

## THE ROLE OF GIURGIULESTI INTERNATIONAL FREE PORT IN THE DEVELOPMENT OF ECONOMY OF MOLDOVA

Vyacheslav BARDAN<sup>1</sup>

<sup>1</sup>Technical University of Moldova

**Abstract:** Moldova is one of the youngest maritime states in the world thanks to the 430 meters access to the Danube via Giurgiulesti International Free Port, commissioned in 2006. The port activity, lately, has fared ascending becoming a competitor to the ports states in the region, and on the other hand, the Republic of Moldova reached shortly, with a large number of ships registered under the national flag, which bring some income even if the state budget and bring great harm to legal, social, image etc. These and other issues are examined in this article.

**Keywords:** port terminals, goods transported, ships, port investment, joint flagged vessels.

Maritime transport of Moldova is at an early stage of development and it is because of the first country port complex at Giurgiulesti, was put into operation until 26 October 2006 after 10 years of construction. International Free Port (GIFP), Moldova's only port accessible to ships, is located at km 133.8 (a 72.2 mile sea) of the Danube in the south of Moldova, situated between Romania (European Union) and Ukraine.

GIFP benefits from its location on international trade and transportation routes such as the waterway Rhine-Main-Danube Canal, which connects the Black Sea, 14 European countries and the North Sea; railway systems of European standard and Russian and international road network. Geographical location is shown in the figure below.



Fig. 1. Geographical location of Giurgiulesti International Free Port Source: [www.gifp.md](http://www.gifp.md)

International Port activity is carried out in accordance with the Investment Agreement "On the Giurgiulesti International Free Port", approved by Law No. 7-XV of 17 February 2005, the Law on International Free Port Giurgiulesti No.8-XV February 17, 2005 and the Agreement between the Government of Moldova ICS "Danube Logistics" SRL of 21 April 2005.

GIFP is based on a period of 25 years. The land located within the boundaries of the territory of the International Port is state property. Port territory boundaries and configuration are determined in cadastral plans in accordance with cadastral legislation.

Given available water depths of up to 7 m, the port can receive both river vessels and maritime and strategic importance lies in the following:

- 1) GIFP is the only river-sea port transshipment and distribution direct to / from the Republic of Moldova;
- 2) GIFP is a regional logistics hub at the EU border with access to communication routes, rail, river and sea;
- 3) GIFP is an excellent location for business development, because of its strategic location, tri-modal transport infrastructure, low cost environment and unique customs and tax regime.

Thus by operation of PIG Moldova became part and pan-European transport corridor VII (Fig. 2), which provides navigation headwaters to river until reaching the port of Danube Passau in Germany at a distance of 2094 km.

## CORIDOARELE PAN-EUROPENE CARE TRAVERSEAZA REPUBLICA MOLDOVA

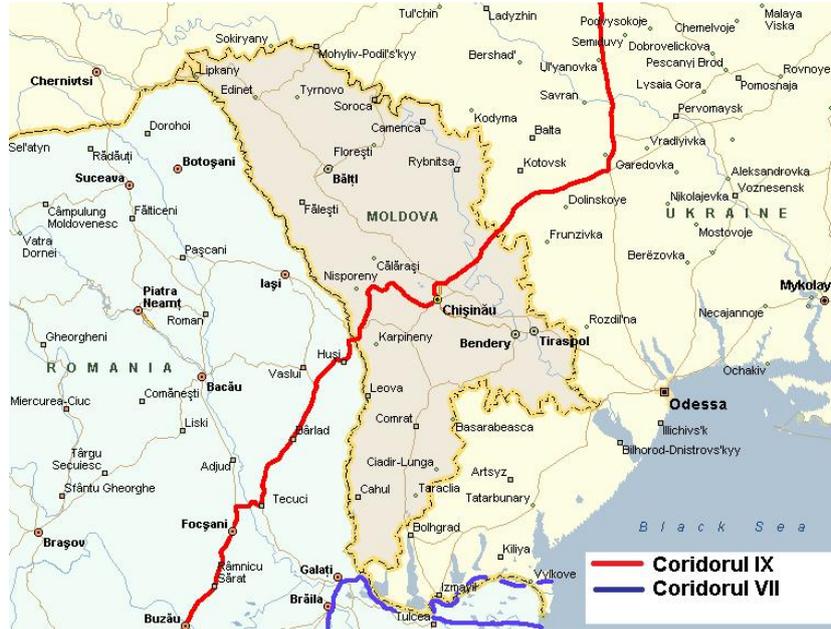


Fig. 2. Pan-European Lanes (corridors) cross Moldova

Throughout the period of activity GIFF, as of 01.01. 2015 benefited from a total volume of investment that constituted 62.4 mil. USD, including 3.5 million. Dollars during 2014 [4]. General investor, ICS "Danube Logistics" SRL, invested 49.1 mil. USD and SC "Trans Cargo Terminal" SRL, which carried out the construction and operation of the grain terminal has

invested 7.4 million. Dollars. In addition, mention is made that new investment projects of ICS "TRANS BULK LOGISTICS" LLC (investment volume about 3.8 mil. USD), "Arbomax" SRL (0.9 mil. USD), "Iunasistem" Ltd. (0.7 mil. USD) and "Dunav-TIR" SRL (0.4 mil. USD) etc.

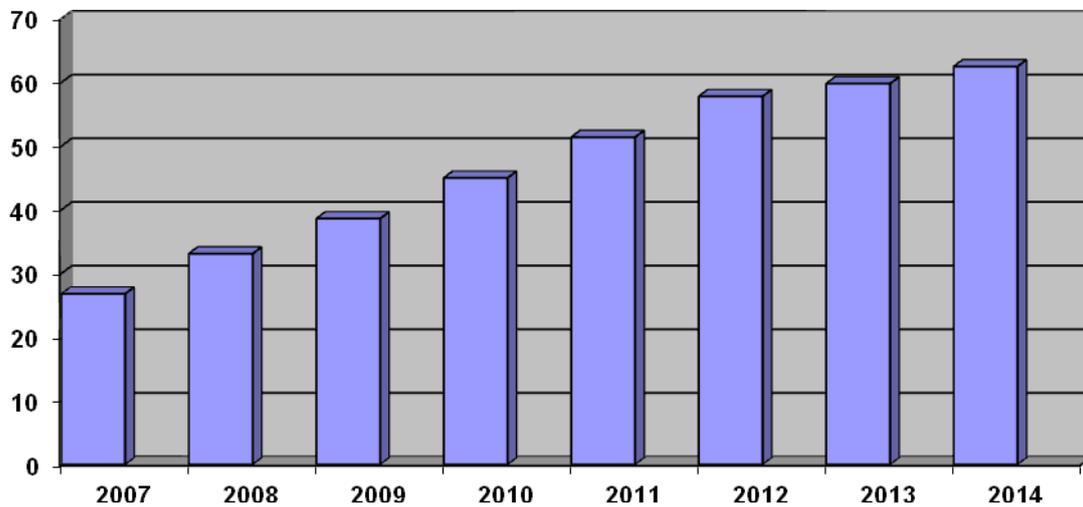


Fig. 3. cumulative investment volume in PIL "Giurgiulești" from 1 January 2015, mln.  
 Source: <http://www.mec.gov.md/>

Moldova has met the requirements of the Espoo Convention also been respected international norms and standards, and measures were taken to prevent emergencies from GIFF. The port is able to receive ships with a capacity of 10 thousand tons. Giurgiulesti International Free Port comprises an area of 120 ha (leased for 99 years). The whole territory has the status of free economic zone by 2030. Danube Logistics currently

occupies an area of 55 ha which is divided into six functional areas:

1. Refined petroleum terminal
2. Vegetable oils terminal
3. Cereal products terminal
4. Dry bulk terminal
5. Containers and general cargo terminal

6. Business Park. of 65 ha.  
 Expansion area for business park comprises a total

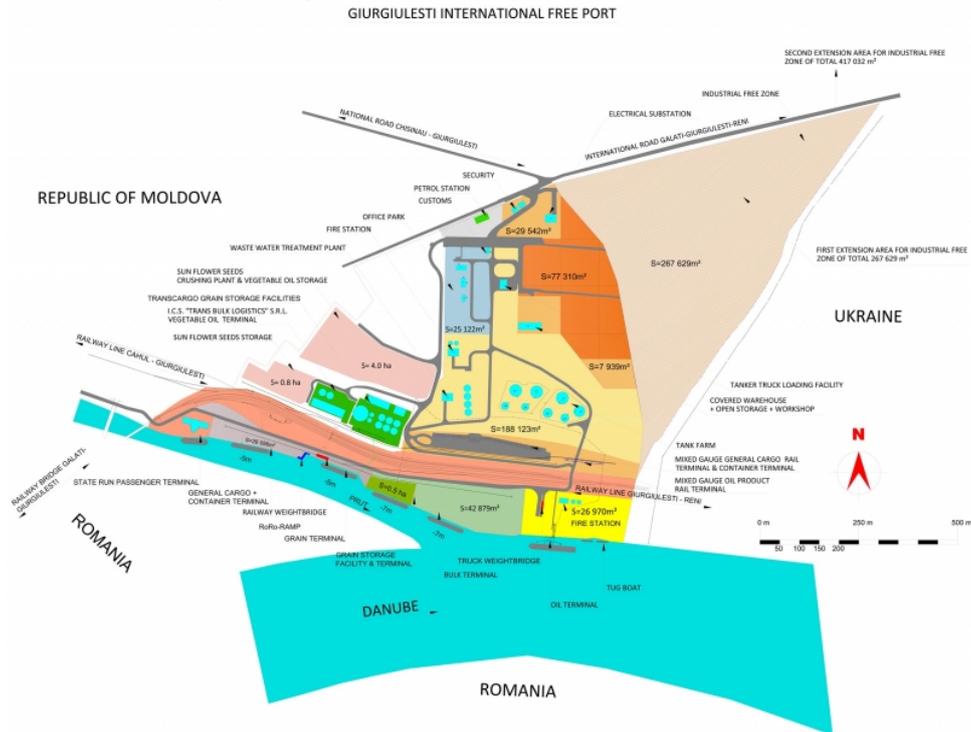


Fig. 4. Plan of GIFP Source: gifp.md

The construction of the railroad of 49.7 km Cahul - Giurgiulesti, Moldova has joined its port on the Danube with the national railway network and direct output in the EU provided by Galati (Romania), which increased the strategic importance of the object [1, p. 367-373].

The oil terminal is connected through a piping system with a tank farm and power station. It is possible to simultaneously recharge the three types of petroleum products. The terminal includes a berth to receive tankers, eight storage tanks for petroleum products with a total storage capacity of 63,600 m<sup>3</sup> (each capacity ranging between 4200 and 12600 m<sup>3</sup>) and a machine loading tankers, a complex pumping system oil products tanks and naval vessels tanks in car tanks and a loading ramp of car tanks.

The annual capacity of the oil terminal transshipment exceeds 1 million tons.

On 12 September 2007 ICS "Danube Logistics" SRL, the owner and operator GIFP received the first marine tank filled with oil, its oil terminal. Petroleum products are imported into Moldova by ICS BEMOL TRADING SRL, which chartered the oil tanker shipping twin-shell art, under the flag of Barbados for the delivery of 3 750 tonnes of petroleum products. Gasoline and diesel originated in Romania, from Petromidia, and meet the standards EURO 4.

In August 2008 tank "Alfa Karadeniz" GIFP transported in the first batch of petroleum products imported from Greece. Towards the end of the total number of oil tankers reached four. Oil products are only needs petrol stations.

In 2014 through the territory of the International Port Oil Terminal were imported 156,800 tons of oil production and 17.1% less than the previous year. Also, through the oil terminal were exported 6800 tons oil production (in 2013-8300 tons). At the end of the reporting period still about 10 thousand tons of oil products were stored. Most petroleum products

imported and shipped domestically (66%) were made at fuel stations of ICS "Bemol Retail" LLC. The other side of oil products has been designed for ICS "Petrom-Moldova" and "Rompotel Moldova". General investor is willing to provide terminal services for other companies, importers of petroleum products.

In 2009 was made the first cruise line Giurgiulesti- Istanbul-Giurgiulesti with the ship "Princess Elena", which can take on board 145 passengers. A cruise last 5 days (by sea - 32 hours), including 2 days of parking in Istanbul port. The cost of the cruise range from 185 to 600 euros per person depending on comfort. The vessel was equipped with cabins for 2, 3 and 4 beds, luxury and class cabins. Cost includes transportation roundtrip ticket, three meals a day and accommodation on board whilst in Istanbul and free transportation of 60 kg of hand luggage. In 2011, the race was canceled due to lack of passengers.

Grain terminal was opened on 24 July 2009, being the third object in the project put into operation GIFP after oil terminal and passenger terminal (put into operation on 17 March 2009 after an investment of 10 million. Dollars). Investments in grain terminal were US \$ 17 million. The first grain ship from Moldova left the terminal Giurgiulesti 15 August and had a cargo of 12,000 tons of wheat. This terminal has a capacity of 3000 tons of receipt of grain per day via railway and road transportation, and a load capacity of maritime transport units up to 7000 tons, with a loading rate of 300 tonnes per hour.

In the period of 2014 through grain terminal were exported 354,500 tons to 245,700 tons in 2013 and 255,400 tons of imported grain production. At the end of the grain terminal in the territory of 27,200 tons were stored grain production also made by local companies. The total grain storage services for the reporting period amounted to 53.5 mil. lei.

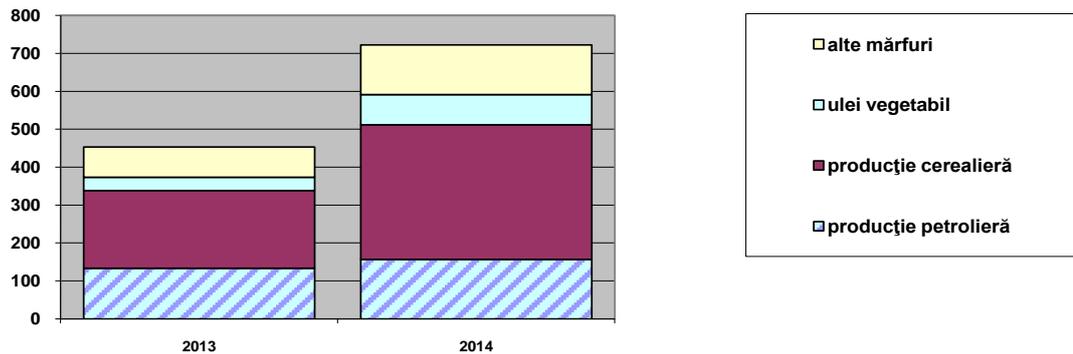


Fig. 5. The volume of cargo transported by gender GIFF production, kt  
Source: [5]

Grain terminal has a capacity of export processing up to 500 thousand tons of grain. It features Swiss laboratory technique for determining the quality of the stored commodity.

During 2014 cargo terminal has significantly increased its activity. Overall, through the terminal were transhipped 131,300 tons of goods, of which 77,200 tons of goods were imported into port outside the country and 54,100 tonnes were exported. The import / transit can be highlighted various building materials, metals, container, packaged etc.

Terminal that is capable of handling typical bulk goods, occupies about 300 meters of river water with a minimum depth of five meters. Already available an area of 4 ha for outdoor storage and a floating crane with lifting capacity of 16 tons. Currently "Dabune Logistics" negotiating with "Lafarge" transshipment and storage agreement.

On 11 January 2012, the company "Danube Logistics" has put into operation its new Terminal General Cargo and Containers (TMGC). The terminal has an open storage space with an area of 2 hectares, the direct connexion track and has 48 outlets for refrigerated containers. Terminal equipment consists of a mobile harbor crane "Sennebogen" with a maximum lifting capacity of 70 tons, a telescopic boom crane extensive "Kalmar" and two front loader. Minimum water depth at the terminal is 5 meters. In 2014 the volume of containerized cargo transshipped increased over 2013 by 69% to 7786 containers. Total number of containers imported into GIFF increased by 58% compared to the previous year. Approximately 57% of container imports originated from China, 10% in Spain, 6% of India, 5% and 3% of Israel Turkey. In total Moldovan importers receive goods in containers from 49 different countries during 2014. Cereal products in containers were delivered in Giurgiulești in Asian countries such as Indonesia, Malaysia, Taiwan, India and the Philippines. Shipping container has been used to export other products such as wine and spirits, nuts, dried fruit, apples, apple juice concentrate and sugar. In total containerized cargo exports increased by 85% and Moldovan goods reached the markets of 43 countries [3].

Vegetable oil terminal in the GIFF works from November 2011. "Trans Bulk Logistics" SRL, a subsidiary company Trans Oil Group of Companies has built and manages terminal vegetable oils with Danube Logistics company. The terminal has a storage capacity of 6000 metric tons and can receive ships with a deadweight of up to 10000 tons.

Trans-Oil Group of Companies is exclusively oilseed processor with a total capacity of processing about 300 000 metric tonnes of sunflower oil per year. For 10 years this company was the first exporter of grain harvested in Moldova, with a share of about 70%. "Trans Oil Group of Companies" has 14 industrial facilities grain storage and port terminal through which they hold, enable export of Moldovan goods on the

international market. Total grain storage capacity is 750 000 metric tons.

If the Port 2013 were exported 35,300 tons of vegetable oil, then in 2014 this index increased 2.3 times and amounted to 79,800 tons. Thus in 2014 through river terminals were transhipped 729,100 tons of various commodities or 1.6 times more than the previous year [4].

In 2011, the company "Danube Logistics" started construction of a gauge railway terminal combination of narrow and wide standard. As the first gauge railway terminal combined plant / machine will allow the transport of goods by rail directly to / from Moldova, CIS and EU countries. Work on the railroad Cahul - Giurgiulesti of 49.7 km began in 2007. Completion of construction of the new railway terminal was planned for the end of the third quarter of 2012, will allow the transportation of liquid goods, dry goods and those containerized. On June 20, 2012, railway traffic was temporarily suspended on the grounds that endangered the movement of passengers and trains, caused by heavy rains in the year 2012 CFM needing 350 million for the repair of the railroad (the at kilometer 93) and from 3 September 2013 traffic Giurgiulesti - Cahul was resumed.

Currently, the International Port has registered 47 residents. During the reporting period there were registered 18 residents and excluded 12. 80 valid permit on 1 January 2015, 31 were issued in wholesale trade, 21 - provision of services, 15 - transport activity, 4 - Building, 9 - other types of activity [4].

A big advantage that would stimulate economic activity to operate through GIFF is that GIFF imported goods or services exported outside the Republic of Moldova in GIFF or supplied / provided within GIFF are exempt. In 2014 wholesale trade volume achieved international port amounted to 4 022.1 mil. Lei or 47.1% more than in 2013.

Also during the reporting period, the general investor, continued to provide port services, the value of which was 48.4 mil. Lei or 59.9% more than the same period in 2013. In addition, investor General offered by other residents of the International Port of lease services in the amount of 15.5 mil. lei and utilities in the amount of 0.2 mil. lei. The volume of other types of activities in the reporting period amounted to 109.5 mil. Lei, including construction - 11.1 mil. Lei, financial leasing - 8.6 mil. Lei, storage activity - 4.9 mil. Lei, Brokerage - 2.7 mil. lei. The volume of services in transport activity in the current year amounted to 128.5 mil. Lei. The volume of other types of activity in 2014 was 41.4 mil. Lei, including construction - 7.2 mil. Lei, financial leasing - 7.1 mil. Lei, storage activity - 11.9 mil. Lei, Brokerage - 3.4 mil. lei.

In 2014 residents of various taxes paid in the amount of 296 mil. Lei to 258.5 mil. Lei, or 15.9% more than in 2013, including 171.1 mil. Lei excise, 98, 9 mil. lei VAT, 6.1 mil. lei income tax, 9.0 mil. lei for customs procedures and 6.9 mil. lei

breakdown in the social security fund. Residents debts to the budget at the end of the reporting period amounted to 490,000 lei.

On 1 January 2015 the total number of employees was 432 persons, who had an average salary of 5900 lei. Most people were employed by ICS "Danube Logistics" SRL (156), "Trans Cargo Terminal" SRL (84) and ICS "Trans Bulk Logistics" LLC (49). The volume calculated salary for 2014 was estimated at 30.5 million. Lei (24.3 mil. Lei for 2013).

On April 20, 1921 in Barcelona more than 30 countries signed the Declaration on recognizing the flag states that do not have sea shore. The States signatory to this Declaration recognize any state flag vessels has sea shore. The right to use and Moldova which allowed to have officially June 2014 (according to the Public Institution "Harbor Master Giurgiulesti") by just 485 ships (of which 218 were ships, 216 internal navigation 51 - river etc.). Most, 75 in number, Marshall Islands, another 35 ships have their owners in Panama, and 27 ships belonging to companies in the Seychelles.

According to the Code of commercial maritime navigation and amendments of 24 July 2003, the Naval Register of Moldova can register foreign vessels, businesses and individuals belonging to both residents and non-residents of Moldova and vessels operated by such person under agreements bareboat-charter or lease. For comparison, according to UNCTAD 2014 Report neighbors had national flag: Romania 137 commercial vessels, Ukraine - 565, Bulgaria - 273, Turkey - 9187.

Even some large countries have ships that is flying the flag of our country: USA (19) UK (10), Turkey (9), Norway and Greece by 3. No vessel of 485 does not belong to any man Business in Moldova. Moldova Pavilion is so requested by shipping companies because they afford to pay lower taxes and vessels are no longer good for nothing can be more easily sent for scrap. All ships registered in Moldova operating limit exceeded. For this reason many ships are involved in various international scandals or flounders. In exchange for the right to use the flag, the country annually earns around 10 million lei, Moldova owner pays on average about 3-4 thousand dollars. For owners of EU vessels is very advantageous registration in Moldova. For example, a German shipowner shall pay huge taxes and would save annually about half a million euros if they had Moldovan flag.

In Moldova, the state body of executive power, which carries out the functions of state policy making and normative-legal regulation in the field of land, water and air is the Ministry of Transport and Roads Infrastructure (MTRI). Transport activity in Moldova is regulated by national laws and normative acts of international law (conventions, multilateral and bilateral agreements, protocols etc.). The main strategic objective of economic policy in transport is to accelerate the restructuring of the Moldovan economy development by providing safe and efficient driving conditions in domestic and international traffic of goods and passengers [2, p.6].

Currently in Moldova there are only some business agencies that provide services in the field of shipping domestically and internationally. The following organizations are subordinated MTRI of the water transport: Public Institution "Harbor Master Giurgiulesti"; State enterprise "Port Fluvial Ungheni"; State Enterprise "Register of Shipping" and State Enterprise "ferry Malovata". In addition to those listed, the Republic of Moldova work and private companies providing services in inland waterway transport, the largest of which is the operator GIFP - ICS "Danube Logistics" SRL. While Moldova became a maritime power, losing more and more of international confidence. To obtain Moldovan flag, a vessel owner must submit a set of over 20 documents, including the original and the copy of the owner's identity documents, certificate seaworthy ship and a copy of the insurance policy, including any damages resulting by oil pollution. Within ten working days, the Moldovan authorities include ship registry.

In the summer of 2012, Moldova has found itself in the midst of an international scandal, after giving 12 oil tankers flag of Iran, even if the EU has introduced a ban on imports of Iranian

crude oil. The vessels were deleted from the State Register. Tightening of registration of ships in Moldova has made the government to establish 13 companies in charge of verifying the Moldovan-flagged vessels and provides for their registration to be made endorsed by the Ministry of Foreign Affairs and European Integration (2014 to issued 153 notices to requests for vessels), which will also have the right to request the deletion of the ship from the State Register of Ships. Internationally, because the facility entitlement to hoist the flag of the country, Moldova does not have a very good picture. Already five years we are in the black list of Paris. In recent years coefficient under which Moldova is held in the blacklist, has diminished considerably, from 3.31 to 1.95 points.

Authorities are working to our country to be removed from the blacklist. Therefore they started to audit several classification societies offering documents on the technical condition of the vessel. Naval authorities plan to create Agency of Moldova through reorganization (merger by merger) Public Institution "Harbor Master Giurgiulesti" and the State Enterprise "Register of Shipping".

The necessity of creation of Navy Agencies is justified by the fact MTRI specialists now in our country there is no unified administrative authority which would be entrusted to supervise and control the water transport, registration of ships and their technical state examination modeled on EU countries and the CIS states. Since 2006, when they were created Public Institution "Harbor Master Giurgiulesti" The Enterprise "Register of Shipping" in order to exercise the most important functions returned Republic of Moldova as a "flag" and state "port". In this context, given that supervision of shipping and performance of state "flag" and state "port" in itself imply a much broader than one might think, and existing structures do not meet the necessary requirements to be effective the strategies implementation given to reforming public services such proposed establishment of an administrative unit stated in a note to argue a draft government decision. According to experts from MTRI, "Naval creation of the Agency will improve efforts to decrease the number of vessels that do not comply with international conventions and calling at ports of Moldova, presenting a potential threat to ecological security in the area. However this will have a positive effect on the quality of vessels exploiting Moldovan flag and as a result of Moldova's image internationally. " According to estimates made by specialists MTRI annual budget of the new entity will be approximately nine million lei and it will be completed mainly in revenues from services for vessels flying the flag of Moldova, and the piloting of ships in port and other services.

Economic analysts have said several times that vessels registered in Moldova exceeded term operating and showers are good scrap, even with certificates attesting good condition and are entitled to fly. They say it would be much cheaper to remove from service a vessel under Moldovan flag, which leads many owners to register their ships to us before we scrap.

There republic river transport in ancient times, the territory is crossed by two main roads: the Dniester and Prut. The total length is 588 km inland waterways. Return to this transport can be explained by reduced transportation costs.

The main goods transported remain building materials. Water transport is the major sectors Cosăuți - Dubasari and Bender - Nistru river delta - inland waterway of international importance and the E 90-03 Ungeny - Prut River delta - inland waterway of international significance E 80-07, included in corridor VII - Danube TACIS program.

On the inland waterways of the Republic of Moldova is possible transporting goods through the seals consist of pusher craft and barges with load capacity up to 1 000 tonnes to 600 Nistru and Prut River tons.

The main problem currently facing the river transport in Moldova is the lack of an infrastructure designed to deal with the current requirements and would unlock economic and environmental advantages of this type of transport. Navigation

on the Prut was not possible for decades, because the former USSR crossed the border here.

On July 1, 2013 after 25 years of stagnation, the first was relaunched Navigation Prut came to Cahul, the new path is crossed when a barge loaded with 550 tons of gravel (although from 1870 to 1940 There were well organized structures governing the movement of boats that transported grain and building materials mainly a cargo ships had up to 600 tons, smaller size vessels arriving in the upper segment of the river, and on the Nemteni - Oslo ships pesaj had a maximum 1.05 meters, while the Leova to the Danube could circulate hull vessels sinking to 1.20 meters below sea level).

To play on the Prut River airworthiness Cahul - Cantemir, with length of 70 km, were invested about 800 thousand lei by

Ungheni river port. Thus the four barges, which has Moldova can surf the Giurgiulești to Cantemir. Looking forward to be transported annually to 300 thousand tons of building materials, such transport is considered a safe, efficient in terms of energy consumption more spared to roads, and environment. One tonne of goods transported by water costs 22 MDL to 100 lei, as is charged for road version, and after calculations of the Ministry of Transport, transport production to shipping could be about 7 times cheaper than transport self. The eventual passenger can only ship with a capacity of 20-25 people.

By the end of 2015 is expected to reach commercial navigation to Ungheni.

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