



Munich Personal RePEc Archive

The Role of Transport in Economic Development

Filip Nistor and Catalin C. Popa

"Mircea cel Batran" Naval Academy Constanta, Romania, Higher
Colleges of Technology, Abu Dhabi, United Arab Emirates

October 2014

Online at <https://mpa.ub.uni-muenchen.de/70586/>

MPRA Paper No. 70586, posted 11 April 2016 05:34 UTC

THE ROLE OF TRANSPORT IN ECONOMIC DEVELOPMENT

Filip NISTOR¹
Cătălin POPA²

¹ Professor Assistant PhD student, Naval Academy, Constanta, Romania

² Associate Professor PhD, Higher Colleges of Technology, Abu Dhabi, United Arab Emirates

Abstract: The important relationship between prices and economies of scale has pointed out the importance of transport leading to the introduction of transport activity in economic policy debates. Early years of 20th century reveal a new type of economic analysis of the transport market based on the principle of sustainable development. Transition of transport sector to another level of development has being pursued specific transport market developments by investigating concomitant of economic, environmental and social influences. In the presented paperwork the authors identify role of transport in developing a sustainable economy that will provide, in the near future, new services, ensuring better management and real-time traffic capabilities in order to protect the environment and offer safety.

Key-words: sustainable development, shipping, economic growth

INTRODUCTION

Since ancient times, there was interdependence between shipping activity and the degree of economic development. Civilizations who managed to exploit natural advantages like waterways have managed to develop economically. Thus, in ancient times, countries such as Egypt, China, Greece and the Roman Empire grew economically by developing river and maritime transportation routes.

Since the eighteenth century, the importance of transport was highlighted by Adam Smith. In Smithian concept, transport was a productive branch that creates value, but not the use-value.

In Chapter 3 of "The Wealth of Nations" Adam Smith has developed the importance of labor division in society. As businesses increased and produced more goods than they can sell locally, it need access to wider markets, at which stage, water transport gained an important role: "For any industry, water transport leading to a wider market than can provide land transport". (Smith, A, 1998).

In the nineteenth century, the links between the national economy and transport were points of interest in theoretical research. Thus, in 1850, J. G. Kohl study the structure of transport networks correlated with the geographical distribution of natural resources, on the example of Russia, highlighting the importance of an internal transport system for the future development of cities.

Also during the nineteenth century, E.G. Ravenstein develops a study of traffic flows referring to internal migration of the British, creating traffic flow distribution, which was important for the future development of transport networks.

Transport system made the transition from "isolated state" revealed by Von Thünen's theory, to an open economy. Necessity of developing economically space of a country is based on national and international transport system.

A well developed internal transport system leads to linking economic activities by identifying locations that offer favorable conditions of production, there is even a geographical boundary with the impose prices of certain products and the area criteria.

THE ROLE OF TRANSPORT IN ECONOMIC DEVELOPMENT

Faster development of a transport system compared to the whole economy can be a disadvantage for a country in terms of inequality conditions generated in the formation and development of various industrial and commercial locations. Due to advanced transport infrastructure, local economy gets in the position to not be able to develop industrially because the local community has the opportunity to procure the necessary goods from other economically developed regions.

Based on the concept of sustainable development of society, the transports have a significant

importance for the balanced development of economic and social systems of a country.

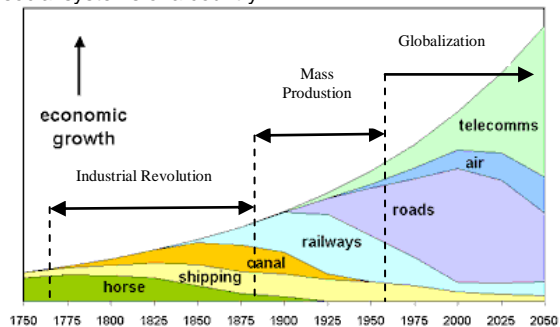


Figure 1 The relative contribution of different modes of transport to economic growth

The external dimension of transport leads to opportunities and benefits of economic and social influence throughout the economy. When transport system is lagging behind losses occur due to decreased international trade.

In the development and diversification of trade between countries worldwide, international freight transport has an important role. Transport, by assumed role, is an important part of material production shaping the other sectors of the world economy, mainly international trade.

Transport activity is a premise in achieving economic cooperation agreements, in order to bring in world circuit regions around the globe, by creating a distribution system opened to needs of potential beneficiaries.

In the current period, countries interrelation is based to economic resorts, international trade, by transport activity, is one of the main elements of globalization.

With the transition to an open economy, evolution growing of transport capacity worldwide has a similar trend to that international trade. Among the factors contributing to the upward trend include:

- boost economic exchanges between countries, by increasing the number of partners and areas involved in international trade;
- cross-border relocation of world production as part of globalization resulting in the formation of international value added chains;
- uneven distribution of primary factors;
- structural changes occurring in trade accentuated the diversification of production of goods;
- development of related services, in particular the storage and handling, which required improvement of work organization;
- quality of services of international shipping companies with the implementation of quality standards in service providers.

Transport has a social and environmental task that can not be neglected. Social task is outlined by transport activity role in society and which is closely related

to environmental task, because transport is a potential pollutant of the environment with implications for humans.

The effects on the economy of transport activity, can be direct or indirect. Direct effects refer to the availability of markets, in which case transport provides connections to large market outlets and saving time and money. The indirect impact is related to the economic multiplier effect when the price of goods or services increases with diversification.

The fact that transport makes the connection between international markets indicate a vulnerability to random shocks suffered by the economy of a region or internationally. One such example is the financial crisis of 2008 that led to the decrease in the volume of goods imported or exported to developed countries or developing due to production contraction.

The relationship between transport and economic growth is not a direct one, but rather related to its influence on the structures and processes of production, location and size of enterprises, structures and processes of distribution and other characteristics of production organization.

Increasing specialization in the production process, pronounced separation stages of international value-added and increasing economic activities of companies leads to increased transport volumes and increase the average length of haul (table 1).

Year	2000	2001	2002	2003	2004	2005	2006
[%]	100	98.9	99.9	98.8	104.7	104.7	105
Year		2007	2008	2009	2010	2011	2012
[%]		105.4	103.3	95.6	98	96.5	94.5

Table 1 Dynamics of the volume of freight transport relative to GDP in EU countries, (2000=100)

Since the 1970s, value creating processes determined the intensification of transport activity. Between 1985 and 1998 freight transport measured in tonne-km increased by 54% at EU level, while GDP growth was only 35%. (Gilbert, Nadeau, 2001)

As can be seen rising tendency is manifested by the year 2007 with an increase of 5.4%, while in 2008 and

CONCLUSIONS

With each stage of development of human society, a certain mode of transport has been developed or adapted. However, it was observed that throughout history, no mode of transport was solely responsible for growth. Thus, the development of modes of transport was correlated with economic structures and mobility of labor. For example, important international migration flows that have taken place since the 18th century were related to the extension of international and continental transport. Transport has played a catalytic role in the migration, leading to economic and social transformation of many nations. Development, diversification and development of the transport system had as a cause expansion and intensification of production and circulation of goods.

Investment in transport infrastructure is a tool for regional development, especially in developing countries, mainly for the road sector. Therefore, the complexity of the relationship between transport and economic development lies in the variety of possible effects: increasing development of economic exchanges between economic agents, establishing trade relations with the far trade area and positive indirect influence on the development of other economic sectors.

The difficulty of separating the specific contributions of the transport system of a country's economic development derives from the fact that during the development of the transport system may precede or follow simultaneously to economic progress.

REFERENCES

1. Smith, A., (1998): *The Wealth of Nations*, Oxford University Press
2. Fistung, F.D.(coordonator), (2008): *Transportul durabil. O perspectivă viabilă de evoluție*, Academia Română, Institutul Național de Cercetări Economice
3. Gilbert, R.; Nadeau, K., (2001): *Decoupling economic growth and transport demand: a requirement for sustainability*, Conference Paper for “Transportation and Economic Development 2002”, Transport Research Board
4. Button, K., Reggiani, A., (2011): *Transportation and Economic Development Challenges*, Edward Elgar Publishing, Cheltenham, 2011
5. <http://www.flexibility.co.uk/issues/transport/time-mobility.htm>

2009 record decreases by intervening economic crisis, the effects of which were felt in 2010, 2011 and 2012, years in which the indicator don't stood even in 2000 level, the reference year.

The EU is one of the world's leading providers of services, equipment and transport technologies. EU companies control 30% of the global air transport and 40% of global maritime fleet. Transport equipment accounts for 60% of exports of EU member states. An important part of transport activities are conducted in an international competitive environment, especially in the case of air and sea transport. Access on markets outside the EU countries is crucial for transport system of the EU.

EU enlargement has had significant effects on transport. A number of international cooperation mechanisms, such as those in the area of river and roads, refer to the future EU Member States and neighboring countries with which the EU is already a special relationship, which is working well in transport activities.

Cooperation in the field of transport in the EU and neighboring countries will contribute to the necessary interconnections on major transport routes, taking into account economic, environmental and social dimension. The objective of sustainable transport policy in the EU is the implementation of transport systems that meet the demands of economic, social and environmental needs of society. The transport sector contributing to the whole European economy, have an important role in the competitiveness of European industry and services.

Transport policy in the EU has a strategic role in the Lisbon strategy in view of establishing a balance between economic growth, prosperity and environmental protection.

Economic growth is linked to the development of transport. While some regions have benefited from the development of transport systems, others are often marginalized by the existence of conditions not adequate development of properly transport system. The transport itself is not a sufficient condition for development, and the lack of transport infrastructure can be seen as a constraint on development.