

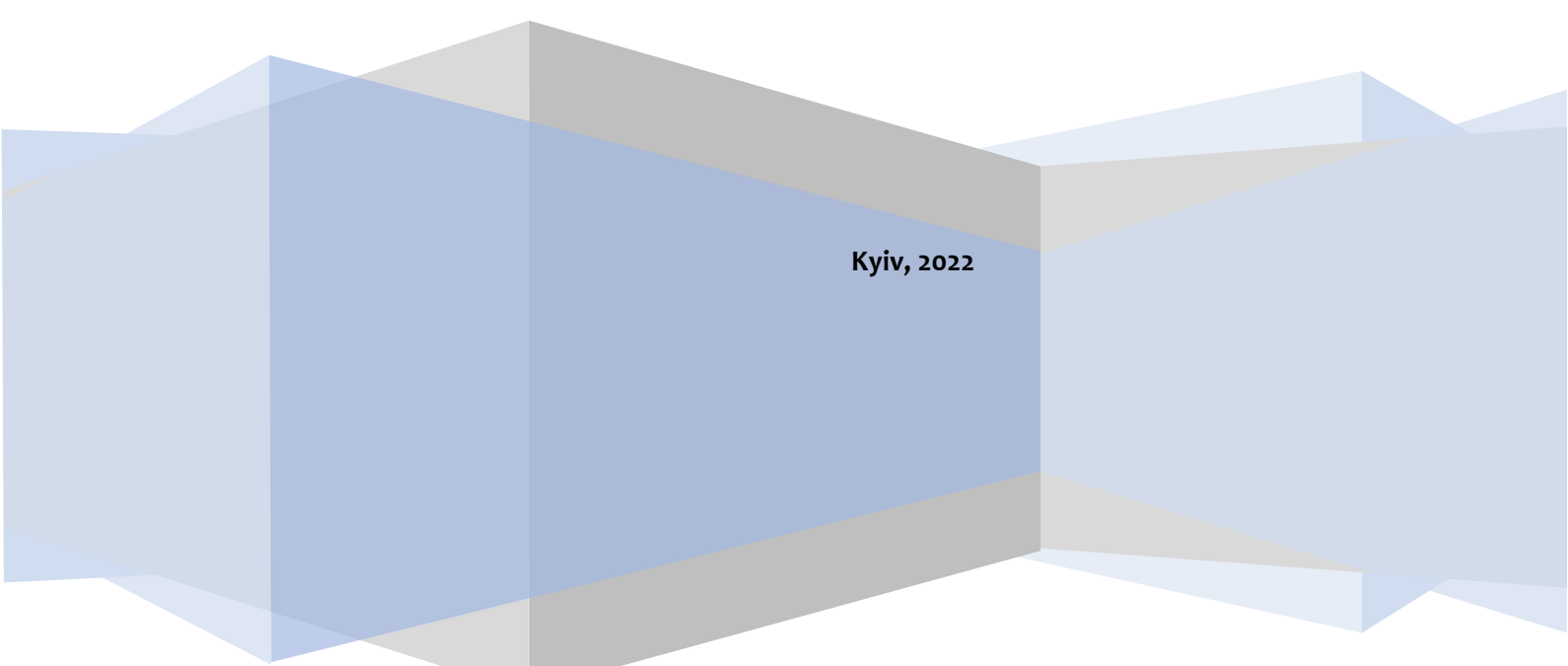
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**ROMANIAN FACILITATION TO UKRAINIAN EXPORT IN  
WARTIMES**

**Policy brief**

**Hanna Shelest**

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# ROMANIAN FACILITATION TO UKRAINIAN EXPORT IN WARTIMES

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## Introduction

Ukrainian export<sup>2</sup> in 2021 reached USD 68.1 billion and demonstrated constant growth (up to 40% compared to 2020)<sup>3</sup>. Of this amount, 12.4 billion were secured by cereals, yet 7 billion were animal or plant fats and oils. Much of this volume has been exported by sea. As Ukrainian seaports have been blocked by the Russian navy and military actions since February, so both government and business needed to search for alternative ways of transportation, with the original idea of transit delivery to the neighbouring countries, Romania and Poland, that have access to the sea.

With current war conditions, Ukraine is able to transport 1.5 mn tones of grains per month<sup>4</sup> compared to the pre-war period. This is combined capacity of rail and road transportation to all neighbouring states. According to the Ukrainian Grain Association, before the war, Ukraine could export up to 7 million tons per month from Ukrainian sea ports.<sup>5</sup> To avoid a global food crisis, 20 million tonnes of grains must leave Ukraine in less than three months<sup>6</sup> Considering almost total absence of long-term storage facilities in Ukraine and the approach of the new season harvest, Ukraine is interested in maximizing its transport cooperation with neighbouring states to intensify the grain export.

Despite several rounds of negotiations under the UN and Turkish mediation, the perspectives of opening Ukrainian ports in the near future are minimal. Even after recapturing

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<sup>3</sup> Foreign Economic Activities, State Statistics of Ukraine, 2022, <http://ukrstat.gov.ua>

<sup>4</sup> Україна експортує суходелом близько 1,5 мільйона тонн зерна на місяць, Ukragroconsult, 20 June 2022, <https://ukragroconsult.com/news/ukrayina-eksportuye-suhodolom-blyzko-15-miljona-tonn-zerna-na-misyacz/>

<sup>5</sup> Only Black Sea ships will allow Ukraine to feed the world again, Politico, 31 May, 2022, <https://www.politico.eu/article/logistics-crunch-derail-eu-ukraine-grain-rescue-mission/>

<sup>6</sup> To avoid global food crisis, 20 million tonnes of grains must leave Ukraine in less than three months – EUAM Ukraine facilitates tackling logistical challenges at the Ukrainian border, EUAM, 1 June, 2022, <https://www.euam-ukraine.eu/news/to-avoid-global-food-crisis-20-million-tonnes-of-grains-must-leave-ukraine-in-less-than-three-months-euam-ukraine-facilitates-tackling-logistical-challenges-at-the-ukrainian-border/>

the Snake Island and opening the Ukrainian Danube route, this will not be enough to satisfy demand.

On May 12th, the European Commission unveiled an ambitious action plan to establish alternative logistics routes called '**Solidarity Lanes**'. Its main idea is to facilitate Ukraine's agricultural export and bilateral trade with the EU when maritime transport corridors are obstructed by the Russian military.<sup>7</sup> The EU plan centres on sourcing vehicles from the private sector, building extra grain storage inside the EU and urging border countries like Poland and Romania to relax frontier checks.<sup>8</sup> The border crossing points and logistics, capacities of transport networks, including railways, and interlinking of storage facilities on both sides were named bottlenecks.

In these circumstances, transport cooperation with Romania remains timely and necessary for strategic planning. In current conditions, Ukraine needs to use bilateral and multilateral mechanisms, not waiting for the UN-mediated ports opening. Moreover, ad hoc cooperation due to the war can lead to better long-term cooperation between two states in the transport sphere and cross-border trade.

### **The current legal basis and border infrastructure**

**The legal basis** between Ukraine and Romania covers different aspects of transport cooperation. However, all these agreements had been reached before Ukraine signed the EU Association Agreement or received an EU candidate status. As for now, there are bilateral agreements covering air connection (1996), international road connection (1996), cooperation in the sphere of border water management (1997), railway connection (2003), and cooperation in the field of military transportation (2016).

**Border infrastructure** and transport logistics between the two states have been at quite a low level. At a total length of 649 km, the border between Ukraine and Romania has the particularity of being discontinuous, as the Republic of Moldova separates the border into two

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<sup>7</sup> To avoid global food crisis, 20 million tonnes of grains must leave Ukraine in less than three months – EUAM Ukraine facilitates tackling logistical challenges at the Ukrainian border, EUAM, 1 June, 2022, <https://www.euam-ukraine.eu/news/to-avoid-global-food-crisis-20-million-tonnes-of-grains-must-leave-ukraine-in-less-than-three-months-euam-ukraine-facilitates-tackling-logistical-challenges-at-the-ukrainian-border/>

<sup>8</sup> Only Black Sea ships will allow Ukraine to feed the world again, Politico, 31 May, 2022, <https://www.politico.eu/article/logistics-crunch-derail-eu-ukraine-grain-rescue-mission/>

portions.<sup>9</sup> The Danube River crossing in the South till recently also has been a significant problem. The long-delayed opening of the Orlivka – Isaccea ferry crossing had a profound positive impact and a potential for increased cooperation.

The border crossing points are comprised of road, railway and river points. The railway crossing points were in the Zakarpattia and Chernivtsi regions of Ukraine, so covering the Northern part of the border. Due to the 2022 war, some crossing points have been closed, and by mid-June, only five crossing points were available<sup>10</sup>, which is almost three times less than before the war.

Initially closed, the Orlivka-Isaccea ferry crossing not just reopened but doubled its ferry crossings to satisfy the increased demand.

In April 2022, Prime Minister of Ukraine Denys Shmyhal announced that “In order to increase transit capacity between Ukraine and Romania, we would also like to consider opening the Dyakivtsi (Chernivtsi region, Ukraine) – Racovăț (Romania) checkpoint as soon as possible and granting it the status of a freight checkpoint in the future”.<sup>11</sup> By June, it was 60% ready from the Ukrainian side. Also, a new checkpoint in Krasnoilsk (Chernivtsi region, Ukraine) was 90% ready, that would allow launching additional transit capabilities for cargo, and reducing the load to the Porubne checkpoints, where due to the war necessity to export by land, more than 1000 trucks have been waiting at one moment.<sup>12</sup>

## **Routes for transportation**

**The railways' infrastructure** between the two states also has significant problems.

The first problem is the width of the gauge. Ukraine still uses a broad-gauge railway compared to the standard gauge (1,435 mm) used in Romania and the EU. This needs either a change of the gauge (currently done only at the Ukrainian-Hungarian border) or reloading cargos (expensive, time-consuming, and needs special equipment or storage facilities). Also,

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<sup>9</sup> Border: Romania-Ukraine, The Transfrontier Operational Mission, <http://www.espaces-transfrontaliers.org/en/bdd-borders/frontiers/frontier/show/roumanie-ukraine/>

<sup>10</sup> До уваги громадян, які прямують до Румунії, State Border Service of Ukraine, 19 June 2022, <https://dpsu.gov.ua/ua/news/do-uvagi-gromadyan-yaki-pryamuyut-do-rumunii/>

<sup>11</sup> Prime Ministers of Ukraine and Romania discussed the possibility of expanding export corridors, Cabinet of Ministers of Ukraine, 26 April, 2022, <https://www.kmu.gov.ua/en/news/premyer-ministri-ukrayini-ta-rumuniyi-obgovorili-mozhливosti-rozshirennya-eksportnih-koridoriv>

<sup>12</sup> На кордоні з Румунією будують нові пункти пропуску. «Красноільськ» готовий на 90%, State Border Service of Ukraine, 15 June 2022, <https://dpsu.gov.ua/ua/news/%20video%20-na-kordoni-z-rumuniyu-buduyut-novi-punkti-propusku-krasnoilsk-gotoviy-na-90/>

this means a different size of wagons that cannot often pass the European stations' infrastructure.

This problem has been addressed from the very beginning, as Romania used to have a small part of the old rail, and the Ministry of transport announced that they would reconstruct around 5 kilometres of rail lines in total; 3,5 kilometres of them were broad gauge and 1,2 standard gauge lines<sup>13</sup>. Romania reopened this Soviet-era rail link connecting its Danube River port of Galati to Ukraine at the beginning of July, a month earlier than expected. That means grains coming from Ukraine via Moldova can reach Galati directly to be transferred onto barges and then further, including to the Black Sea port of Constanta. Supplies could also be stored in a silo in Galati that has a capacity of 25,000 tons.<sup>14</sup> Thus, the Danube port will become, along with the port of Constanța, one of the key points for transporting goods and raw materials,<sup>15</sup> as cargo entering Romania can either get transhipped on barge lines navigating the Danube towards the sea or continue by rail using the standard gauge.

The second problem is the railway's poor condition, which is not ready for the increased movements of cargo. Due to this reason, for example, on June 29, 2022, 11 wagons that were returning after grain delivery to Romania overturned in Iasi province.<sup>16</sup>

Just before the war, the necessity to improve the transport infrastructure between the two states was already on the agenda. Among others, it became a priority of the **EU-funded projects for transborder cooperation**. Romania-Ukraine ENI Cross-border Cooperation program (2021-2027) among its thematic objectives had – “Improvement of accessibility to the regions, development of sustainable and climate-proof transport and communication networks and systems”, where investment priority “Development of cross border transport infrastructure and ICT tools”, including improvement of the public transport services, infrastructure and ITC

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<sup>13</sup> Rail investments in Romania ramp up to facilitate Ukrainian exports, RailFreight.com, 5 May, 2022, <https://www.railfreight.com/railfreight/2022/05/05/rail-investments-in-romania-ramp-up-to-facilitate-ukrainian-exports/>

<sup>14</sup> Romania Reopens Soviet-Era Rail Line to Aid Ukraine Grain Sales, Bloomberg, 7 July 2022, <https://www.bloomberg.com/news/articles/2022-07-07/romania-reopens-soviet-era-rail-line-to-aid-ukraine-grain-sales>

<sup>15</sup> Rail investments in Romania ramp up to facilitate Ukrainian exports, RailFreight.com, 5 May, 2022, <https://www.railfreight.com/railfreight/2022/05/05/rail-investments-in-romania-ramp-up-to-facilitate-ukrainian-exports/>

<sup>16</sup> У Румунії перекинувся потяг, який перевозив українське зерно, FOCUS, 29 June 2022, <https://focus.ua/uk/world/520663-v-rumynii-perevernulysya-poezd-perevozivshiy-ukrainskoe-zerno-foto>

cooperation and networking was set.<sup>17</sup> Among the awarded projects, four came under this category.<sup>18</sup>

1. Improvement of the Transport Infrastructure in the Cross-Border Area Chernivtsi - Suceava (Shepit - Izvoarele Sucevei) (2021-2023). The overall objective of the project is to improve accessibility in the Izvoarele Sucevei - Shepit transboundary area and to promote the mobility of the population, goods and services in order to stimulate sustainable economic development by rehabilitating/modernizing 3km of Suceava County.
2. Improvement of the Transport Infrastructure in the Cross-Border Area Chernivtsi - Suceava (Shepit - Izvoarele Sucevei) (2021-2023). The project aims to contribute to regional development and cooperation on the Romanian-Ukrainian border by expanding transit abilities.
3. Improving the cross-border territory - joint actions for better Ukraine-Romania cross-border roads (2021-2022). The project aims at improving and supporting the cross-border cooperation between Romania and Ukraine in the sphere of transit abilities and transport infrastructure by construction works on the road to checkpoint Diakivzi-Rakovez conduction.
4. CBConnect Trans - Developing a cross-border inter-modal connection between Isaccea -Orlivka-Tulcea -Izmail (2021-2023).

**Maritime routes** and the use of the Romanian ports remain the main priority. However, there are several issues to be considered, among them are the capacity of the Romanian ports compared to the Ukrainian ports, delivery of goods to the ports (both distance and cars necessary), and storage facilities.

Romania operates four ports on the Black Sea (Constanta, Mangalia, Midia and Sulina), and numerous ports on the Danube River. The Danube-Black Sea canal also connects the Black Sea with the port of Galati. Constanta is the main port with 61.2 million tons of goods traffic. In 2021, it was an 11.7% increase, representing the biggest traffic in the history of the Romanian ports. The highest share of goods is for cereals (37.7%).<sup>19</sup> After Russia launched an all-out

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<sup>17</sup> Romania-Ukraine ENI CBC, Interreg, <https://interreg.eu/programme/eni-cbc-romania-ukraine/>

<sup>18</sup> Romania-Ukraine ENI CBC, <https://www.ro-ua.net/en/about-the-programme/awarded-projects.html>

<sup>19</sup> The highest freight traffic in the history of Romanian seaports, 67.5 mil tons, reached in 2021/ Port of Constanta, 02 February 2022, <https://www.portofconstanza.com/pn/en/stire/1/0/19075>

invasion of Ukraine, the port of Constanta has served as a transit of more than a million tonnes of grain from Ukraine, he informed.<sup>20</sup>

For 2022, Constanta port operator expected additional investment in infrastructure that would allow handling another 20% on top of last year's volumes or roughly 5 million tonnes<sup>21</sup>. However, this calculation was made before the Russian invasion. Now, the port needs government or EU-backed support that will allow operators to invest in costly equipment needed to fully handle Ukrainian cargo, like cranes, train loading equipment, etc., but also for a dredging project to improve berth depth and expand operating capacity by adding 17 berths in the longer term.<sup>22</sup>

Ukraine has 13 seaports, excluding five in occupied Crimea. As of June 2022, due to the Russian blockade and military actions, only three small ports at the Danube River - Reni, Izmail and Ust-Dunaysk operated. The total results of the Ukrainian ports in 2021 were 153 million tons of goods, with a 30% share of cereals. Pivdenny had the biggest traffic (53.5 million tons), followed by Mykolaiv (29.8 million tons), Chornomorsk (25.6 million), and Odesa (22.5 million). The three ports that are still operational in 2022, in total, had just 5.3 million tons by the results of 2021<sup>23</sup>.

The road from Odesa to Constanta is approximately 450 km and include two border crossing as it goes through the territory of Moldova. An alternative route through the ferry line facilitates transportation but will not be able to accommodate all necessary cargo. For example, in May, a big ship left Romania's Constanța port loaded with 70,000 tonnes of Ukrainian cereals. To fill it to capacity, a combination of 49 barges and trains was used. One 600 metre train can carry around 1,900 tonnes of grain. A convoy of 6 barges, which is how the grain travelled from Ukraine's Danube ports, can carry a maximum of 18,000 tonnes.<sup>24</sup>

The Romanian Danube-Black Sea canal has its disadvantages, as navigation there is possible only one way. But also, in July, more than 130 ships have been waiting at the anchorage

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<sup>20</sup> EU Launches Trading Platform To Help Facilitate Grain Exports From Ukraine, Ukragroconsult, 20 June 2022, <https://ukragroconsult.com/en/news/eu-launches-trading-platform-to-help-facilitate-grain-exports-from-ukraine/>

<sup>21</sup> Romanian port races against clock to move Ukrainian grain to global markets, Reuters, 13 May 2022, <https://www.reuters.com/article/ukraine-crisis-romania-constantia-port-idAFL5N2X53QL>

<sup>22</sup> Romanian port races against clock to move Ukrainian grain to global markets, Reuters, 13 May 2022, <https://www.reuters.com/article/ukraine-crisis-romania-constantia-port-idAFL5N2X53QL>

<sup>23</sup> У 2021 році морські порти України перевалили 153 млн тон вантажів, Uprom, 2 February 2022, <https://uprom.info/news/other/logistika/u-2021-roszi-morski-porty-ukrayiny-perevalyly-153-mln-tonn>

<sup>24</sup> Speaking Points Press Conference EU-Ukraine Solidarity Lanes, European Commission, 12 May, 2022, [https://ec.europa.eu/commission/presscorner/detail/en/SPEECH\\_22\\_3036](https://ec.europa.eu/commission/presscorner/detail/en/SPEECH_22_3036)

due to the shortage of pilots and increased demand<sup>25</sup>. Ukraine was not able to use its Bystre channel at the Danube, that connected Ukrainian river ports with the Black Sea. This became possible only after recapturing the Snake Island, which allowed to decrease the overload of the Romanian channel.

**Logistical hubs** are also necessary at the border between two states, as proceeding time has increased due to the transport needs significant raise. European infrastructure appeared unprepared for the Ukrainian export by land. One of the main problems remained the creation of the logistical hubs at the borders<sup>26</sup>. On June 14, 2022, US President Joe Biden announced the possible building of temporary silos on Poland's border with Ukraine to facilitate the export of grain out of the country<sup>27</sup>. The same project should be considered at the Ukrainian-Romania border.

Also, the issue is customs work, their capacity to inspect 24/7, the necessary level of knowledge and skills, and adequate infrastructure and speed for cargo checks. European Union Advisory Mission to Ukraine recently initiated a high-level customs consultation between Romanian and Ukrainian officials to expand the flow of goods via new and existing transport corridors. Based on the advice of EUAM experts, there is a plan to open additional border crossings in the area for passenger traffic, freeing up this major BCP.<sup>28</sup>

## Challenges

There are several challenges in place for an increase in transport cooperation:

1. Limited transit capacity of the border points; the time necessary for handling;
2. A different gauge of railway lines;
3. Absence of a highway between the two states;

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<sup>25</sup> Біля дельти Дунаю утворився затор із 130 суден – вивозять українське зерно, Epravda, 12 July 2022, <https://www.epravda.com.ua/news/2022/07/12/689099/>

<sup>26</sup> Україна експортує суходромом близько 1,5 мільйона тонн зерна на місяць, Ukragroconsult, 20 June 2022, <https://ukragroconsult.com/news/ukrayina-eksportuye-suhodolom-blyzko-15-miljona-tonn-zerna-na-misyacz/>

<sup>27</sup> Biden: U.S. to build silos on Poland border to export Ukrainian grain, Politico, 14 June 2022, <https://www.politico.com/news/2022/06/14/biden-u-s-to-build-silos-on-poland-border-to-export-ukrainian-grain-00039455>

<sup>28</sup> To avoid global food crisis, 20 million tonnes of grains must leave Ukraine in less than three months – EUAM Ukraine facilitates tackling logistical challenges at the Ukrainian border, EUAM, 1 June, 2022, <https://www.euam-ukraine.eu/news/to-avoid-global-food-crisis-20-million-tonnes-of-grains-must-leave-ukraine-in-less-than-three-months-euam-ukraine-facilitates-tackling-logistical-challenges-at-the-ukrainian-border/>



4. Increased insurance rates or possible rejection of the insurance companies to cover EU trucks on Ukrainian territory;
5. Lack of Ukrainian drivers with foreign travel passports;
6. Insufficient capacity of Constanta and Galati ports, as well as limitations of the Black Sea-Danube canal Sulina;
7. Scepticism of investors regarding quick investments in alternative export routes since port operators usually work with long-term contracts with traders to justify necessary expansion works.
8. Rejection of the shipowners to operate in the high-risk waters around the Danube-Black Sea area;
9. Possible provocations of the Russian navy against the commercial ships;
10. Sustainability of the new infrastructure and possible negative effect on the existing port industry in Ukraine;

## **Scenarios**

There are two scenarios of possible developments regarding the transport cooperation of Ukraine and Romania due to the war.

The first scenario envisages an ad hoc cooperation, which will aim just to resolve a problem of ports blockade. This scenario will see temporary silos or other infrastructure building, quick repairing of the old railway, the opening of additional checkpoints, and special procedures at the Romanian ports. Also, Romania can assist with shipping Ukrainian goods through Romanian territorial waters but departing from Ukrainian ports. Such developments may bring temporary solutions that will allow the export of some Ukrainian grains but also may cause unpredicted difficulties to Romanian ports and transport infrastructure that is not ready for a new load. Also, it will not resolve the issue of other goods' export.

The second scenario may be a combination of the ad hoc response to the existing war challenges but with a long-term planning and strategic vision for cooperation. Under this scenario, Romania and Ukraine will review the existing bilateral legislation so to reflect the reality of the Ukrainian status as an EU candidate. It will also include plans for road infrastructure development between two states, as well as new border crossing points. This

scenario will envisage the maximum use of the Ukrainian ports and waterways capacities so to ruin the industry. Last but not least, such long-term planning should incorporate not only road and maritime components but also the joint elaboration of the possible increase of navigation in the Danube not only in the direction of the Black Sea and other way.

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