






# Discussion Paper

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## TALKING BUSINESS: HOW TO KEEP SOUTHERN UKRAINE ENGAGED IN EUROPEAN INTEGRATION?<sup>1</sup>

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The South of Ukraine, a diverse and multiethnic region, has always been a source of concerns and cautious optimism, but also a source of political anxiety when it came to European integration. Although after the Russian aggression against Ukraine the region has reconsidered its attitude towards the West and Russia, it hasn't entirely embraced the pro-European agenda, while its attitudes and perceptions often remain out of Kyiv's sight and attention.

Based on public discussions in Odesa and Kherson<sup>2</sup>, as well as a series of interviews with local representatives, this paper is looking into the political, security and economic nuances of the two oblasts, which formally belong to the same region, but have their own peculiar attitudes towards political and economic developments in Ukraine.

<sup>1</sup> This discussion paper is a part of a New Europe Center initiative aimed at studying attitudes toward the European integration in Ukraine's regions. The policy brief on Kharkiv region published in June 2018, is available here: <http://neweurope.org.ua/en/analytics/pro-shh-movchyt-harkiv/>

<sup>2</sup> The public discussion in Odesa took place on September 27, 2018, and in Kherson on September 28, 2018.

## PERCEPTION OF THE EU

The region, in which Odesa is dictating the rules of the game, has been taking a more reform-sceptic and Eurosceptic position, even if Ukraine managed to withstand the Russian aggression and implement certain reforms. Odesa oblast is the most Eurosceptic region with 50% pleading against the European integration and only 24% supporting it. This means that Odesa is more anti-EU than Kharkiv oblast bordering with Russia, where the number of sceptics is roughly the same (49%), but the number of those in favor is substantially larger (33%). Kherson is also following the regional dynamic; however, the EU sympathizers here outweigh the anti-EU camp: 36% against and 43% in favor.<sup>3</sup>

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**Odesa oblast is the most Eurosceptic region in Ukraine with 50% opposing the European integration and only 24% supporting it**

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Some local opinion leaders in Odesa often mention that in most of the cases, the polls are not reflecting well the divisions in Ukraine at the local level. According to them, Odesa is approximately divided as follows: 30% are pro-EU, 20% are pro-Russia, and 50% are neutralists and those who don't want to respond. These numbers are different compared to the previous years, when there was a higher support for the EU: e.g. back in 2016, accession to the EU

was supported by 40% in Odesa oblast<sup>4</sup>. The higher support for the EU after 2014 could be explained by the fact that the region felt much more vulnerable security-wise, and at that time, Odesa needed a sort of counter actor to Russia. Now, the region feels more stable, and thus there is less need for the EU.

One particular confusion, which is quite often noted in Odesa, is the association of the EU with the NATO. Both interviews and focus groups<sup>5</sup> confirm that citizens of Odesa think of the EU in tandem with the NATO (where is the EU, there is also the NATO) with all the myths surrounding both organizations. This was the narrative of Russian propaganda rooted in the local society.

The position of the region towards reforms and European integration depends largely on the attitudes of the local elites. In Odesa, there are several centers of influence formed by business and (ex)-criminal elites. Moreover, some claim that their influence is so powerful that they created a "state in a state" at the Odesa level with parallel institutions, in which state officials are involved in, but do not take any decisions.<sup>6</sup> The current mayor of Odesa,

<sup>3</sup> Rating Group. *Moods and Expectations of the Ukrainians: Regional Specifics*. 22.02.2018. [http://ratinggroup.ua/ru/research/ukraine/nastroeniya\\_i\\_ozhidaniya\\_ukraincev\\_regionalnye\\_osobennosti.html](http://ratinggroup.ua/ru/research/ukraine/nastroeniya_i_ozhidaniya_ukraincev_regionalnye_osobennosti.html)

<sup>4</sup> Rating Group. *Ukrainian Municipal Survey*. 30.03.2016. [http://ratinggroup.ua/ru/research/regions/vseukrainskiy\\_municipalnyy\\_opros.html](http://ratinggroup.ua/ru/research/regions/vseukrainskiy_municipalnyy_opros.html)

<sup>5</sup> A focus group in Odesa, held in October, 2017 within NEC's project "Ukraine's Generation Z: attitudes and value", revealed that linking the EU and NATO is typical for young people in Odesa. E.g.: "Moderator: What do you know about NATO? Valentyna. Military block. Oleksandr. It is the same at the EU, but it is founded upon the military cooperation. Yulia. I don't trust NATO whatsoever because it is not governed by our country. Letting NATO in our country means that all our young guys will have too... well, some of them, those who are military, will have to participate for NATO [sic], for this country".

<sup>6</sup> Oleksiy Bratushchak. "Urky": Yak Odesa Peretvoriuetsia na Kryminalnu Respubliku [How Odesa is changing into a Criminal Republic]. *Ukrainiska Pravda*. 18 October, 2018. <https://www.pravda.com.ua/articles/2018/10/18/7195471/>



Gennadiy Trukhanov, seems also to be a part of the system created in Odesa. Although many in Odesa mention that Gennadiy Trukhanov is only the executor, and de facto Vladimir Galanternik and Oleksandr Angert are the real beneficiaries of the corrupt schemes in Odesa. Other influencers include: Adnan Kivan (a Syrian refugee who built a construction business and recently bought Kyiv Post), Ambramov brothers (the owners of the 7km market), Boris Kaufmann and Oleksandr Granovski (among other businesses, they own Odesa airport, prestigious hotels, and real-estate), and Sergey Kivalov, who is the most popular person after the incumbent mayor, etc. It is very difficult to judge if these groups of influence are supporting Ukraine's current policy of integration with the EU, since they do not make the geopolitical choice a part of their public agenda.

Like in Kharkiv, people in Odesa perceive the results achieved with the EU funding as merits of the local administration. The visual acknowledgement of the EU support remains an issue, unlike in the case of the US-sponsored projects, and the local elites benefit from that. Moreover, it is common to think in Odesa that all positive results and changes in Odesa were made possible with the support of local administration, while all the negative changes are inspired and directed by Kyiv. The example of the former governor Mikheil Saakashvili, who managed to build a part of the road from Odesa to Ismail, is quite telling. When he resigned, the local administration finished the construction of the road in order to dilute his legacy, otherwise, if the road had not been finished, people would have asked back for Saakashvili, which was not in the plans of the local elites.

In Kherson, as in Odesa and Kharkiv, and probably in other regions, all local evils are blamed on the central authorities (Kyiv), which, according to the locals, have totally ignored Kherson over the last four years. Moreover, the positive developments at the central level are not associated with the efforts of the Parliament or the Government. All positive developments happen due to the EU pressure – this is the hypothesis of some of the local leaders. That is precisely why a part of political elite in Kherson wants more cooperation with the EU, since “it is only the EU who could push for more reforms in Ukraine”. Moreover, despite all the difficulties, a certain part of opinion leaders in Kherson think that the region is “doomed” to European integration, simply because there is no other choice: as one local official stated, “the EU means standards and development, while the alternative with Russia means war”.<sup>7</sup>

Similarly, both local and national authorities are distrusted in Kherson, therefore Eurointegrationist rhetoric from the officials will serve to its discrediting. High profile EU speakers are also not trusted in Kherson. People would rather gladly listen to their EU counterparts, e.g. a Polish farmer, or even better, a Ukrainian farmer with a success story who could tell about the experience people can relate to. The reforms, e.g. decentralization, remain unclear for most people (and thus are resisted), let alone such abstract notions as European integration.

<sup>7</sup> Public discussion in Kherson, 28 September, 2018.

## **PRO-EU, PRO-RUSSIAN, “NEUTRALISTS” AND “LOCAL PATRIOTS”: SHADES OF LOCAL IDENTITY IN THE SOUTH**

The locals claim that we should look at Odesa differently. According to some of them, Odesa society has many layers, but is not polarized. There is a special blend of local original patriotism, “Odesa is my country”. Also, from a local perspective, being “pro-Ukrainian” in Odesa (and in Kherson) means being “pro-EU”, which, if true, is a disadvantage for the EU, since it implies that the “neutralists” are not “pro-Ukrainian” and therefore, not only the EU has an image problem in the region, but also Ukraine. The concept of the “neutralists”, which is currently spreading in Odesa, Kherson and other regions, could actually represent latent “pro-Russians”. Some accept this notion, other say that neutralists in Odesa are for real. It is also important to note that those supporting the “Antimaidan” during and in the aftermath of the Revolution of Dignity were not necessarily pro-Russian (at least not all of them), but rather did not embrace the change of power in Kyiv.

The study of the local attitudes in Odesa would be incomplete without recalling the May 2, 2014 tragedy. This tragic event is of special importance for Odesa, a unique post-Euromaidan legacy, which has transformed into a local trauma and social “myth”. The common sense in Odesa was always that the citizens are able to agree on anything without harming each other (this was also true for the business groups in the 1990s that preferred to reach agreements rather than physically exterminate each other). May 2 was an exception and a shock for many. While in Kyiv the first murdered people on the Maidan were a trigger for larger protests and uncompromising position, in Odesa, the effect was the opposite: people

felt that the situation went too far. In the days following May 2, even Odesa streets were empty: people simply didn’t want to go outside. From a local viewpoint, the group of neutralists might have increased in numbers after May 2, incorporating people who did not want to see public clashes for any cause resulting into people’s deaths ever again. It also affected the protest movement. Before the tragedy, local Maidan could have gathered around 20,000 people, while after the tragedy, the numbers of the protesters of both camps decreased dramatically.

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**There is a large share of «neutralists» in both Odesa and Kherson. Opinions differ on whether they are latently pro-Russian or genuinely neutral**

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The tragedy was also an important sign for the business, which did not want violence to repeat. Their argument was that Odesa needs silence, and money needs silence and stability.

The “neutral” camp is also large in Kherson; however, like in Odesa, opinions differ about whether this constituency is latent pro-Russian or genuinely neutral. Some respondents believe that in Kherson there is no fear or distrust in voicing one’s own opinion, so people may be genuinely neutral, indifferent, or simply lack knowledge and understanding of what European integration is, especially in rural areas.

The pro-Russian camp exists in Kherson, but tries to operate as gray eminence, for instance, in regional administration. There are pro-Russian organizations, such as HBR (Hromadska Bezpeka ta Rozvytok, i.e. the Civic Security and Development), which, according to the locals,



in fact means the Rapid Response Group, known for promoting Russian interests in Kherson region. However, its activities have not been openly pro-Russian, but rather aimed at discrediting the local and central elites, which in the end failed.

However, there is also a positive perception of the EU in Kherson. This is widely seen through numerous achievements, such as the increasing exchange programs with the EU and cooperation with the universities; EU funding projects; visa-free travel and open registers. On the negative side, the EU success prompted high migration flows and therefore, many young people prefer to remain in the EU countries if there is such an opportunity.

## **CIVIC SECTOR: VIBRANT, BUT DESOLATE**

The civic sector in Odesa expanded and developed after 2014. As a result, a nucleus of civil activists has formed in Odesa, which is active and relatively influential, but at the same time, detached from the wider community in the region. It is for this reason that 14 attacks on civic activists that occurred in Odesa this year had very little resonance not only in Kyiv, but even in Odesa. The journalists are perceived as being more powerful than civic activists, and so far, there have been 7 cases of impeding of the journalists' professional activity, but no cases of physical attacks on the media representatives. The weak reaction of the national authorities, together with the fact that corruption charges against mayor Trukhanov had never led to prosecution, leaves local activists with the impression that they have been abandoned by Kyiv.

Kherson activism also developed drastically in 2014. The watershed for defining Kherson's identity was the annexation of Crimea, when the citizens gathered to defend their city. Khersonshchyna Self-Defence movement has been launched by the local activists and managed to secure the interests of the population in Kherson during the crisis. If Odesa had several infamous cases of attacks on activists, in Kherson, only one made it to the news headlines in Ukraine and abroad, the attack on Kateryna Handziuk, local activist and counselor to Kherson City Mayor, who died in a Kyiv hospital after several months of treatment. Despite that, it is unclear which consequences the Handziuk case will have. On the one hand, some are convinced that it is a threat and a message to all, and anti-corruption activists definitely feel threatened (although not intimidated). A solidarity movement has been created around the case, with companies in Kherson providing space for civic campaign billboards in her defense for free. On the other hand, her case didn't mobilize Kherson's civil society in a "all for one" mode. At the rural level, the case received marginal attention.

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**Fourteen attacks on civic activists occurred in Odesa this year but these cases had very little resonance not only in Kyiv, but even in Odesa itself**

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The cooperation between the EU and Odesa administration (represented by various EU institutions such as EUAM, EUBAM, etc.) is quite smooth and is maintained on a regular basis. An EUAM (European Union Assistance Mission) office was opened recently and as other EU institutions, it operates very cautiously on site and engages with new actors and wider civil society. The process

is incremental in its nature and aimed at building trust without irritating local actors; however, in contrast to its previous policies, the mission has been launched with wide engagement of the civil society and there are plans to promote its presence and work even more widely. It is also remarkable that the mission was even launched in such region as Odesa, where the security situation is fragile, both internally and vis-à-vis Crimea and Transnistria, and where the EUBAM had been already present. There is an impression that the implicit objective of the Mission is to ensure that public clashes like May 2 will never happen again (through police training and dialogue), hence they take pride in situations when marches of conflicting groups take place peacefully.

As for assistance and technical cooperation between the EU with various state institutions in Odesa region, in certain cases, there is an impression that they remain on a quite basic level. In most cases, those institutions request support, e.g. equipment (cars, computers, etc.), and are less ambitious when it comes to deep changes in the system. To conclude, aside from money, local authorities hardly request anything. Basically, the EU is often seen as a “cash machine”, except for the part of the civil society.

## **ELECTIONS, THE EU AND CONFLICT SETTLEMENT**

The population of Odesa region is quite paternalistic, and therefore locals claim that there is a high probability that the region will vote for the incumbent power. However, unlike Kherson, the European integration is not going to become an issue for the upcoming elections.

If it does, then only in the negative context, as arguments against it are employed by such parties as Opozytsiynyi Blok (Opposition Bloc) or Za Zhyttia (For Life). At least, certain experts think that both Petro Poroshenko and Yulia Tymoshenko will not highlight the European integration in their campaigning in Odesa region. Experts in Odesa always stress that their city has an entrepreneurial independent nature, which is the key in making decisions at the local level.

At the same time, it should be noted that the lack of trust in the national politicians (e.g. Poroshenko) is the reason why the support for the EU is decreasing. The association of Poroshenko with the EU and lack of trust toward him are the sources of fading support for the EU.

As of now, it seems that a real subject for the citizens of Odesa in the elections could be the proposed settlement for the conflict in the East of Ukraine. Those propelling the “compromise” are set to gain in Odesa and are already getting traction.

Kherson is less sophisticated in this regard, as pro-EU policy will matter as a choice defining factor for at least some voters in Kherson at the elections next year. This is true for urban rather than rural residents, as the opinions of the local village authorities will define the choice of the communities.

## **SECURITY AND RUSSIA**

After the annexation of Crimea and with Transnistria on its Western border, Ukraine’s South has become a new security focal point, as well as an outpost of the state’s defense against Russian aggression. However, in Odesa, Russian





troops in the East are not really seen as a threat, at least not an immediate one. Rather, the conflict is perceived to be localized “somewhere there”, in the East. For Odesa, the larger military threat is coming from Transnistria (i.e. from Russia), and the region has been on alert since 2014.

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**After the annexation of the Crimea Kherson perceives itself as southernmost security outpost and a potential showcase model, which may in the long run serve as an attraction for Crimean residents**

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For Kherson, the situation is different. The strategic significance of Kherson is twofold: it is the southernmost outpost and security checkpoint right next to occupied Crimea, and it is also a potential showcase model, which may in the long run serve as an attraction for Crimean residents if they see positive changes in the neighboring region.

Russia’s supporters are not very vocal after 2014; however, they exist and, in most cases, discuss politics at home (“kitchen talks”), or at other potential locations, the churches. Russian Patriarchate could become a new focal point, especially after the decision of Constantinople to grant independence to Ukrainian Church. The support for pro-Russian groups comes from the fact that Russian TV channels are still broadcast in half of the region’s territory, while Ukrainian TV is not available in many areas. Also, Russian TV is massively broadcast from Transnistria. Importantly, while the youth relies on the social media much more than on the traditional ones, they still remain within Russian-language blogosphere, which means that a significant number of bloggers they follow are actually from Russia. According to the 2017 GfK opinion poll, the most popular social networks in Odesa are

Vkontakte with 40% and Odnoklassniki with 30%; Facebook with 18% comes third, while Instagram and Twitter have 10% and 6% respectively<sup>8</sup>.

Media-wise, Kherson has 6 local channels broadcasting a certain amount of pro-EU content. However, closer to Crimea, Russian channels are available, as only few people can afford analogue TV.

## **THE INDEPENDENT ECONOMIC DEPENDENCE**

When assessing Odesa, we need to remember that above all, Odesa is an entrepreneurial city. One of the interesting observations confirmed by statistics is that Odesa’s primary trade destinations are neither the EU, nor Russia, but Asia and the Middle East. In 2017, Odesa exported goods worth \$1.8 billion and imported goods worth \$1.5 billion. The major markets for Odesa’s exports (both goods and services) are India (\$133 million), Turkey (\$129 million), Russia (\$106 million), Moldova (\$99 million), Italy (\$83 million), Spain (\$81 million), Egypt (\$77 million), Saudi Arabia (\$72 million), and China (\$70 million). The countries from where Odesa imported the most are China (\$336 million), Turkey (\$134 million), Indonesia (\$117 million), Russia (\$110 million), Germany (\$84 million), and Belarus (\$75 million). This could be another

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<sup>8</sup> *Institute of Mass Information. Study of Media Situation in Southern and Eastern Oblasts of Ukraine. 04.07.2017 [https://imi.org.ua/monitorings/doslidzhennya-media-sytuatsiji-v-pivdennyh-i-shidnyh-oblastyah-ukrajiny-2017/?fbclid=IwAR38ULFFcvOu5k5CXpMOvHY3U3IU5iSWpXH57HIFdcAWsAMV14hEk\\_ptpQs](https://imi.org.ua/monitorings/doslidzhennya-media-sytuatsiji-v-pivdennyh-i-shidnyh-oblastyah-ukrajiny-2017/?fbclid=IwAR38ULFFcvOu5k5CXpMOvHY3U3IU5iSWpXH57HIFdcAWsAMV14hEk_ptpQs). It should be noted that the survey was conducted before the ban on Russian social networks was introduced in Ukraine.*

explanation why Odesa is “neutralist” in terms of the geopolitical choice. The exports of Odesa contain mainly agricultural products.

Kherson’s export destinations are also diverse: in 2017, the key destinations of its exports were Turkey (\$35.7 million), Russia (\$19.9 million), Belarus (\$16.5 million), Netherlands (\$15 million), Poland (\$14.8 million), Egypt (\$12.1 million), Japan (\$11.5 million), India (\$9.4 million), and Moldova (\$9.1 million). Kherson, which is even more dependent on agricultural production, suffered from of the annexation of Crimea and the Russian aggression. On the one hand, fruit and vegetable producers have been impacted by cut-off trade with Crimea, and thus they are clearly dissatisfied. On the other hand, tourism sector benefited significantly from the post-2014 situation, with Kherson seaside resorts gaining demand. Crimea is perceived as a source of threat in Kherson, with local UTCs helping the Ukrainian military at the boundary line. Interestingly, some further frustration is caused by the fact that all Crimean authorities in exile, being based in Kherson, are paid better than Kherson state officials, which leads to a sentiment of injustice among the latter.

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**For Odesa, the city of business and entrepreneurs, the primary trade destinations are neither the EU, nor Russia, but Asia and the Middle East**

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Infrastructure development is another issue. Citizens of Odesa complain about very poor auto route and air connection between Odesa and the EU. Most of the European low-cost airlines operating in Ukraine are currently not present in Odesa, although Odesa airport offers a wide variety of choices with 25 resident

airlines and a turnover of 1,230,000 passengers in 2017 compared to 527,400 in 2007. Despite that, citizens of Odesa have to travel to Chisinau or Lviv in order to catch a low-cost flight to the EU.

Kherson’s infrastructure is also in a poor condition. The current migration trends are also changing the routes, which have been in place for decades. With the pro-Russian sentiment on decline, currently only a single 4-carriage train goes to Moscow every two days compared to daily trains with much more passengers before the war. At the same time, the bus station offers numerous daily trips to various cities in Poland and other European destinations. The Kherson international airport was also reinvigorated after the Russian aggression. While in 2014, it has processed only 7,900 passengers, in 2017, their number reached 105,900, which is a more than 1,300% increase over the last 3 years. Moreover, such companies as Turkish Airlines now fly from Kherson along with the UIA and Bravo Airways.

## **COMMUNICATING THE EUROPEAN INTEGRATION**

The communication of the European integration in Ukraine proved quite difficult due to sophisticated and complex character of the information on the processes associated with the EU. Odesa and Kherson are not an exception; even more, it is more difficult to sell the EU-driven reforms there than in other regions of Ukraine.

First, citizens of Odesa (as well as their compatriots in Kherson) want to monetize their support for the grand idea, and therefore, they ask about personal benefits when it comes to





the European integration (the most common question is “What is there in for me?”). Therefore, personal benefits (economic and monetary) of the EU integration should be highlighted, which is not easy. Furthermore, there should be real calculations and not propaganda style numbers.

Second, concrete examples on how to benefit from various EU programs, e.g. Danube Euroregion, Horizon 2020, or Erasmus+, would make the discussion more focused and quantifiable. Quite often, ordinary people think about the European integration as something that is impossible “to touch”. Although, even such tangible benefits as the visa-free travel are often disregarded and are not seen any longer as a part of the European integration process. Inspiring success stories, such as the one of the refrigerator producer from Odesa exporting their production to the EU<sup>9</sup>, are important to communicate and share among the local population.

Third, it is vital that the relatively small camp of supporters of the European integration in the South did not feel abandoned by Kyiv authorities, as well as by their partners from the EU. Despite the presence of two EU missions (EUBAM and EUAM) and thirteen honorary consulates of the EU member states in Odesa, local respondents, as well as their counterparts in Kherson, complained about the lack of public events dedicated to the EU and the European integration. It should be emphasized that this recommendation is aimed not only at the central authorities, who enjoy little trust in the region, but also

European diplomats and Kyiv-based civil society representatives.

Fourth, it is quite important to present historical parallels of Odesa with Europe and position it as a European city. Historically, despite being a part of the Russian Empire and then the Soviet Union, Odesa has been much closer to Europe than most of the other cities of Ukraine. It is not only about the geographical proximity with the EU, but also about the architecture and lifestyle, which in many cases is genuinely European.

Finally, it should be highlighted that Ukraine does not necessarily attempt to join the EU, but rather implement the “European practices” in the South (in fact, 37% of Ukraine’s citizens in the South believe that Ukraine should implement pro-European reforms even without a membership perspective from the EU<sup>10</sup>). For example, in Kherson, people want to know how exactly the European integration will affect the security of Ukraine and the rule of law.

It is of utmost importance that Ukraine’s South remains “integrated in the European integration process” and is not neglected by Kyiv. With strong local identity sentiment, criminal hierarchy and vulnerability to Russian influence, the region has proven that it is able to withstand Russian hybrid attacks. However, Kyiv still has to win the region’s loyalty to Ukraine’s pro-European choice.

<sup>9</sup> Yuriy Panchenko. *Eksport bez Freonu: shcho dopomohlo kholodylnomu obladanniu z Odesy potrapatu v ES. [No Freon Export: What Helped Fridge Equipment from Odesa to Get into the EU].* 30.08.2018. <https://www.euointegration.com.ua/articles/2018/08/30/7086238/>

<sup>10</sup> New Europe Center. *What Kind of Assistance do Ukrainians Expect from the EU and the US?* 24.10.2018. <http://hewurope.org.ua/en/analytics/na-yaku-dopomogu-ukrayintsi-ochikuyut-vid-yes-ta-ssha/>