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## **DEVELOPMENT OF TRANSPORT INFRASTRUCTURE AND ECONOMIC GROWTH OF LATVIA**

### **Abstract**

Transport is one of the most important part of economic infrastructure, which allows to dynamic development of the cities and regions. It enable fast and free movement of people, services and goods. Along with them moves the capital. It's difficult to imagine economic growth which creates jobs, without an effective transport system, that indicates the flow of goods not only on the internal market, but also on the international one. The incoming investments are creating jobs and increasing the income. In the era of regional integration and countries cooperation through supranational organizations, transport is becoming particularly important. It allows communicate between some parts of country and maintaining economic and social relations with foreign regions. The purpose of this contributions is showing how the development of transport infrastructure of Latvia influenced the country's economic growth. It will be shown, how investment in transport infrastructure influences the Latvian economic growth, which is measured by economic indicators, in particular GDP. It will be estimated its impact on the development of trade relations with foreign partners, especially the Polish.

*Key words: infrastructure – development – economic growth*

### **Introduction**

Transport infrastructure is one of the most important parts of economic infrastructure. It facilitates the development of connections between regions within a country and between countries, and consequently, it supports the formation of mutual economic, social, cultural relations. Thanks to the expansion of transport networks, also commercial links can develop. This has also positive effects on inflows of foreign investment. These, in turn, in the opinion of many economists, facilitate the achievement of positive macroeconomic indicators and economic growth.

### **The nature of transport infrastructure**

The main problem of the contemporary economy are disproportions as regards levels and pace of social and economic development of individual regions. Due to them, some regions may be treated as the leading ones, while the other are peripheral. There have always been differences in the degree of social and economic development and affluence of individual states and regions. The problem has become more important as a result of the European integration, since it has emphasized the problem of differentiation between regions. The strengthening of the economic integration, that is more beneficial for more developed countries and regions, imposes numerous threats on less developed and peripheral regions. The state of social and economic infrastructure may be assumed to be one of the reasons of an unequal level of social and economic development. Such infrastructure may be an essential factor stimulating

development of regions, and an absence of such infrastructure is an obvious barrier that prevents undeveloped regions from reducing the gap between them and developed regions.

The term “infrastructure” is used on various scientific and non-scientific fields. It originates from Latin, and namely the word “infra“ is understood as grounds or fundamentals while “structure“ means distribution of elements of certain undefined setup. When we combine these words, we have a term that may be understood as a set of devices and institutions that facilitate functioning of the national economy (Truskolaski 2006: 55). The term “infrastructure” may be analysed according to a few groups of definitions. A. Piskozub presented a definition based upon the main functions of infrastructure. In his opinion, infrastructure means line and point objects meaning public utilities that have been created by people and are permanently located, that serve as an understructure of social and economic life due to their functions related to movement of people and loads (transportation), messages (communication), electricity (power industry) and water (water management) (Piskozub 1977: 25). The second group of definitions of infrastructure is created on the basis of definitions containing specific features of infrastructure. It is, for instance, the term presented by A. O. Hirschman, according to whom an infrastructural branch of the economy should meet the three following conditions (Ratajczak 1999: 16):

- supplied services must facilitate or condition, in a way, launching of any other kinds of economic activity;
- in almost all countries such services are provided by public bodies or private bodies that are subject to certain control of the state;
- infrastructural services may not be imported.

D. Biehl's theory that assumes that regional infrastructure covers transportation, communication, power supplies, water supplies, environmental protection, education, health care, municipal services, sport, tourism, social services, culture and natural equipment should be included in the group of definitions comprising elements of the economy considered to be infrastructural by the author (Biehl 1986: 109). The fourth possible approach to define infrastructure is a combination of the three approaches which have already been mentioned.

Although it is not identified clearly in the professional literature, infrastructure is quite precisely identified due to the uniformity of opinions on its characteristics, such as technical and economic indivisibility, long time of its establishment and long life cycles, high capital consumption. Transport infrastructure is one of the most important elements of the infrastructure nowadays.

Transport infrastructure covers all elements of a larger social and economic structure that facilitate movements of persons, loads and messages. The role of infrastructure in the economic development resolves itself in three aspects (Wojewódzka-Król 1999: 14):

- ensuring territorial connections,
- creating conditions for productive activities,
- creating grounds for existence of appropriate human resources.

Their accomplishment would not be possible if an appropriate transport infrastructure did not exist.

### **The state of the transport infrastructure in Latvia**

Latvia is located on eastern coast of the Baltic Sea. One of the priorities of the development of this country is a development of safe, sustainable and environment-friendly transport system, in particular multimodal transport. The main objective of sustainable development of transport in Latvia is an integration of the transport infrastructure with the trans-European system. Special attention is paid to the development of along-coast shipping and combined transport.

The main elements of the Latvian transport infrastructure comprise:

- ports in Latvia: in Ventspils, in Riga and Liepāja
- dense and functional networks of roads which are connected with the EU and CIS networks and Latvian ports
- special high-capacity railway corridor that connects Latvian ports with Russia and the Far East
- international airport in Riga (handling passenger flights and possessing a high-capacity Distribution Centre for freight handling).

Due to its geographical location, Latvia is a transit country for transport in the western and eastern directions. It is one of the reasons for a dense network. The Latvian road network consists of national roads of 20,309 kilometres. However, their quality is not as good as compared to other Baltic states. 1,653 kilometres are main roads (8.2% of total length of roads), while 5,327 kilometres are provincial roads (26.4% of total length of roads). Definitely, local roads prevail with the length of over 13,198 kilometres (65.4% of total length of roads). Only 8,066 kilometres out of all roads are roads with black (asphalt) surface ([www.transport.lv](http://www.transport.lv) 01.05.2011).

The main transport routes in Latvia are created by the following European roads (Latvian State Roads Yearbook 2009: 5):

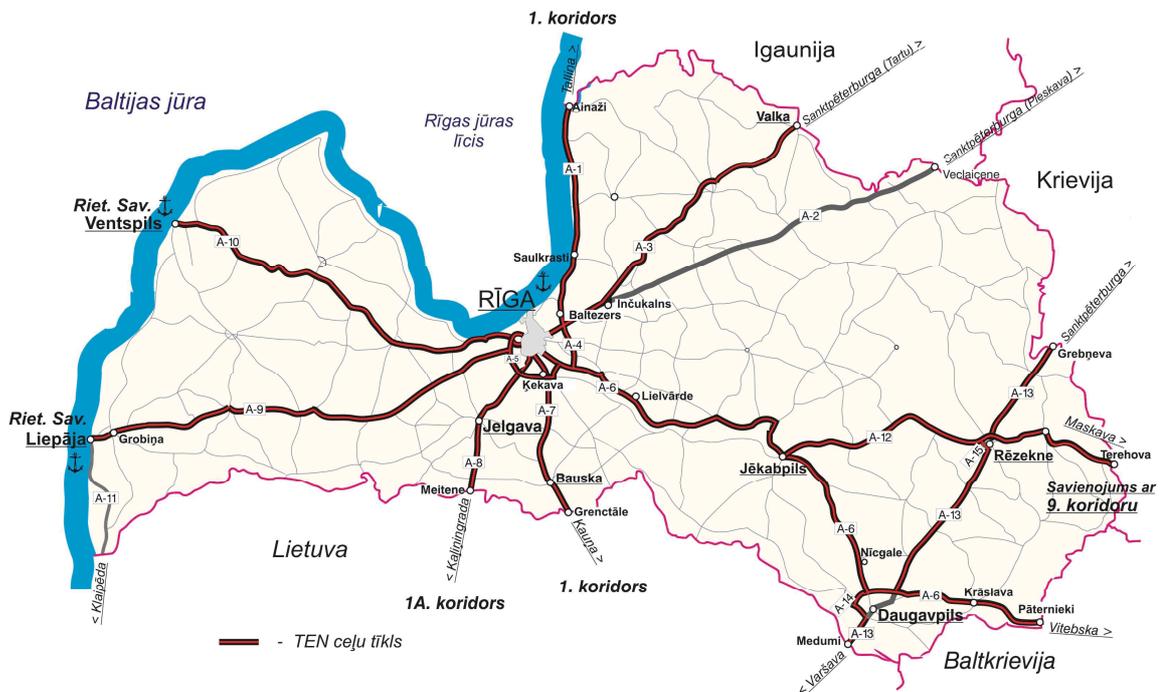
- E22 Ventspilis- Riga- Moscow- Vladimir- Nizhniy Novgorod

- E67 Warsaw- Kaunas- Riga- Tallin- Helsinki (“Via Baltica”)
- E77 Pskov- Riga- Siauliai- Talpaki- Kaliningrad- Elbląg- Warsaw- Radom- Kraków- Ruzomberok- Zvolen- Budapest
- E262 Kaunas - Utena- Daugavpils- Rezekne- Ostrov.

The first and most important transport corridor in Latvia is “Via Baltica” that goes in the north-southern direction. It is also known as E67 motorway. It ensures a connection between European Cities from Helsinki to Warsaw, and its branch – E77 road leads to Kaliningrad ([www.lvceli.lv](http://www.lvceli.lv) 01.05.2011). The corridor was built with financial funds under PHARE and ISPA pre-accession instruments.

PICTURES 1.

**TEN-T in Latvia**



The Latvian National Road System consists of 934 bridges, including:

- 878 reinforced concrete bridges,
- 145 stone bridges,
- 35 steel bridges,
- 7 wooden bridges.

The total length of bridges is 30,011 metres.



In fact, the total length of roads and railways has remained unchanged since 1990s.

## **Conclusions**

The impact of transportation on the economic growth and foreign trade is a very important phenomenon, particularly when making decisions on allocation of financial funds to investments in different fields of transport. Transport, and transport infrastructure in particular, is considered to be among the basic elements which will have an impact on the decision on localisation in the future. Thus, transport plays and will continue to play an important role in the economy. Its role in the Central and Eastern Europe has changed in the process of adjustment of the economies to the EU structures. Cooperation between all Baltic states has become very important. The contemporary transport policy is based on an assumption of a permanent and sustainable growth. This policy also includes the infrastructure of Latvia which attempts to make its transport network uniform and endeavours to establish a uniform common market which covers different kinds of transport.

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