

Odessa Oblast: Governor Saakashvili's superficial changes

Tomasz Piechal

Two years after the Revolution of Dignity, Odessa Oblast, one of Ukraine's key regions in economic and political terms, is still strongly polarised as regards its residents' views on the future of their country. The political circles rooted in the Party of Regions have maintained their influence to a great extent due to increasing dissatisfaction with the central government's activity and with the economic crisis which has strongly affected the public. Politicians linked to the *ancien régime* remain the most important political players. Some pro-Ukrainian circles had pinned their hopes for change in the region on the nomination of the former Georgian president, Mikheil Saakashvili, for governor of Odessa Oblast on 30 May 2015. At the beginning of his rule this politician made widely publicised promises to combat corruption, to improve the quality of the administration services, to develop infrastructure and to attract foreign capital. However, more than half a year has passed since he assumed office, and it is difficult to speak about any spectacular successes in reforming the region. Saakashvili has above all become a player on the national forum, supporting the presidential camp in their struggle with Prime Minister Arseniy Yatsenyuk and the oligarch Ihor Kolomoyskyi, among others. However, his nomination has made Odessa Oblast more important for Ukraine, above all in political and symbolic terms. This is because Odessa Oblast is the best manifestation of the condition of the Ukrainian state two years since the Revolution of Dignity – rudimentary reforms or no reforms at all, strong resistance to any changes from the administration, strong local political-business connections, the lack of consolidation among post-Maidan groups and corruption inherent in the system.

Diversity the Odessa way

Odessa Oblast is Ukraine's largest region in terms of territory and has the fifth highest population – 2.4 million people live there, more than one million in the city of Odessa. Its numerous ethnic minorities are one of the things which characterise it; Ukrainians account for only 62.8% of its population. Russians form the largest minority, accounting for 20.7% of dwellers. Most of them live in Odessa (29% of the residents of the city). They are followed by Bulgarians (10% of the region's population

and Moldovans (5%)¹. At the same time, Russian is one of the main languages used in the region – according to the census conducted in 2001, 42% of the population of the oblast declared that Russian was their native tongue.

The region is relatively strongly industrialised on the scale of the country. The region's key branches are the chemical, the machine-building and the food industries. While in 2014 companies located in Odessa Oblast were not seriously affected by the Ukrainian economic crisis (production dropped only minimally, by 0.5%,

¹ Data as in the Ukrainian national census of 2001: <http://ukrcensus.gov.ua>

with the average nationwide production decrease rate being 10.1%), in 2015 production in the region was reduced more noticeably (as compared to the previous year, in 2015, production dropped by 4.4%², the average nationwide production decrease rate was 13.4%³).

Odessa Oblast has remained under the strong influence of pro-Russian circles following Ukraine's independence.

At the same time, according to data for January–November 2015, as a consequence of the radical decrease in the national trade volume (above all with Russia)⁴ the position of Odessa Oblast in Ukrainian exports has strengthened, since it has access to ports, even though sales of goods from this region dropped by 1.5%. At present, the region accounts for 4.6% of Ukrainian exports (US\$1.57 billion). At the same time, Odessa Oblast saw the second largest decline in imports (after Luhansk oblast) on the scale of the country as a whole (by 51.8% or US\$989 million between January and November 2015 as compared to the preceding year). The strong industrialisation of the region contributed to a significant inflow of Russian population in the Soviet times, as well as to its historical roots⁵, and has led to the region remaining under the strong influence of pro-Russian circles following Ukraine's independence.

² Data quoted from the Statistical Service of Odessa Oblast: http://www.od.ukrstat.gov.ua/arh/prom/prom1_12_2015.htm

³ http://ukrstat.gov.ua/operativ/operativ2014/pr/ipp/ipp_u/ipp_u14.htm

⁴ Between January and November 2015, Ukrainian exports fell by 30.9% and imports by 31.2% year-on-year; data quoted from the National Statistical Service of Ukraine: http://ukrstat.gov.ua/operativ/operativ2015/zd/oet/oet_u/oet1115_u.htm

⁵ It became part of the Russian Empire in 1792 under the Treaty of Jassy which marked the end of the Turkish-Russian war in 1787–1792. The rapid development of these lands began at the time of the Russian colonisation.

Parties or candidates linked to political options favourably disposed towards Moscow would as a rule win elections there. Thus, when Russia attempted to provoke separatist sentiments in south-eastern Ukraine after the victory of the Revolution of Dignity, there was real concern as to whether the situation in the region would remain stable. The local anti-Maidan movement was well-organised and could count on support from local interest groups. Unrest reached its peak on 2 May 2014, when riots were seen in the city⁶. Dozens of people died then, most of whom were representatives of anti-Maidan, who were trapped in the local trade unions building that was set on fire. This tragedy came as a shock to the city and, paradoxically, contributed to damping down unrest and consolidated the local population, who wanted peace and stability to be preserved in the region. These tendencies gained strength as the conflict in Donbas developed and gradually escalated, ultimately leading large sections of Donetsk and Luhansk oblasts to economic and social decay⁷.

Public sentiment

However, social divides in the region remain visible. According to the most recent available public opinion polls from March 2015, Odessa Oblast was among the three Ukrainian regions where the public was very strongly divided over

⁶ On 2 May 2014, fans of two football clubs with friendly ties, Chornomorets Odessa and Metalist Kharkiv, organised a common march before a match played by the two teams in the Ukrainian Premier League. Their march to the stadium was disrupted by an attack launched by pro-Russian activists. This led to riots on a massive scale, where firearms were used. For more on the riots, see the report prepared by the Office of the United Nations High Commissioner for Human Rights (UNHCHR): <http://web.archive.org/web/20140620085642/http://www.ohchr.org/Documents/Countries/UA/HRMMUR-report15June2014.pdf>

⁷ For more information, see: Tomasz Piechal, The War republics in the Donbas one year after the outbreak of the conflict, *OSW Commentary*, <http://www.osw.waw.pl/en/publikacje/osw-commentary/2015-06-17/war-republics-donbas-one-year-after-outbreak-conflict>

which integration projects Ukraine should take part in. 30% of resident support the EU but 25% of respondents (the largest percentage in the country) wanted Ukraine to integrate with the structures promoted by Moscow (the Customs Union, which was later transformed into the Eurasian Economic Union)⁸. At the same time,

Dissatisfaction with the government in Kyiv contributes to high public support levels in the region for politicians who have had links to the Party of Regions.

Odessa Oblast has had one of the highest levels of public dissatisfaction with the central government's activity, and the tendency towards disillusionment with Kyiv's moves is strengthening. Already in March 2015, Petro Poroshenko's work was evaluated positively by only 17% of respondents, while only 10% of the region's residents had a positive opinion about the government led by Arseniy Yatsenyuk and the parliament⁹. Dissatisfaction with the government in Kyiv also contributes to high public support levels in the region for politicians who have had links to the Party of Regions. One example of this was seen in the local election in October 2015 where several political projects (including the Opposition Bloc, Our Land or the party led by the mayor of Odessa, Trust in Deeds) formed predominantly by veterans of the Party of Regions were successful.

Pro-Ukrainian symbolism predominates in the region's political landscape – numerous national flags are hoisted, and elements in public space (bus stops, streetlights etc.) have been painted in the Ukrainian national colours. However,

this visual predominance of the pro-Ukrainian moods does not mean that the views of the region's residents have changed significantly. The lack of visible actions coordinated by organisations which support pro-Russian or pro-separatist ideas is to a great extent an effect of the fact that the public does not want the situation in the region to become destabilised, and also of operational counteraction by the Security Service of Ukraine¹⁰.

Pro-Russian groups became somewhat more active only at the beginning of November 2015, when the critical report on the investigation into the 2 May tragedy was published by the Council of Europe¹¹. However, even then their manifestations were marginal in nature and did not have any major impact on the situation in the city. The acts of sabotage seen over the past year or so might have been provoked presumably by Russian secret services and they have not led to a radicalisation of public mood or a destabilisation of the region's life, either¹². Small explosives planted near offices of the state administration and of organisations offering aid to Ukrainian soldiers did not result in civilian casualties and made only minimum impact on life in the region. These terrorist attacks were thus political actions (aimed and demonstrating the presence of forces which are opposed to the government in the region) rather than real diversionary and destabilising acts. The situation on the frontier between Odessa Oblast and the unrecognised breakaway republic of Transnistria has also calmed down.

⁸ Data quoted from the survey conducted by Rating research group ordered by IRI on 2–20 March 2015: <http://www.iri.org/resource/first-ever-iri-ukraine-national-municipal-poll-ukrainians-deeply-concerned-over-corruption>

⁹ No survey of public sentiments specifically in Odessa Oblast has been conducted since March 2015. However, considering the falling support levels for the president's and the prime minister's actions all over Ukraine, it should be assumed that their current popularity ratings are even lower.

¹⁰ The Security Service of Ukraine regularly detains groups of saboteurs and also individuals accused of fomenting separatist sentiments in the region. In effect, most leaders of pro-Russian organisations have been excluded from public life.

¹¹ The Council of Europe criticised the operation of the Ukrainian investigation authorities, since it had found numerous omissions in the investigation and no motivation from the Ukrainian side to clear up this matter fully: <https://rm.coe.int/CoERMPublicCommonSearchServices/DisplayDCTMContent?documentId=090000168048851b>

¹² Saboteurs trained and coordinated by the Russian secret services were allegedly responsible for the big explosion near the building of the Security Service of Ukraine in Odessa in late September 2015: <http://tyzhden.ua/News/149219>

The political scene in Odessa

One characteristic of the political scene in Odessa is the presence of a large number of strong local deals which have been built for years and most of which originated in the gangster period of the 1990s¹³. Despite the victory of the Revolution of Dignity, the region's political life is still strongly affected by the connections existing between local politicians, organised criminal groups and oligarchs from other parts of the country. Gennadiy Trukhanov, who has served as the mayor of Odessa since May 2014 and who has strong links with the local criminal underworld, has become the main representative of the interests of 'old deals'¹⁴. With a support level of 51.3% he won the local election in October 2015 without the need for a runoff. Furthermore, his political project, Trust in Deeds, which was formed for the needs of the election, won the election to the City Hall and achieved the second best result in the election to the Oblast Council. He had been a member of the Party of Regions for many years, and therefore he could count on support from the Opposition Bloc. Furthermore, the city administration also worked for its support. Other major players in Odessa Oblast are: Serhiy Kivalov (the former head of the Central Election Committee responsible for fixing the presidential election in 2004) and the Dnipropetrovsk-based oligarch Ihor Kolomoyskyi, who has interests in this region¹⁵. Kolomoyskyi, who co-owns Privat

Group, was represented by Ihor Palytsa, who served as the governor of Odessa Oblast between May 2014 and May 2015, and who devoted a great deal of his activity to protecting and possibly expanding his protector's business. At present, Gennadiy Trukhanov is Kolomoyskyi's main partner in the region¹⁶.

Gennadiy Trukhanov, the mayor of Odessa, has strong links with the local criminal underworld. He has become the main representative of the interests of 'old deals'.

Given the organisational failure of the circles centred around local Euromaidan activists, the main alternative to the old deals during the local election last October was offered by Oleksandr Borovyk, advisor to Governor Saakashvili. As a candidate representing the Petro Poroshenko Bloc (PPB), he unexpectedly garnered a 24.6% support level. A result this high – given the fact that he launched his campaign very late and was not a well-recognised politician – should be treated as a real indicator of support from Odessa's residents for the activity of the person he directly reports to – Mikheil Saakashvili. Those who voted for the PPB's candidate were above all the pro-Ukrainian section of the electorate who also supported the former mayor of Odessa and the former UDAR deputy, Eduard Gurvits. The aggregate support level for the two candidates was 32.9%, and this may be recognised as an adequate indicator of the proportion of people who support the pro-reform and pro-European path of Ukraine's development.

The election has proven that the people who had for years been linked to the Party of Regions are still the most important politicians

¹³ For more information on the operation of mafia in the 1990s in Odessa see: <http://www.segodnya.ua/regions/odessa/avtoritetnyj-karabac-c-odecckoho-privoza.html>

¹⁴ Trukhanov's name was frequently mentioned in the evidence concerning the investigation conducted by Western services for combating organised crime, where he was mentioned as one of the members of an international network of weapons traders (https://www.reportingproject.net/peopleofinterest/Ukrainian_Mafia_Report.pdf). It is an open secret that in the 1990's Trukhanov was the personal bodyguard of the local mafia boss, Aleksander Argent (nicknamed Angel). It is currently believed that Trukhanov remains one of his closest business partners.

¹⁵ The key asset of Privat Group in the region is an oil reloading facility in Odessa port. The oligarch owns a terminal in the Port of Yuzhne, and controls the port in Illichivsk.

¹⁶ One proof for this thesis is the fact that neither of Kolomoyskyi's political projects (the Ukrop and Revival parties) put forward a strong counter-candidate against Trukhanov in the local election last October, and the Kolomoyskyi himself has spoken positively about Trukhanov on many occasions in the media.

in Odessa and the region as a whole. The political projects in which they have played major roles achieved large successes in elections to the Oblast Council and the City Hall. At the same time, serious differences inside the local structures of Petro Poroshenko Bloc became evident. A part of them is formed by former members of the Party of Regions, who decided to support Trukhanov rather than their own candidate during the election campaign. In exchange for alliances and appointments in the City Hall and the Oblast Council local PPB structures led by Oleksiy Honcharenko took action to undermine Oleksandr Borovyk's position and once again demonstrated their lack of solidarity with Saakashvili's group. This casts doubt on Saakashvili's position in the grouping he represents. Since even his own political base acts against him and forms alliances with representatives of the 'old system', the question arises, to what extent, realistically, Saakashvili is able to change the situation in the region.

Saakashvili – a lot of words, few changes

It is difficult to say that the situation has clearly improved in the region more than half a year since Mikheil Saakashvili was nominated as governor. The main tasks the new governor took up included: combating smuggling and corruption in the region (especially in the context of ports), the development of road infrastructure in the oblast (one of the worst in the country), improving the work of local administration and attracting foreign investors. However, his rule was expected above all to show a new quality in governance and make Odessa Oblast an example of change to be followed by the rest of Ukraine.

His work so far has failed to bring any spectacular successes in any of the priority areas of activity. However, remedial actions have been taken in each of the areas. The greatest changes were made inside the Oblast State Administration (OSA): half of the civil servants

were made redundant¹⁷, and the decision was made to reduce the number of departments from 27 to 13. However, local experts have negatively evaluated this change, arguing that part of the liquidated departments were of key significance for the region¹⁸. In October 2015, a Service Centre was opened at the OSA.

It is difficult to say that the situation has clearly improved in the region more than half a year since Saakashvili was nominated as governor.

As in Georgia, it is expected to be a place where residents of the region can quickly and effectively handle all administrative issues. Combating corruption is still on the micro level – its rather focused on people at the lowest and medium levels. Smuggling from Transnistria has to a certain extent been reduced. At the same time, the infrastructure projects (above all the construction of the road running from Odessa to Romania), which are of key importance from citizens' point of view, are still in the preparation stages, although the governor has already managed to find part of the funds necessary to implement the projects.

From the point of view of Odessa, the key area where Saakashvili needed to make changes was in improving the situation in the oblast's ports. When he was taking office, these were places where the greatest chaos reigned – the entire senior staff of Odessa's customs service has been replaced several times over a year or so. However, these changes were superficial.

¹⁷ When Saakashvili was taking the office, around 800 people worked for the Oblast State Administration. Its present employment level is around 400.

¹⁸ For example, the agrarian policy department was liquidated, while agriculture is one of the most important branches of the region's economy. Similar observations concern the liquidation of the department for foreign co-operation and European integration.

The new heads of the customs office continued the practices of their predecessors. In effect, new reports about corruption there were continuously received. At the same time, as a result of Russia's annexation of Crimea, the ports located in the oblast have become the main centres of Ukraine's maritime transport¹⁹.

Considering his limited powers and also his ambitions, Saakashvili is trying to build his position above all on the national and not the local political forum.

In 2015 alone, 91.45 million tonnes of goods were reloaded in the so-called 'great Odessa' ports (in 2014 and 2015, the increase was by 7.9% and 2%), which accounted for 63.1% of goods reloaded in all Ukrainian ports²⁰. However, as the reloading level increased, more room for scope for corruption has been created. Improving supervision over the oblast's ports thus became one of Saakashvili's tasks. For example, the nomination of the governor's close aide, Yulia Marushevskaya, who is 26, as the head of the local customs office was expected to help him achieve that. After several months of struggle for her nomination, this was accomplished last October. According to Saakashvili's declaration, the simplification of a number of procedures (setting adequate customs duty rates and streamlining the customs clearance process) has led to the elimination of several corruption-generating loopholes in the system. However, successes in this area have met with strong resistance from the local medium- and lower-level customs service apparatus as well as central government authorities (the National Fiscal Service), many of whose officers benefit from corruption.

¹⁹ At present, eight of the fifteen maritime ports controlled by the Ukrainian government are located in Odessa Oblast, including the three largest ones – in Odessa, Yuzhne and Illichivsk.

²⁰ Based on my own calculations using data from the Administration of the Maritime Ports of Ukraine.

Therefore, it still cannot be said that the region's reform has been successful. Furthermore, Saakashvili himself is giving rise to more and more doubt – for example, the fact that the promotion of his activity as a governor was to some extent financed by local businessmen, who pay funds to the 'For the Benefit of Odessa' fund has provoked numerous controversies²¹. In addition to this, when Borovyk lost the election Saakashvili reportedly withdrew from activity in Odessa itself. Saakashvili's main excuse for the lack of real and tangible successes is that most of his promises and declared actions require real support from the central government and all state institutions. Meanwhile, he regularly complains about problems in co-operation with the government and Kyiv, which impedes the implementation of his plans²². By doing this – considering his limited powers, capabilities and the lack of a strong political base in the region itself – Saakashvili is trying to build his position above all on the national and not the local political forum. One of the main examples of this behaviour is the actions he has taken – in both rhetorical and practical terms – against Prime Minister Arseniy Yatsenyuk and his political base. Such behaviour needs to be viewed not only as an element of the political game inside the government coalition (weakening Arseniy Yatsenyuk's position in order to strengthen the presidential camp) but also as an attempt to shrug off responsibility for his own lack of successes. Furthermore, his open and aggressive criticism of the unpopular prime minister both allows Saakashvili to build his own image as the main anti-corruption fighter and also lays the foundation for his own po-

²¹ The Fund for the Benefit of Odessa was established by local businessmen in May 2014. After Saakashvili's nomination, his close aide, Teymuraz Nishnianidze, was appointed its head. Many influential regional entrepreneurs have made contributions to this fund. For more information see: <http://nashigroshi.org/2015/12/04/sponsory-saakashvili/>

²² Mikheil Saakashvili's interview for Channel 5 (a TV news channel, one of President Poroshenko's assets) in which he openly accused Prime Minister Yatsenyuk of promoting the interests of oligarchs, reverberated widely. <http://www.pravda.com.ua/rus/news/2015/09/4/7080100/>

tential political project. Another manifestation of this activity was his struggle with the Dnipropetrovsk-based oligarch Ihor Kolomoyskyi. This fits into the conflict between Poroshenko and Kolomoyskyi which has been ongoing for months, and is intended not only to strengthen the president but also Saakashvili's own political brand in Ukraine²³.

Conclusions

The nomination of Mikheil Saakashvili for governor of Odessa Oblast was intended as a sign that the region will become the 'display window' of Ukrainian reforms. However, it is precisely in Odessa where all the problems linked to the difficulty of reforming Ukraine are most visible. Mikheil Saakashvili has become a hostage to local deals which remain strong despite the revolution. As a player from the outside, the former Georgian president is building his position in the region from scratch. Meanwhile, even the political base of the party he represents (Petro Poroshenko Bloc) often co-operates with representatives of the *ancien regime*. The only real form of pressure on administration structures and local interest groups available to him is his direct access to President Poroshenko, who is Saakashvili's main 'argument'. Actions taken by Saakashvili to make changes are characterised mainly by numerous declarations and aggressive wording, followed by significantly less noticeable actions. This is an effect of both the chaotic nature of action taken by Saakashvili and the resistance he has encountered from administration. The governor is still dependent on the central government's decisions.

²³ The best-known example of such actions was Saakashvili's conflict with the head of the National Aviation Service, who allegedly lobbied for Ihor Kolomoyskyi's interests in this area. The Port of Illichivsk, which is within Kolomoyskyi's zone of influence, has become another field of struggle between him and Saakashvili – Saakashvili accused the port's managers of mismanagement and discrimination in favour of the interests of private business entities.

Therefore, to make multiple staff reshuffles at institutions, he must engage in a lengthy negotiation with Kyiv.

In effect, Odessa is a model example of the systemic problems Ukraine is suffering from two years since the Revolution of Dignity. Loud declarations of changes, backed with PR campaigns, have not translated into effective action, since these have been blocked by strong local deals which are supported by central government structures which also benefit from corruption. Mikheil Saakashvili himself is also a controversial figure – being aware of the limited powers he is vested with, he is trying to play above all on the national level, neglecting local affairs and surrounding himself with controversial sponsors. Accepting the existence of local deals and the slow tempo of changes in the region, he is still trying to maintain his image as a reformer, introducing changes only to the extent that the general situation allows him to and focusing above all on criticising his political opponents. In his speeches he openly criticises Prime Minister Yatsenyuk and the government, attacks oligarchs and condemns corruption on the highest levels of the state administration. He remains loyal to President Poroshenko. However, the fact that the party's central apparatus accepts actions taken by local PPB structures against the candidate designated by Saakashvili and their subsequent alliance with political projects originating from the former Party of Regions is proof of Saakashvili's weakness, including inside his own political camp. Actions taken by Saakashvili since the end of 2015 (including convening three nationwide Anti-Corruption Forums which should be treated as a platform for a new political project and the beginning of him building his own political base) suggest that his position as the governor of Odessa Oblast is just the starting point of his future career in Ukrainian politics.

Saakashvili's ambitions extend far beyond the Odessa region, and his activity on the national forum has already borne its first fruit – according to public opinion polls conducted in late January 2016 a possible political project led by him could garner support from around 12%

of the electorate determined to vote²⁴. It therefore seems reasonable to ask how long he will perform his present function.

²⁴ Data quoted from the survey conducted by Rating group on 14-22 January 2015: http://ratinggroup.ua/research/ukraine/elektoralnye_i_obschestvennye_nastroeniya_naseleniya.html

MAP

Ukrainian maritime ports



EDITORS: Adam Eberhardt, Wojciech Konończuk
 Anna Łabuszewska
 TRANSLATION: Ilona Duchnowicz
 Co-operation: Nicholas Furnival
 DTP: Wojciech Mańkowski

Centre for Eastern Studies
 Koszykowa 6a, 00-564 Warsaw
 phone: +48 | 22 | 525 80 00
 e-mail: info@osw.waw.pl

The views expressed by the authors of the papers do not necessarily reflect the opinion of Polish authorities

Visit our website: www.osw.waw.pl