers, as they have made the greatest effort."⁹⁹ According to the crew, the most impressive aspect of Rome's mission was that, after the landing, the Italian Air Traffic Control sent a vehicle to wait on the landing strip and guided the plane to its parking spot. It was not standard practice: by welcoming the plane, the air traffic controllers wanted to thank China for its precious help on Italy's behalf.

On March 18 and 25, CEA sent the second and third group of medical experts to Milan and delivered pandemic prevention supplies. Milan is not one of the destinations operated by CEA in Italy;

⁹⁸ International Airport Information Network, "China Eastern Airlines chartered the first flight to prevent pandemic and dispatched a group of medical experts abroad: nine 'special passengers' and anti-pandemic supplies flew to Rome", 13.03.2020, https://www.sohu.com/a/379704446_120044119

⁹⁹ Yang Yan, "An interview with the captains of the mission to Rome: It's the first time we perform such an important mission, we feel exhausted but happy", 14.03.2020, <https://xw.qq.com/cmsid/20200314A0ROS00>

to get permission to land on Italian soil, the company had to make full use of its comprehensive advantages in operating international flights, and efficiently coordinated with multiple departments. Thanks to both governments' coordinated efforts and the crucial help of CEA's Representative Office in Rome, the crew, composed of six members, completed the mission. While talking about the flight to Milan, Chen Sen, one of the pilots, proudly said, "Ten years ago, I was very excited to fly a cargo plane to Milan on the first flight of China Cargo Airlines. Ten years later, I returned to China Eastern Airlines, and I transported the first Chinese medical team to Milan. I felt really proud. This sense of pride stems from the sense of responsibility and courage shown by our great country in extending a helping hand, and providing assistance to Italy at this critical moment of the pandemic."¹⁰⁰

In Milan, Italian airport staff held up a splendid banner as the doctors got off the plane: "We are waves from the same sea, leaves from the same tree, flowers from the same garden." This quote, originally attributed to the Roman philosopher Seneca, was a message full of hope, expressing gratitude for the way in which China showed Italy its support in the fight against Covid-19. On three occasions, China helped Italy, providing vital support to the Italian battle against the novel coronavirus and building an "Aerial Silk Road" while strengthening the friendship between the two countries. The Minister of Foreign Affairs, Luigi di Maio, the President of the International Federation of Red Cross and Red Crescent, Francesco Rocca, and other government agencies and officials have repeatedly thanked CEA for facilitating the arrival of pandemic prevention supplies and medical personnel to Italy.

Subsequently, CEA created a "green anti-pandemic channel" to over 20 cities in Europe. The company also built "air bridges" worldwide, helping the global industrial chain stabilize through charter flights and transforming aircraft from "passenger to cargo."

CEA was able to provide air transport to demanders and purchasers of pandemic prevention supplies around the world while also providing a one-stop service covering the entire logistics supply chain (including air and ground transportation, airport cargo terminals, customs declaration, inspection, and loading and unloading). Eastern Airlines Logistics (EAL) has covered international and regional logistics sites in the United States, Germany, France, the Netherlands, Australia, Thailand, South Korea, Japan, Singapore, etc. Thus, it could guarantee delivery to selected international locations and a quick response to the pandemic prevention needs at any time, creating the longest air bridge for the global fight against Covid-19.

¹⁰⁰ Chinese Civil Aviation, "10,000 miles in the opposite direction: China Eastern Airlines' Shanghai Flight Department once again chartered a flight to help Italy. The second team of Chinese medical experts and anti-pandemic supplies arrived in Milan", 23.03.2020, <http://www.ccaonline.cn/yunshu/576070.html>

2.3 Social media promotion

After the Covid-19 outbreak, CEA used its accounts on the five most important international social media platforms (Facebook, Twitter, LinkedIn, YouTube, and TikTok) to spread public awareness of pandemic prevention and control. The airline's posts highlighted anti-pandemic measures, encouraged the resumption of work and production, and showed international governments' and citizens' friendly support for China's actions against the novel coronavirus outbreak. The posts also displayed the Chinese government and overseas Chinese people's efforts in fighting Covid-19 and showed how China had provided vital assistance to other countries. While facing the pandemic, CEA has seized each opportunity to raise its voice to talk about preventive and protective measures against Covid-19, far surpassing other national companies and airlines.

CEA studied the international situation and released appropriate content at different points during the epidemic. For example, in the early stage of Covid-19, people outside China lacked a correct understanding of prevention and control of the pandemic, and took an uncooperative attitude in response to the official anti-pandemic measures. To this end, CEA conducted prevention research and decided to share the post "Pandemic prevention tips from CEAir" on Facebook, which was very engaging and easy to understand. As the pandemic situation worsened globally, more and more people were required to stay at home: CEA immediately launched the original content, "Stay-at-home challenges." A series of photos and videos were uploaded on Facebook: the result was remarkable, and internet users widely welcomed the campaign. Among the internet users' favorites, there was also the video "CEAir Top Safety Questions," created to answer the most frequently asked questions received from passengers and fans during the pandemic.

Moreover, the contest "Fly Safe with China Eastern" started on October 17 and ended almost a month later. It was designed to provide useful information on avoiding Covid-19, to help the general public learn more about air travel safety, and to share important information for travelers entering China. Security is of paramount importance for the airline, and especially so during the novel coronavirus outbreak. Although the ongoing pandemic makes the process more complicated and time-consuming, passengers and crew members' safety is CEA's top priority.

CEA kept up with the trends of the times, making full use of the new digital platforms to fight against Covid-19. By spreading awareness of pandemic prevention measures and promoting China's participation in the global cooperation against the novel coronavirus, the international community now has a better understanding of China. A bridge for friendly collaboration between China and foreign countries was built across the sky, demonstrating CEA's corporate nature, a mix of social responsibility and cultural sensitivity.

3. The relevance of corporate social responsibility in the post-pandemic world

Corporate Social Responsibility (CSR) has been defined in various ways and from several perspectives. It can be considered as a broad concept that involves economic, legal, ethical, and philanthropic considerations.¹⁰¹ The simplest definition that may synthesize the concept sees CSR as the involvement of companies in activities that overcome the mere maximization of profit, and that instead look for the creation of value for stakeholders, rather than for shareholders only. According to the European Commission, this commitment is not related exclusively to the products and services companies provide, but also to the benefits they are able to create in jobs, human rights, health, the environment, innovation, education, and training. Over the years, the concept has received both strong criticism and support. The Nobel Prize winning economist Milton Friedman was one of the harshest critics of the idea that companies should create value for other stakeholders, as he believed that the social responsibility of firms is to increase its profits. The opposite position firmly holds that companies should implement actions that are socially and environmentally responsible, trying to create value for several stakeholders, among which there are shareholders as well. If not perceived as hypocritical, firm involvement in socially responsible practices may bring several benefits to performance, as it generates positive stakeholder reactions towards companies, for example improving customer loyalty or employee productivity. However, it is also important that firms get involved in CSR practices on a voluntary basis, and for reasons beyond those of their own interests, given that we have seen several cases in recent years of irresponsible practices that may harm the planet and society. As an active part of society, indeed, companies should contribute to safeguarding the planet by generating positive externalities, involving different stakeholders in their decision-making processes, and creating value for them.¹⁰² However, it is fundamental that stakeholders perceive the firms' CSR commitment as credible. Indeed, they may have negative attitudes towards companies that do not act in line with their claims about socially responsible activities, accusing the company of implementing hypocritical behaviors such as greenwashing.¹⁰³ Travel and tourism companies are not exempt from such reasoning, and their commitment to social responsibility practices is highly relevant, due to the size of the tourism industry that, before the Covid-19 pandemic, was one of the fastest growing industries at the global level. Companies in the accommodation and travel sectors do indeed have a strong impact on the socio-environmental systems, and their

¹⁰¹ Archie B. Carroll, "Corporate Social Responsibility: Evolution of a Definitional Construct", *Business & Society*, vol. 38, 01/09/1999, pp. 268–295, <https://doi.org/10.1177/000765039903800303>.

¹⁰² R. Edward Freeman, Andrew C. Wicks, and Bidhan Parmar, "Stakeholder Theory and 'The Corporate Objective Revisited'", *Organization Science*, vol. 15, 01.06.2004, pp. 364–369, <https://doi.org/10.1287/orsc.1040.0066>.

¹⁰³ W. Chad Carlos, and Ben W. Lewis, "Strategic Silence: Withholding Certification Status as a Hypocrisy Avoidance Tactic", *Administrative Science Quarterly*, vol. 63, 01.02.2017, <https://doi.org/10.1177/0001839217695089>

contribution is thus needed to achieve sustainability goals.¹⁰⁴ The commitment to CSR is even more important due to the Covid-19 pandemic and the resulting calls for measures to overcome tourists' uncertainty and anxiety.¹⁰⁵ Indeed, CSR activities implemented by tourism companies will also be needed for creating the safer travel experiences that tourists are increasingly looking for. From this perspective, CSR represents an opportunity to be utilized by travel companies, since an effective implementation of sustainable behaviors will be able to relaunch international travel, once the pandemic is overcome globally.

3.1 Opportunities in the Belt and Road Initiative framework in a post-pandemic world

The Covid-19 pandemic is expected to have an important impact on CSR. More practically, it is expected to offer more opportunities for businesses to shift towards more genuine CSR and contribute to addressing global social problems. Since its establishment in 2013, the Belt and Road Initiative and its projects have become more diversified and more transparent. The infrastructure projects that have been launched within the initiative have strongly contributed to the improvement of networks and infrastructure facilities in the Eurasian region. However, Belt and Road Initiative-related international projects have benefited from economic cooperation and deeper regional integration primarily within emerging economies. Nevertheless, among the numerous consequences of Covid-19, it is the unprecedented impact not only on health and individuals, but also on the global economy that stands out. To this extent, it is plausible that, given the exacerbation of the economic crisis in a post-pandemic world, different business opportunities will arise for China and the Belt and Road Initiative outside the emerging economies context and most likely in the developed world, such as in the European region and among EU member states. As far as Italy is concerned, the extent to which large and small companies, and also foreign firms, will respond to this crisis is of fundamental importance. This is true also with regards to Italy-China relations, given that numerous Chinese companies (as well as different types of Chinese stakeholder) are now part of the Italian business sector. Within such a framework, further opportunities could arise for Chinese companies operating in Italy, if they are willing to engage on a CSR approach driven by long-term commitment. Such commitment should be tailored, among other things, to maintaining good working conditions for employees, such as continuing to pay wages or lending money to employees (such as through no-interest loan arrangement with banks) during and after pandemic crisis moments. Foreign companies

¹⁰⁴ Stefano Franco, Matteo Giuliano Caroli, Francesco Cappa, Giacomo Del Chiappa, "Are you good enough? CSR, quality management and corporate financial performance in the hospitality industry", *International Journal of Hospitality Management*, vol. 88, <https://doi.org/10.1016/j.ijhm.2019.102395>

¹⁰⁵ Matt Craven, Mihir Mysore, and Matthew Wilson, COVID-19: Briefing note #6, May 13, 2020, COVID-19: Implications for Business, 13.05.2020, <https://www.mckinsey.com/business-functions/risk/our-insights/covid-19-implications-for-business>

operating in Italy should also improve their function as “health care providers”. Even though the health care system in Italy is public, the pandemic has taught us that it is highly recommendable to provide medical supplies to employees, such as masks – at least to improve the reputation of the company as one operating in line with post-pandemic recommendations. It is no coincidence that Chinese aid in March 2020, and particularly the delivery of two million surgical masks, is considered today as a milestone in the context of international and medical cooperation between China and the EU. Other than that, from multiple points of view, the issue of gender equality in the context of CSR also takes on a fundamental importance. An approach that promotes great activation of both external and internal resources in the labor market can increase social inclusiveness and guarantee the path of both social and economic growth. This is true particularly in Italy in the context of Covid-19 considering that according to ISTAT, the Italian National Institute of Statistics, between the second quarter of 2019 and the same period of 2020, female employment lost 470 thousand jobs, for a decline of 4.7% in a year. Out of 100 jobs lost, 55.9% are women. The difference in male employment which proved to be more resilient, lost 2.7% of employment out of 371,000 employed.

IV. Towards a new golden decade: challenges and opportunities for cultural and tourism cooperation

1. Aviation in a post-pandemic world: challenges and new opportunities

Due to the disruptive force of the Covid-19 pandemic, some trends that were already underway in numerous sectors, including in civil aviation, have been accelerated.¹⁰⁶ Though the economic impact of Covid-19 on airlines could be very significant at the end of the crisis, at the same time, the crisis could offer opportunities to build a new foundation for success.¹⁰⁷

In this section we have examined various reports published in recent months by a variety of consulting companies, institutions, and international experts. The Covid-19 crisis represents a new challenge to the aviation sector, which perhaps can be compared to that experienced by passengers and companies after September 11, 2001.¹⁰⁸

Although, in that instance, the international context, the causes, and the various parties were completely different, the aviation sector still had to reinvent itself following the need to increase the safety of passengers and workers in the sector. The new security measures, after an initial phase of transition, then became part of consumers' habits and were normalized in the following years.

What we are trying to emphasize here is how important it is for airline companies operating on an international scale to develop new strategies to adapt to a changing world already profoundly impacted by the pandemic.¹⁰⁹

Covid-19 has adopted a “disruptive function” in the civil aviation sector. Although it is currently impossible to predict how the crisis will evolve, what can be done is to design proactive future strategies and ensure that companies adopt strategic solutions that allow them to be ready for the “Post Covid-19” era.

1.1 Reinventing civil aviation: key issues and new trends for the recovery

The civil aviation sector will be able to recover, but it will be necessary for companies to introduce and invest in programs that focus on hygiene and safety for passengers.¹¹⁰ The strategies

¹⁰⁶ Ben Wade, Yana Topalova, Nicolas Boutin, Pranay Jhunjunwala, Hean-Loh Loh, Tom von Oertzen, Masa Ukon, and Alan Wise, “Seven Trends That Will Reshape the Airline Industry”, 09/01/2020, <https://www.bcg.com/publications/2020/seven-trends-reshape-airline-industry>

¹⁰⁷ Deloitte, “Covid-19 Aviation’s recovery flight plan”, 2020, <https://www2.deloitte.com/ca/en/pages/public-sector/articles/aviations-recovery-flight-plan.html>

¹⁰⁸ Michael Skapinker, “What 9/11 can teach us about aviation’s post-coronavirus future”, 23.06.2020, <https://www.ft.com/content/8c4e90f4-c61e-447d-a3ef-78d29e4cf56d>

¹⁰⁹ Igor Kuchma, “Airline industry after 9/11 and Covid-19”, 30.04.2020, <https://asiatimes.com/2020/04/airline-industry-after-9-11-and-covid-19/>

¹¹⁰ Jack Applebaum, Simon Dixon, Liz Krimmel, Dorian Reece, and Bryan Terry, “How COVID-19 is challenging orthodoxies in airport customer experience”, 2020, <https://www2.deloitte.com/global/en/pages/public-sector/covid-19>

companies adopt to develop solutions in an innovative way will determine their success and even their survival.

In recent months we have witnessed the uneven development of the pandemic with respect to different continents. Furthermore, the spread of the disease has followed a “wave” path. As we write, a second wave is already taking place in Europe,¹¹¹ after a relatively low incidence rate in the summer. However, in Asia, in countries such as China,¹¹² South Korea¹¹³ and Japan,¹¹⁴ the situation is more under control.

For this reason, one of the main drivers for companies in the “new era” will be flexibility. Regional markets could develop different strategies and policies to tackle the virus; thus, each company must be able to adapt to unforeseen changes, or even to economic consequences that are not yet predictable.

We will now briefly note other probable future trends in the civil aviation sector:¹¹⁵

- Changing customer demand will drive the need for operational efficiency (between airlines and airports)
- A route to financial and commercial sustainability will need to be charted
- Unprecedented collaborations will be the key to long term success

Companies will need to rethink how to re-engage their workforce, how to repair broken supply chains, how to achieve a lower and more flexible cost base, how to reduce operational risk, and how to ensure access to customers.¹¹⁶ Companies will have to adapt to a new ecosystem that is more digital, more collaborative, and characterized by greater “customer intimacy”.

Those able to promote customer loyalty by building relationships based on trust will also be those who can reap the most benefits in the “new normal”. Digital technologies could be instrumental in creating new ways of communicating through apps and social networks and in the sharing of

19/how-COVID-19-is-challenging-orthodoxies-in-airport-customer-experience.html#

¹¹¹ Mathieu Pollet, “Coronavirus second wave: Which countries in Europe are experiencing a fresh spike in COVID-19 cases?”, 18.11.2020, <https://www.euronews.com/2020/11/18/is-europe-having-a-covid-19-second-wave-country-by-country-breakdown>

¹¹² World Health Organization, “Data on China Covid-19 cases”, 2020, <https://covid19.who.int/region/wpro/country/cn>

¹¹³ World Health Organization, “Data on South Korea Covid-19 cases”, 2020, <https://covid19.who.int/region/wpro/country/kr>

¹¹⁴ World Health Organization, “Data on Japan Covid-19 cases”, 2020, <https://covid19.who.int/region/wpro/country/jp>

¹¹⁵ Deloitte, “COVID-19: Confronting uncertainty through & beyond the crisis: The power of scenario-thinking to enhance decision-making”, 2020, <https://www2.deloitte.com/global/en/pages/about-deloitte/articles/covid-19/covid-19--confronting-uncertainty-through---beyond-the-crisis-.html>

¹¹⁶ Falco Weidemeyer, Ignatius Tong, Christopher Mack, Gaurav Malhotra, “Covid-19: which critical choices should business make next?”, 22.05.2020, https://www.ey.com/en_it/long-term-value/covid-19-critical-choices-businesses-should-make

information and products.

Regarding the pandemic's impact, the Financial Times has recently listed as many as 100 companies that have been able to face the crisis with flexibility, speed, and innovation.¹¹⁷ One of the most illustrative examples is the National Basketball Association, an example of a company that has been innovative and has overcome the first phase of the crisis with enthusiasm, keeping its fan base active and engaged through social media.¹¹⁸

From a financial standpoint, companies will have to reduce their portfolio complexity and optimize operations, and will also have to be more flexible with regards to contractual aspects, creating adaptable contracts and exploring new opportunities such as the option of remote work.

1.2 Opportunities for the sector

KPMG India¹¹⁹ reports five great opportunities for the civil aviation sector in particular:

- "Refocus on the cost-line": "innovations in design, technology and financing" could "change the costs of providing services for both airlines and airports."
- New digital technologies could "help monetise assets better" and "improve operating efficiency and customer experience."
- "Transform the operating model": in this way, technology "can facilitate a complete revamp of the operating model for greenfield assets."
- Collaboration could be fostered between airlines and airports, sharing data to maximize value and "sharing gains from mutual benefits."
- Innovation: by using data, companies could find new solutions in a volatile, uncertain and complex world.

1.3 The role of governments in the pandemic

Companies must follow with great interest the "comeback" of the importance of governments in the pandemic. Their role has increased, and the decision makers are more influential than ever for businesses.

Another interesting piece of research,¹²⁰ which focuses particularly on the role of governments

¹¹⁷ Financial Times, "Prospering in the pandemic: the top 100 companies", 19.06.2020, <https://www.ft.com/content/844ed28c-8074-4856-bde0-20f3bf4cd8f0>

¹¹⁸ Ben Golliver, "A farewell to the NBA bubble after three grueling and exhilarating months", 10.10.2020, <https://www.washingtonpost.com/sports/2020/10/10/nba-bubble-farewell/>

¹¹⁹ Vasudevan S., "Aviation in a post-pandemic world: challenges and opportunities", 04.11.2020, <https://home.kpmg/in/en/home/insights/2020/11/aviation-in-a-post-pandemic-world.html>

¹²⁰ OECD, "Covid-19 and the aviation industry: impact and policy response", 15.10.2020, <http://www.oecd.org/coronavirus/policy-responses/covid-19-and-the-aviation-industry-impact-and-policy-responses-26d521c1/>

in this delicate phase in the air transport sector, highlights how airlines must face two further financial challenges: the first relates to the costs of health-related measures, which could increase substantially in the long run, and the second relates to the extent of the resumption of commercial flights once the acute phase of the pandemic is over.

What governments can do, according to the OECD, while playing a fundamental role in this time of crisis and uncertainty, is summarized in these main points:

- “Strike the balance between the need for support and the risk of distorting competition.”
- “Preserve business dynamics and allow exit.”
- “Encourage investments in the green transition and thereby increase the long-term resilience of the aviation industry.”
- “Address sustainability along the whole aviation value chain”.

2. Italian tourism’s strengths; China Eastern Airlines’ role in tourism cooperation between Italy and China

Italy and China are two global cultural and tourism superpowers.¹²¹ The two countries and their companies are investing significantly in strengthening and supporting bilateral tourism relations (CEA is a good example of a Chinese company which could play a role in facilitating and supporting the rise of tourism between Italy and China). In recent years, Italy and China have been able to collaborate fruitfully in this field, which is not merely important from an economic perspective, but could include social and cultural aspects to create shared experiences and memories.

2.1 An example of bilateral tourism cooperation: the UNESCO World Heritage Sites

A successful example of this Sino-Italian renewed cooperation is the UNESCO World Heritage Sites. Chinese and Italian scholars and professionals worked together for the conservation of the statues of the Dazu Carvings site, in the Municipality of Chongqing.¹²² Moreover, in 2019 an agreement was signed for the creation of a twinning of Italian and Chinese UNESCO sites.^{123,124} These cultural sites could be important not only for domestic tourism, but would also have the potential to become international tourism destinations in the future.

¹²¹ Xu Liuliu, “China, Italy to increase cultural and tourism exchanges”, Global Times, 16.01.2020, <https://www.globaltimes.cn/content/1177070.shtml>

¹²² Zhang Yangxin, “Dazu stone carvings - Sino Italian cooperation on cultural relics protection and restoration - Part 1”, 19.09.2020, <http://www.galileiinstitute.it/dazu-stone-carvings-sino-italian-cooperation/>

¹²³ Marco Bonaglia, “Western China Wine Series - Yunnan surprising wine production”, 22.06.2020, <http://www.galileiinstitute.it/western-china-wine-series-yunnan-surprising-wine-market/>

¹²⁴ Paesaggi vitivinicoli Unesco, “Culture and wine: Piedmont walking on the New Silk Road”, 02.09.2020, <https://www.paesaggivitivinicoliunesco.it/en/progetto/culture-and-wine-piedmont-walking-on-the-new-silk-road/>

2.2 The rise of air transport and tourism sectors in Italy before the pandemic

In this context of continuous and fruitful collaboration, the investment of CEA, which plays a decisive role in carrying Chinese tourists to Italy, can therefore be seen as strategic. The company is an important rising player in the Italian air transport sector, which data indicates is slowly recovering after the first terrible months of 2020.¹²⁵ The Italian air transport sector, according to data from Istat,¹²⁶ has been a growing business in recent years, while the Italian tourism sector's contribution to the Italian GDP has remained stable in recent years, settling at around 13% for 2019 (Statista), even if structural challenges still exist and need to be faced.¹²⁷

2.3 Attracting Chinese tourists to Italy

Regarding the reception of Chinese tourists, in recent years the Italian system has become aware of the importance of providing more dedicated services and has implemented various strategies to improve the quality of its tourism services. To learn more about it, we suggest reading one of the latest issues of "Mondo Cinese", one of the most important Italian journals on contemporary China, focusing on the trends of Chinese tourism in Italy and the strategies implemented to promote hospitality.¹²⁸ (It is worth reading a full volume.)

Although the "China-Italy Year of Culture and Tourism 2020" was to be celebrated this year, it has been postponed to 2022; however, as underlined by Italian Ambassador to China Luca Ferrari in a recent interview for an Italian newspaper,¹²⁹ the two sides are working together and finalizing cooperation deals even during these months of crisis. We are confident that the future initiative can be successfully relaunched and that CEA will also be able to contribute to the successful outcome of this collaboration between Italy and China.

¹²⁵ Elisa Trincia, "Il trasporto aereo prova la ripartenza: i numeri del settore dopo la crisi", 18.07.2020, <https://www.agi.it/economia/news/2020-07-18/il-trasporto-aereo-prova-la-ripartenza-dopo-la-crisi-i-numeri-del-settore-9190241/>

¹²⁶ ISTAT, "Trasporto aereo: andamento e scenari", 05.05.2020, <https://www.istat.it/it/files/2020/05/Trasporto-aereo.pdf>

¹²⁷ Venturini Marco, "What does the future look like for Italian Tourism", 30.04.2020, <https://www.wantedinrome.com/news/what-does-the-future-look-like-for-italian-tourism.html>

¹²⁸ Mondo Cinese. "Vacanze italiane", 2016. 44:3. Milano. Francesco Brioschi Editore

¹²⁹ Lorenzo Lamperti, "Ambasciatore Ferrari: "2022 nuovo anno Italia-Cina. Export, non si può fare a meno di Pechino", 05.06.2020, <https://www.affaritaliani.it/esteri/italia-cina-intervista-ambasciatore-luca-ferrari-pechino.html>

Conclusion. A road to cultural closeness: how China Eastern Airlines can keep investing in culture to promote China-Italy cultural relations

1. Two countries linked by beauty: Italy-China cultural cooperation and the role of China Eastern Airlines

China and Italy are really two distant, different, sometimes antithetical worlds. As stated by the great Italian sinologists Guido Samarani and Laura De Giorgi,¹³⁰ China and Italy are two realities, far from, yet near to, each other. However, as Federico Rampini pointed out in his most recent publication, Europe and Asia are less distant than they appear, especially compared to other areas of the globe: “Europe does not exist, geographically it is the small peripheral offshoot of a huge land mass which is the Asian continent [...] Eurasia, it is the only meaningful definition”.¹³¹

In his recent work, Robert Kaplan, another well-known scholar of geography and geopolitics, talks about the return of Marco Polo’s world.¹³² Eurasia therefore appears as a single block, China and the European Union being located at opposite ends. In recent publications and official documents of European institutions, a new trend is to use the term “Eurasian connectivity” when it comes to designing a strategy towards Asia and its main regional actors and partners.^{133,134}

As we have already mentioned in this report, China launched the Belt and Road Initiative in 2013. Italy is trying to take advantage of this opportunity in various sectors, such as in technology transfer,^{135,136} and scientific research and innovation.¹³⁷

Relations between Chinese and Italian universities are increasingly flourishing, while great steps forward have also been made in the pharmaceutical and trade sectors, for example. As underlined in the most recent publications on scientific and technological cooperation between China and Italy,^{138,139} new opportunities also lie in other sectors, including advanced materials, life sciences and

¹³⁰ Guido Samarani, and Laura De Giorgi 2011. *Lontane, vicine. Le relazioni fra Cina e Italia nel Novecento*. Roma. Carocci Editore

¹³¹ Federico Rampini 2020. *Oriente e Occidente. Massa e individuo*. Torino. Einaudi, p.7

¹³² Robert D Kaplan. 2018. *The return of Marco Polo’s World: war, strategy, and American interests in the twenty-first century*. New York. Random House

¹³³ European Commission, “Explaining the European Union’s approach to connecting Europe and Asia”, 19.09.2018, https://ec.europa.eu/commission/presscorner/detail/en/MEMO_18_5804

¹³⁴ European Union External Action Service, “Connecting Europe & Asia: The EU Strategy”, 26.09.2019, https://eeas.europa.eu/headquarters/headquarters-homepage/50699/connecting-europe-asia-eu-strategy_en

¹³⁵ Marco Bani, Alberto Di Minin, Anna Facchinetti (2018), “Belt and Road Initiative e trasferimento tecnologico: alcune chiavi di lettura”, in *Mondo Cinese*. 46:165-166. Milano: Francesco Brioschi Editore

¹³⁶ Galileo Galilei Italian Institute, “Netval Mission to China: a cherry on top for Galilei Institute’s work in China”, 09.04.2019, <http://www.galileiinstitute.it/netval-mission-to-china-a-cherry-on-top-for-galilei-institutes-work-in-china/>

¹³⁷ Alberto Di Minin, “Deadline coming up: Sept.15th. Call for Papers: R&D Management, Innovation Practices along the Belt and Road”, 19.08.2019, <http://www.diminin.it/2019/08/special-issue-all-content/>

¹³⁸ Ministero degli Affari Esteri e della Cooperazione Internazionale, “SCIENZA & TECNOLOGIA. Per una strategia italiana in Cina”, 2015, https://www.esteri.it/mae/resource/doc/2015/06/studio_cina_final.pdf

¹³⁹ Ministero degli Affari Esteri e della Cooperazione Internazionale, “Italia-Cina. Collaborazione scientifica e tecnologica. Piano d’azione verso il 2025”, 2019,

health care, intelligent manufacturing, space, aerospace and geophysics, green growth and energy revolution, urbanization and infrastructures, and new technologies for cultural heritage and agriculture.

Although the history of relations between Italy and China has been influenced by geographical distance, the two countries have always tried to overcome the barrier of distance and identify innovative ways of exchange, dialogue, and mutual understanding.^{140,141} Most recently, Italy and China have celebrated their first fifty years of diplomatic relations, in which they have tried to understand each other, building numerous bridges and lasting friendships.^{142,143}

China Eastern Airlines is therefore part of this consolidated tradition of institutional, entrepreneurial, cultural and tourist relations between Italy and China. Since becoming active on the Italian civil aviation market, it has contributed to the strengthening of relations between the two countries. It does so in its own sector, carrying out projects and investments, and encouraging exchanges between passengers, who are tourists, businessmen or diplomats with different experiences, cultures and languages.

CEA creates an aerial bridge for business, culture, and tourism. The link between Rome and Shanghai is therefore strengthened by the presence of CEA. The company favors the profitable exchange of shared values, but also helps and supports Italians who intend to travel to China for work, tourism, and study. Thanks to CEA, in only a few hours passengers reach places full of history, stories, and above all, beauty. In fact, Rome and Shanghai are cities with incredible histories, capable of going through centuries of vicissitudes and profound changes while renewing themselves.

2. Towards a leading position in cultural cooperation and tourism: ideas and suggestions for the future

We will now conclude our contribution with a list of suggestions which may be useful to CEA to strengthen, and hopefully expand, its presence on the Italian market, in relation to its contribution to tourism. Here are the three suggestions in brief:

1. Invest in intercultural dialogue and human capital
2. Prioritize the role of universities and research
3. Continue investing in the framework of the “China-Italy Year of Culture and Tourism 2020”

https://www.esteri.it/mae/resource/doc/2020/03/piano_dazione_st_verso2025r.pdf

¹⁴⁰ Mondo Cinese 2010. Italia e Cina: la svolta?, 38:144. Milano, Francesco Brioschi Editore

¹⁴¹ Bertuccioli Giuliano and Masini Federico 2014. Italia e Cina. Roma. L'Asino d'oro edizioni

¹⁴² Pini Mario Filippo 2011. Italia e Cina, 60 anni tra passato e futuro. Roma. L'Asino d'oro edizioni

¹⁴³ Beltrame Stefano 2019. Breve storia degli italiani in Cina. Roma. Luiss University Press

2.1 Investment in intercultural dialogue and human capital

First of all, our Sant'Anna research team wants to stress the importance of interculturality. We are aware that our cultures are very different, but we are equally convinced that investing in both Italian and Chinese human resources can, in the short, medium and long term, lead to great benefits for the business, management and workers themselves.

We have discovered this for ourselves, thanks to our direct experience with the Galileo Galilei Institute of Chongqing and the Confucius Institute of Pisa, both of which depend on Sino-Italian teams, and to our continuous, open and frank dialogue with Chinese academic institutions. In the Galilei Institute, the essential contribution of the Chinese staff allows us to be more effective and efficient in China, while at the Confucius Institute, the presence of qualified Italian staff makes each project dynamic and promotes integration.

The sharing of cultures, languages, and ways of thinking that are sometimes very different facilitates the creation of successful new ideas and products for markets with complex and different dynamics.

In our opinion, investing in people as bridges is the key to fostering dialogue between China and Italy. Due to the great distance that separates the two countries geographically, CEA plays a decisive role in connecting them and facilitating the travel of the true cultural messengers of the twenty-first century: tourists, researchers, and businessmen. It took months to complete the journey along the ancient Silk Road, thanks to the new “Aerial Silk Road” exchanges are reduced to a few hours on a comfortable flight.

2.2 The role of universities in promoting cultural rapprochement

We believe that research and teaching at universities can help promote the development and sharing of information and experiences. We therefore advise the company to continue investing in collaboration with Italian universities.

On the one hand, they can help and support the company by creating a type of “permanent education”, thanks to the contribution of research, data collection, teaching, seminars, and conferences, which encourage business optimization. On the other hand, Italian university centers can help the company to spread its “corporate culture” and to bring new ideas, stimuli, and points of view. Universities can act as platforms connecting the world of research, business, and culture. CEA and universities are actually pursuing the same goal – to circulate culture and nourish it by injecting it with new energy – resulting in a natural partnership.

In the world of contemporary tourism, marketing plays an increasingly central part in corporate strategies. It will be useful to intensify the promotion of CEA activities in Italy in order to promote

Italian tourist destinations in China through the organization of events, seminars and round table discussions. Universities in Italy could act as a bridge for activities, provide the necessary logistical and linguistic support, and also host major promotional events for CEA in the future.

2.3 Continued investment in the framework of the “China-Italy Year of Culture and Tourism 2020”

Investing in human capital and promotional events is important, but we believe it is also useful to do so within “frameworks” that allow optimal investments and results. The “China-Italy Year of Culture and Tourism 2020” could represent the perfect framework to gain visibility and promote CEA’s activities in Italy. CEA could become one of the main sponsors, being included in a network of Sino-Italian relations and thus truly benefiting from this event.

To achieve this goal, the company could also assemble a team of experts comprising of members of the Italian academy, managers of Italian tourism institutions and media, to form a “task force” and develop ideas. At the end of the project, the results of this experience could be included in a bilingual publication, to share with the Italian and Chinese public a successful “case study”.

We also believe, as noted earlier in this report, that new ideas for collaboration can be found within the UNESCO World Heritage Sites. In this sense, we are willing to support the research, design, and implementation of possible activities with Italian UNESCO sites, creating bridges with the Chinese sites.

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