



# An Assessment of Logistics and Transport Subdivision as an Element of Globalization

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**Abstract.** The development of globalization has been recorded as one of the most meaningful basic system affecting logistics service providers, workers and investors. The procedure of transporting sets up the quality of being adequate of conveying items. The process of promoting in strategies and operational rules enhances the conveying freight, conveyance speed, process costs, quality of service, the facility's practice and saving energy. Transportation takes a crucial factor in the administration of logistics and supply chain in general. Assessing the ongoing circumstances, a solid scheme needs a reasonable fringe of logistics and an appropriate transport strategy to link the creating method. The target of this survey is to distinguish the basic factors impacting the transport segment and logistics through globalization procedure occurring in the global economy.

**Keywords:** Globalization · Economic development · Transportation · Logistics management

## 1 Introduction

The increasing global competition in businesses coupled with the globalization of the economy has made many logistics providers to explore new market outputs, to increase its trade turnover and flows of capital and services while using cheaper raw materials and labour which can be found in the country of the parent company or elsewhere. The movement of raw materials, labour, and services are characterized by covering distances which are only possible through the availability of effective and efficient transport section and provision of appropriate logistics functions. Over the years, implementation of modern technologies in transport system development such as haulage, transshipment, information flow in the supply chain, and implementation of innovative integrated supply chains solution has become a vital element in the globalization process of businesses. Therefore, key players in the logistics, transport, and forwarding businesses have to adapt to new developments required of them to improve in the reliability of services

delivery in the globalized economy. According to [14], transport is an indispensable and important part of the process of economic competitiveness, that ensures important distribution for manufacturing, as well as effective and efficient transport which connects businesses to global markets. Hence, the technological progress in the design of transport networks has enabled it to transport a bulk load of raw materials over long distance while reducing transports costs. The globalization of the economy occurs in many areas such as outflow of product and services beyond borders, minimization of taxes and trade obstructions, technical, sociological, immigration, and technology flow [13]. The globalization of manufacturing and creation of complex chains of connections are the reason for the higher requirement for transportation and high-quality demand for the render services. It is accompanied by changes in transport systems which help in accelerating globalization processes across all transport modes. The creation of inter-modal transport group are vital components of integrated logistics chains and means of understanding the essential aspect of logistics transport under globalization [7]. An effective, as well as efficient transportation network is the way at which big organizations can easily cope with the ever-changing demands of the global market and apply innovative methods of delivering bulky cargos within a limited time. The development of globalization has been recorded as one of the most significant basic system affecting logistics service providers and transportation is often referred to as one of the four key elements of globalization besides communications, international standardization, and trade liberalization [10]. Therefore, the aim of this study is to review the basic factors impacting the transport segment and logistics through globalization procedure occurring on the global economy.

## 2 Globalization and Transport

According to [4], globalization can be described as an ongoing process which can be noticed by the increasing number of cross border business, the capacity of worldwide financial flows, and increased labour flows. Presently, the global economy has changed greatly, it requires a new logistics direction, innovation in transport mode, and reduction in global trade costs. [10] mentioned that the four cornerstones of globalization are; worldwide standardization, liberalization of trade, communications, and transportation. Transport is referred to as the heart of globalization, it involves the capability to convey materials, equipment, and people all over the world. The opportunities for businesses to gain from business globalization are on the increase because of its operative impact on the transportation subdivision [9]. Business globalization impact on the transport subdivision is described in two ways and they are;

- a) It leads to changes in transport needs, structure, and volume.
- b) It leads to changes in procedures of entities arranging the transport services.

In developed nations, the transport needs are influenced by accelerated progress in the economy creating structure and the transport of processed products or freight which is the reflection of the economy that is visible in a volume of production, distribution structure, and material structure of the distribution. Manufacturing and trade globalization are some of the important characteristics of this present age, it comprises of

economic scale activity, rapid change in technological advancement, lower manufacturing and trade costs, and higher work rate which have all contributed to the creation of resources today. According to [14], transport is a necessary feature of economic growth and competitiveness that support key circulation for manufacturing, vital movements of products, personal transportability, directly conjoining businesses and global markets. Therefore, it can be said that transport is the heart of globalization because the movement of goods and people around the world are made possible through transport. People and organizations will try to make a profit from globalization because of an increase in an efficient and effective transport network, as well as competitive, responsive and cost-effective transport sector that promotes trade. The creation of perfect conditions for efficient and cost-effective transport networks poses a great challenge to be addressed if the transportation sector is to fully contribute to globalization. An increase in globalization has contributed to a rise in global freight trade activity, firms and worldwide transport setup have been under rising pressures to support the increasing requirements of global market and the globalization associated with manufacturing and consumption [11]. Transporting bigger volume of freight and people quickly and more efficiently can be achieved through extensive technical development, since the efficiency of international distribution is improved by intermodal transportation with an expanding portion of it are cargo moving globally and are containerized. Also, functional growth and removal of bottlenecks in the transport division will considerably improve the efficiency of international transport networks and modes, reduce transit time, improve reliability and minimize the cost of moving goods. Hence, transportation can be referred to as an enabler of global trade, globalization could not have occurred without it.

### **3 Logistics and Transport Subdivision as an Element of Globalization**

Logistics is referred to as a method of preparing, implementing, and regulating the efficient flow of goods, information, and revenues to adapt to the client's want while transport is an important part of logistics, moving commodities between distinct points in the supply chain. According to [12], globalization has been promoted by the expansion of current transport systems, from big freights to mini distribution trucks, the entire delivery system has become carefully merge connecting production activities with an international market. Therefore, it could be said that transport infrastructure and logistics industry play a substantial part in economic progression, integration of countries with the global economy, and serves as an element of globalization [5]. The minimization in lengthened transportation and communications costs has been a vital determinant of present globalization, it is supported by two transportation modes; maritime and air transportation [8]. Air transport has performed a vital part in supporting globalization and constantly improving to meet the necessity of the economic and social integration that bring about globalization. In order to grant the movement of commodities and people that aid productivity on a worldwide extent, air transport has already played a big part, and will continue this part in the future. Multimodal transport is an essential factor in the time and structural economic function of products and services which integrate the benefits of each mode to be efficient and effective. The current trend of transport

and distribution logistics towards global expansion is to collaborate integrated logistics delivery, minimizing shipping costs, increasing flexibility and accuracy of freight. According [2], logistics importance's in the process of globalization includes; boosting modernization of economies, followed by the constant reduction of tariffs, and the opening of closed economies. The growth of the logistics industry promoted manufacturing, transportation, and worldwide competitive advantages to the firms and countries that invested in the field. The logistics industry and transport development has provided growth and aided globalization by broadening worldwide trade volume while forcing countries to increase their logistics volume.

#### **4 Transport and Logistics as a Factor of the Global Economy**

The activities of transport in global economy manage to be relevant because their involvement starts from the manufacturing process to distribution process to the end users and later turn into a vital element for attaining huge performance in international markets [1]. Transport and logistics have helped greatly in enhancing production and delivery processes, improve competitiveness and promote efficiency. However, transport occupies one-third of logistics costs and affects performance in international markets because it requires greater efforts to manage. Owing to increase in the magnitude of global production, transportation organizations readjust to modern requirements for shipping distribution. The distributions have to be well-timed and safety can be valuable as costs. According [5], the development of logistics and transportation infrastructure plays a key role in the worldwide economy by backing a series of product chains. It started with the advancement and efficiency in the transport system which helps to bolster the commodity chains, followed by minimizing the costs of telecommunication to establish control of the firm's operations, and lastly, to bring about developmental progression between commodity lines and different transport channels. Firms are finding ways of incorporating transport and logistics systems to improve their capabilities in the global competing market but the logistics systems and transport differs with variety of products and the geographical area of the market for the commodities, equipment and finished goods with the aim of procuring the proper product to the appropriate place at the proper time with reduced costs [2]. The crucial factors in global trade are time and capital cost of transport. The cost of global market for most goods is the resource cost of transport which varies with distance, handling during transit, size, and bulk density [3]. Time is another crucial element in the global business because it is needed to move goods from its origin to its final destination, also the loading and offloading it and to process the products and delivery trucks through customs. The transit time is of big concern to logistics companies than the direct transport costs because it brings about large stock holdings. [6] reported that one-day setback in freight can lead to an average cost of 0.8% in tariff and about 170% for industrialized countries. It is suggested that freighters must analyze the costs of several forms of transport to ascertain the amount of time that logistics organizations are willing to pay to minimize it. As a result of former developments, it is possible that the influence of transport and logistics processes enhance the global competitiveness of organizations in the microscale and domestic economies in the large scale, as well as the importance of transport infrastructure, and storage is understood. According to [9], the

description of globalization processes studied from the global economic point of view is driven by the following features; a global network or system of transporting goods and services is formed, a global transport network development capable of increasing the speed and mass of transporting cargos, and the massive development of operations of a network of large banks in different nations. Economy progress requires logistics system to be advanced and integrated into one global network of products of commodity mass flows and it can only be achievable if international transport infrastructure creates and make use of the identical advanced technologies with identical transport system.

#### 4.1 Conclusion

In this present era, the methods of a worldwide economy involve the unification of logistics services and transport subdivision which will act as an element of globalization. Transport is an indispensable and important part of the process of economic competitiveness, that ensures important distribution for manufacturing, as well as effective and efficient transport which connects businesses to global markets [14]. Therefore, logistics and transport have become a determinant that is helpful to globalization due to the utilization of modern technologies relating to haulage, transshipment and the flow of information between individual links in the supply chain. This has evidently provided acceleration of the transport process at every one of its stages, set up a network of links corresponding to the flows of goods, and an increase in the reliability of delivery. Lastly, the advancement in strategies and operational rules is likely to save energy, reduce transportation costs, increase competitiveness, and adjustments to global transport systems.

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