
REGIONAL CO-OPERATION AND ECONOMIC PATTERNS OF THE UKRAINIAN DANUBE REGION: SOVIET HERITAGE AND POST-SOVIET REALITIES

VSEVOLOD SAMOKHVALOV

Introduction

The Reni district (rayon) is situated in the southeast of the Odessa region (oblast), at the juncture of three states (Moldavia, Ukraine and Romania) and just a few kilometers from the confluence of Pruth and Danube. The whole course of the history of the Reni district represents an odyssey for the border town of the disputed region of Bessarabia. The aim of the present paper is to analyze the changes of trade and economic patterns of the Reni district, once a major transit port on the routes stretching from the USSR via the Danube to Western Europe. The analysis of the paper will be focused on the significant changes of the trade and economic patterns of the district of Reni and its decline as a major transit point. The paper concludes that the changes that took place in the 1990s made it quite a complicated task to launch successful trans-border co-operation schemes in the region of the Lower Danube despite some attempts made in this respect in the region.

Historical Background

The first written references on the Reni settlement are dated to 1548. The etymology of the town's name originates most likely from the old Slavic word *ren*⁷—wharf, pier. In the 16th century, Reni belonged to the Moldavian Principality. In 1621, the Ottoman Sultan Osman renamed the town "Tomarovo"¹. The area of Reni was actually a distanced province of the Ottoman Empire bordering with the expanding Russian Empire. The colonisation of the region started in the period of the Russian-Turkish wars—under the reign of Catherine the Great—in the late 18th century. According to the articles of the

¹ "Bessarabar Newsletter", edit. P.A.Krushevannik, Moscow, 1903.

Kuchuk-Kainardji Peace Treaty (signed in 1774), the protectorate of the Russian Empire was set over the principality of Moldavia and Valakhia. Some of the Orthodox and Slavic subjects of the Ottoman Empire started to seek asylum in these areas, which resulted in regular inflows of Bulgarian, Greek, Serbian, Jewish and Romanian refugees into this area from the right bank of Danube.

The Russian Tsars paid special attention to the development of the town and port of Reni to further develop the area and to ensure, via the Danube shipping, access for Russia to the Balkan and European markets, as well as trade routes in the Black and Mediterranean seas. Eventually the foundation of the port in Reni in 1816 boosted the economic development of the town. In 1821 the settlement received municipal (*gorod*) status. In 1827, the town had 2,290 inhabitants². Ten years after the port was founded, 22 ships entered the port. They flew the following flags: Russian—8, Turkish—2, British—8 and Ionian—4. In 1830 a customs service was established in the town. Despite the fact that in first decade the trade turnover was not that considerable and included mainly exports of tobacco, wine, cereals and spices³, the town of Reni started to acquire features of an urban center. Reni was not only a bigger settlement surrounded by several villages, but also a significant trade, transport and production center. The number of craftspeople in the town of Reni had increased from 40 to 150 (bakers, butchers, tailors, shoemakers, stove-setters, harness-makers, carpenters, dyers, soap-boilers) in the period from 1828 to 1844. In 1856, 3 brickyards, 4 soap and wax factories, mills and distilleries operated in the city. A new Izmail district (*uezd*)—a separate administrative and territorial unit—was established in the area in 1878⁴. Efforts made by Saint Petersburg aimed not only at encouraging the development of the district, but at further incorporating Reni into the imperial economic complex. In 1877, a special ‘Reni-Bendery’ railway line connected the district not only with other districts in Bessarabia, but also with other provinces in Russia. This had a positive effect on the development

² P.N. Batyushkov *Bessarabia. Istoricheskoye Opisanie* (Bessarabia. Historic Description), Saint Petersburg, 1892.

³ *Statisticheskoye Opisanie Bessarabii, tak bazyvamemoi ili Budzhak* (Statistic Description of Bessarabia), Published by Akkerman Local Council (*Zemstvo*), Akkerman, 1899.

⁴ *Zhivopisnaya Rossiya* (Picturesque Russia), Part II., edit. P.P. Semenov, Saint Petersburg, 1899.

of the port of Reni. Active trade with the Black Sea and Balkan ports started. The relatively small firm of Duke Gagarin which initiated river transportation was transformed into the major 'Black Sea-Danube Shipping Company' in 1866. In the latter part of the 19th and early 20th century, Southern Bessarabia experienced an explosive economic growth. According to the census of 1897, the town of Reni numbered 6,941 residents⁵. In 1913, 100 trade enterprises were based in Reni with an annual trade turnover of more than 200 thousand rubles. In 1913, the port of Reni had processed 105 thousand tons of cargo, of which 92 thousand tons were exported. In 1913, Reni numbered 10,500 residents⁶.

Most of the population was employed in the port and the accompanying enterprises (packing houses, shipping yards, and coal and wood stores), the railway station, saw-mill and brickyards. Some of them were self-employed in gardening and track-farming. However, more than 400 of the latter had as supplement, self-employment transportation services from the town to the port⁷.

Soviet Rule and Qualitative Changes in the Status of Reni

The return of the district of Reni into Soviet Union on 26 August 1944 flagged a new epoch in the history of Reni. Due to its location on the Danube, port was to play a role of serious transport knot between the USSR and other states of the Soviet block in the new situation of the East-West confrontation. Special attention was paid to increasing transport capacities of the rail way station and the port. The port of Reni was ranked to the first category. While in 1945 the port was processing 225 thousand tons of loads, in 1963 the volume of the processed loads increased up to 3985.5 thousands tons, 18 times as much as in 1945 and 2.5 times as much as in 1953. The level of mechanization of the

⁵ Pervaya Obschaya Perepis' Naselenia Rossiyskoy Imperii, 1897 goda. III Bessarabsiya Guberniya (First General Census of the Russian Empire 1897, III Bessarabian Government), Saint Petersburg, 1905.

⁶ Iz donesenia pomoshnika nachalnika Bessarabskogo Zhandarmskogo Upravlenia na pogranichnom uchastke v gorode Reni (From the report of deputy head of Bessarabia Gendarmerie in Reni Border Department), F.297, D.1.

⁷ Iz donesenia pomoshnika nachalnika Bessarabskogo Zhandarmskogo Upravlenia na pogranichnom uchastke v gorode Reni (From the report of deputy head of Bessarabia Gendarmerie in Reni Border Department), F.297, D.1.

embarking-debarking process had increased from 25% (1945) to 42% (1946), and reached 96% in 1977.

The Reni railway station acquired strategic importance as the town became the final transit point of the Soviet loads into COMECON states. At the peak of its activity, the Reni railway complex processed up to 40 thousand tons of freight on a daily basis⁸. The railway complex included several railway terminals which stretched at a distance of 20 kilometers: ‘Reni-Passenger’, ‘Reni-Port’ (where loose goods were loaded on barges), ‘Reni-Pouring’ (where tank-wagons were being filled with oil for export), ‘Reni-locomotive depot’, ‘Reni—wagon depot’, and three more auxiliary capacities as well as a number of special infrastructure objects. At the beginning of the 1960s steam-engines were substituted by diesel traction and Reni was ranked as an exceptional complex for its proceeding capacities⁹.

With the return of the Soviets into the region, the process of collectivization of villages of Southern Bessarabia was launched at a rapid pace. While in 1946 only 2.7% of district agriculture was collectivized, in 1949 this number was 91.3% (1947—24.1%, in 1946—56.7%). In those years one more Stalinist measure on melting all ethnic groups of the USSR into one “community of Soviet people” took place—the translation of all village names from the ethnic language of their founders into Russian.

The collectivization and integration of the district into the centrally planned economy had as a result the creation of new trade patterns in Reni. A significant volume of agricultural production—up to 70 thousands tons of cereals, 15 thousand tons of milk, 12 thousands tons of meat annually—allowed Reni to become a supplier of agricultural products for the Odessa region and the Ukraine. Moreover, the warm climate of the south Odessa region allowed Reni villages to produce rare for Ukraine agricultural products—e.g. Nagornoye village had been producing onions for Central and Northern Ukraine, while Novosel’skoye grew sweet pepper and aubergines.

⁸ Interview with the engineer of Reni railway station V.F.Lobayev.

⁹ V.Yunkevich Dunay I dunayskoye parohodstvo (Danube and Danube Shipping), “Sea Transport”, M.1962., P.275-275; Annual Report of the Reni Trade Commercial Port, 2003.

Collapse of the USSR and Changes in the Economic and Trade Patterns of the District

After the collapse of the USSR and in the course of the last 15 years, the general situation in the port of Reni has been changing negatively. The port of Reni, which used to be a powerful transit knot at the route from the Soviet republics of Central Asia and Russia to Europe, from Europe to the Black Sea and Middle East and Russia lost a major segment of its freight flow, partially because of the collapse of old economic ties between the USSR and former Soviet satellite-states and partially because Romania actively promoted the operation of the Chernavoda—Constanta channel—the shortest artificial water way connecting the Danube to the Black Sea¹⁰.

After the collapse of the Soviet Union one of the most important elements of the Reni transport complex—the railway connection with Odessa—was actually cut off since several kilometers of this railway cross the territory of Moldavia. Customs fees, delays due to prolonged customs procedures and high level of corruption resulted in the decrease of clients for the services of railway transportation from Odessa and Chishinau to Reni. It should be mentioned that the port of Reni was mainly export-oriented in Soviet times. Therefore, breaking off transport and trade routes with the rest of the USSR had as a result a considerable decrease in the workload of the port. At the same time, the Romanian port of Galati continued to acquire more importance because the navigable Sulinskoye arm of the Danube delta is situated in Romanian territorial waters¹¹. Several years after the collapse of the USSR, the Ukraine attempted to

¹⁰ It was accepted by analysts that the Cernavoda-Constanta channel seriously harmed the economic interests of the Ukraine, see M.Derugasov, *Mors'ki Porty Ukrainy: Chas Aktyvnyh Reform* (Sea Ports of Ukraine: Time for Active Reforms), *Zerkalo Nedeli* (Weekly Mirror Newspaper), 1-7 February 2003.

¹¹ This aspect of Danube shipping is closely connected with the recent international dispute between Romania and the Ukraine. Kiev, in order to break Romanian monopoly on the shipping in the Danube delta, launched a project—digging works for deepening another Danube branch—the Bystroye. This decision of Kiev side provoked harsh criticism on behalf of the Romanian side and a number of environmentalist organizations since it would produce fatal consequences for the flora and fauna of the Delta of the river. The European Commission intervened with a call to the Ukraine to stop digging until a special independent review would be conducted on the possible impact of the project. Ukraine postponed the materialisation of the project. For further information see the website of the Delegation of the European Commission in Ukraine www.delukr.cec.eu.int.

break the railway isolation of the port of Reni. Special Ukrainian-Moldavian negotiations on border issues resulted in a compromise according to which Moldavia made a concession to the Ukraine of several kilometers of the railway ‘Odessa-Reni’ and the Ukraine in exchange provided Moldavia with several hundred meters of the Danube bank, where Moldavia started construction of its own port. This new project will provide Moldavia with access to the Danube River and the port on it, which will provoke further competition between Moldavia and the Ukraine in shipping in the Danube and make their co-operation less and less feasible. The Yugoslav crisis caused serious damage to the Ukrainian Danube Shipping Company due to the embargo on transit cargo from/to/through the Yugoslav part of the River Danube. For the same reasons the operation of the Reni Railway Complex faced a dramatic decrease in traffic and had to cut its operating capacities, mainly in terms of human resources. According to some analysts, the Port of Reni as well as the Railway Complex of Reni are currently exploiting only 15% of their operational capacities, which once received a huge inflow of investments (more than 1 billion dollars). In the course of the last 15 years, Reni has declined from a strategic transition point, part of the crossroad of several routes, into a town—administrative center of a mainly rural district.

Migration patterns from the Reni District

The population change dynamics for the Reni district from 1989 up to 2001 demonstrate the social consequences of the economic decline in the region. The main reason for the considerable decrease of the urban population—14% (3,186 people)—was of course the crisis in port and railway complex activities. The outflow of the urban population, mainly of the workers of the port and railway station, increasing the poverty of the city negatively affected the rural areas of the district which used to provide supply of agricultural goods for Reni. The outflow of population from the rural areas is not that high but still noticeable—5% (1026 people).

	Population numbers		Numbers of the year 2001 as % of numbers of the year 1989
	2001	1989	
Total population of the district	39903	44115	90.5
Urban population	20481	23667	86.5
Rural population	19422	20448	95.0
Villages			
Novosel'skoye	3583	3350	107.0
Limanskoye	3190	3302	96.6
Orlovka	2980	3083	96.7
Nagornoye	2592	3063	84.6
Kotlovina	2570	2854	90.0
Dolinskoye	2552	2644	96.5
Plavni	1955	2132	91.7

Table 1. Dynamics of population changes in Reni District analysed for each administrative-territorial unit¹²

Over the last decade the agricultural complex of Reni district has been passing through a structural crisis. For the Head of Directorate for Agriculture of the State Administration of Reni District I.G. Koval'zhi, the main reason for this crisis is disintegration of the kolkhoz and sovkhoz—major mechanized and equipped agricultural producing complexes—which used to secure the full circle of agricultural production, as well as the disorganization of the structure of planning, support, production and sale of agricultural goods¹³. For the time being, *Kooperativnye Sel'skokhoziastvennye Predpriatiya* (Cooperative Agricultural Enterprises), created to substitute the kolkhoz, have not as yet managed to establish serious co-operation structures and ensure effective management of chains of production in Ukrainian agriculture.

On the other hand, the process of the formation of farm enterprises is still considerably delayed due to lack of progress in the introduction of private ownership for land. This delayed progress withholds the formation of fully-fledged farm businesses and prolongs the life of vestiges of the kolkhoz regime. Institutional uncertainty in agricultural production, as well as obsolete

¹² Reniysky Vestnik ("Reny Herald" Newspaper), 4 March 2003.

¹³ Interview with the Head of Directorate for Agriculture of the State Administration of Reni District I.G. Koval'zhi, 5 January 2005.

equipment and techniques, enforce villagers to restrict their commercial use of soil to small plots of land attached to their houses of 600 square meters, while having at their disposal 3.5 hectares. In these restricted plots peasants make dairy products for the whole population of the district and half of the meat foods for the whole district. However, to overcome the crisis the agricultural sector of the district would need serious investments for the melioration of the soil, fertilizers, new techniques and equipment. While this remains an unachievable task for the peasants, a migratory trend is unfolding in the rural areas of Reni.

The basis of this trend remains the economy. Those leaving the villages of the Reni district do not necessarily head for their historic motherlands. Among 280 departures from the Moldavian village of Orlovka, 100 peasants left for Russia (Moscow, Saint Petersburg), 50 for Italy, Spain and Portugal, 15 for Turkey and 10 for France and Germany¹⁴. On the other hand, most of the pupils who are leaving to study in Romania insist that the main reason for this decision is the economic conditions: scholarships, free accommodation, more opportunities for further employment¹⁵.

Co-operation structures in Ukrainian Bessarabia and participation of the Reni District

Since the complex of economic integration in the post-Soviet space was suddenly destroyed and Reni was thrown out of the main stream of most trade routes, the new local and national leadership has been striving to find some ways to include Reni in the complex of international co-operation. As a result of such attempts, the “Lower Danube” Euroregion (ER) was created in 1998. The Lower Danube ER includes the border areas of Romania, Moldavia and the Ukraine. In the founding process the ER experts used to refer to common problems that the “Lower Danube” was called upon to solve: poverty, unemployment, environmental degradation, health care, illegal activities, trafficking and migration. Several meetings of the heads of police and military

¹⁴ Interview with the Head of Orlovka Community Council I.V.Kiranaki, 11 January 2005.

¹⁵ *Ukrainskie Moldavane Predposhitayut Uchitsa v VUZah Rumyniyu*, (Moldavians of Ukraine Prefer to Study in Higher Education Institutions of Romania), *Zerkalo Nedeli* (Weekly Mirror Newspaper), 4-10 November 2000.

structures were held within the framework of the ER. Additionally, the ER has launched a TACIS project named the “Business Infrastructure of the Odessa Region” which ran until July, 2005. The Agency for Trans-border Co-operation opened in Reni in the context of this project. It is supposed that a network of special foundations will remain in Reni to contribute to the development of democracy and market economy in the district. Among the joint projects, the municipalities of Reni (Ukraine) and Galati (Romania) have elaborated a trans-border “Joint study of social-economic development of Galati and Reni, preservation of environment and transport system” project. The development of trans-border co-operation will include the construction of the 8-lane ‘Galati-Reni-Odessa’ highway, a constituent part of the European transport corridor No. 7. Its approximate budget is 880 million USD. The project also foresees the construction of an international airport and a power plant.

In order to boost economic development in southern areas of the Ukraine, the local leadership lobbied for the founding of a Special Economic Zone (SEZ) at the territory of the Port of Reni, which was established on 23 March 2000 by Ukrainian law “Regarding the Reni Special Economic Zone of,” that foresaw the establishment of simplified customs and tax regimes for a period of 30 years within the territory of the port of Reni. Eventually the main goal of the Special Economic Zone is to attract foreign investment, boost trade relations and local entrepreneurial activities. To this end, the cargos that arrive at the Port of Reni are not subject to taxation and customs duties, and all the income received from the investment projects on the territory of the port of Reni is subject to 20% tax for the whole period of existence of the Reni Special Economic Zone. The ‘Reni-Ruse’ ferry boat line was launched as well, which was part of four transport corridors. Simultaneously, several investment projects were launched in the SEZ “Port of Reni”. Among them were the “Proceeding Soy” (25 million USD) and the Russian-Ukrainian project, “Reni-Forest” (2,4 million USD). Millions of tons of sapropelic deposits, marl, drinking water, and possibly natural gas and oil are to become the raw material base for the implementation of future projects in the Reni SEZ. The Reni SEZ is included in a triple Special Economic Zone network which consists of three national special economic zones—those of Reni (Ukraine), Giurgiulest (Moldavia) and Galati (Romania) (R-G-G).

According to Serghey Kolevich, Mayor of Reni, the logic of the development of regional co-operation structures in Southern Bessarabia will demand from the town the establishment of new structures for social and economic development known as sociopolis. Sociopolis is social-economic structure closely knit within a certain territory. Such a structure should contribute to the formation of a new socialized economy, bear special legal status and be targeted towards the promotion of advanced sustainable development. In the Reni District the idea materialized in the project of “Sociopolis Reni-Dolinskoye-Limanskoye”. The concept of sociopolis elaborated by leading Ukrainian specialists foresaw the production of electronic systems, attracting know-how and information technologies, and an increase of labour productivity to ensure high competitive potential for Reni District and to include it in a global production complex.

The aforementioned trade initiative, if properly carried out, would produce a positive effect on the border of the region. Encouraged business activities if profitable would increase general public awareness in the neighbors of the Ukraine across the Danube, as happened in the early 90’s when the Soviet-Romanian border was opened for large-scale passage. These projects would gradually weaken borders among the three sides. However, despite the best intentions, most of the designed projects did not produce the expected results either at the local or the regional level. The aforementioned business projects launched in the framework of the “Lower Danube” Euroregion trans-border co-operation and SEZ structures are mainly bilateral or even unilateral initiatives of large-scale enterprises, which could hardly influence the structure and character of the agricultural production at the local level. They could not seriously boost trans-border trade since they involve specific producers frequently outside the district, and are aimed at taking advantage of preferential taxation and customs regimes but have nothing to do with cross-border trade. Therefore, despite the fact that the structures for trans-border co-operation had been established within the territory of the district, they could hardly influence the character of local production and trade patterns of the local farms or small urban enterprises. The major local enterprise of Reni district—its port—has competitors on the Romanian (Galati) and Moldavian (Giurgiulest) sides. And this situation cannot contribute to development of trans-border co-operation.

Among the reasons for the failure of trans-border co-operation projects, some local officials name the lack of political will of the national and regional leadership to invest in such projects since the Ukrainian political elite sees trans-border co-operation in Ukrainian Bessarabia more as a headache or even a potential threat for the integrity of the country, rather than as an opportunity for economic development. Trying to reinforce the borders of Ukrainian Bessarabia and following this logic, regional authorities preferred to support the Odessa-oriented trade patterns of local peasants, promoting for that purpose specific projects such as the “Renaissance of the Region”, which foresaw special treatment for those agriculture producers who come to the Odessa markets from distant districts of the region. The general disappointment of the high level political elite of Ukraine with the special economic zone of Reni was portrayed in the decision to abolish State Administration of the special economic zone of Reni early in 2004. Later on, one of the first actions taken by the new leadership of the Ukraine was the decision taken by President Yuschenko to abolish special economic zones as they did not produce added value to cross-border trade and served more as tax evasion harbors for some entrepreneurs.

Another serious hindrance in launching effective trans-border co-operation of the Reni District with Moldavia and Romania is the fact that productive relations in the Reni district in Soviet times were, in the case of agriculture, reoriented to the other enterprises in the Odessa region. Peasants of the local villages are hardly able to start exporting meat or milk to Moldavia or Romania, while they can easily sell it at the local market or transport their goods to Odessa. A similar logic is valid for vegetables produced by local farmers, which are profitable while sold in the Ukraine instead of being exported to Romania or Moldavia. The level of rural economy in Ukrainian Bessarabia has not yet reached the level where it would seek new markets and export opportunities. This is why all the aforementioned projects rested on local enthusiasm and did not drastically change local trade patterns and the economic situation in Ukrainian Bessarabia, which for the time being remains a one of once important transport intersections that has lost its geostrategic position.

Conclusion

Bessarabia is a historic and cultural entity, which has been a border region between different forces from ancient times. Due to this position, the area was either the arena or the object of a number of struggles among major forces which surrounded it. Until the 20th century, regular exclusions of Bessarabia from and inclusions into different state projects, frequent changes in the border configuration of those projects, as well as massive migration of the population contributed to the weakening of the borders of the region, as well as the state borders inside the region. The creation of the USSR signaled a new epoch in the history of the region.

First of all, the deteriorated relations of Romania and the USSR resulted in the introduction of a tough border regime between the two states. The incorporation of Bessarabia into the Soviet Union was a real separation from its cultural cradle—the Romanian space. Moreover, following the logic of Communist ideology aimed at the creation of a single Soviet people, the Communist regime divided Soviet Bessarabia into two uneven parts—the Moldavian Soviet Socialist Republic (Moldavian Bessarabia) and southern districts of the Odessa region (Ukrainian Bessarabia). Despite the fact that the administrative border between the two parts was quite transparent, an economic division was launched by this administrative partition. While Moldavian Bessarabia mostly remained a rural economy with specific agricultural production in the USSR, Ukrainian Bessarabia was deemed to be incorporated into the Soviet industrial complex as a transport component.

After the collapse of the USSR, this administrative division had as a result two parts of the single historic region of Bessarabia to become parts of two different states: the Republic of Moldavia and the Ukraine. Some attempts to reunite the region met with the following obstacles:

- A new vector of economic and trade patterns of the two parts of Bessarabia
- Lack of skilled and devoted personnel
- Internal agenda of the new political leadership of Ukraine.

Therefore, the conclusion can be drawn that the division of Bessarabia was not overcome after the collapse of the USSR. The division between Ukrainian and Moldavian Bessarabia has become even deeper. The same process is likely

to unfold on the border of the Ukraine and Romania after the accession of the latter to the European Union in 2007. Introduction of the Schengen area system, single external trade tariffs and quotas, as well as other respective measures, which are likely to be taken by the EU in order to prevent illegal migration, smuggling, trafficking in human beings, etc,—all these will reinforce the existing Romanian-Ukrainian border. On the eve of its new enlargement, the EU should pay special attention in order to avoid drawing new dividing lines in Europe. To this end, special measures should be taken by the European institution in the framework of the European Neighborhood Policy of the EU towards Ukraine. The priority in the future co-operation should be given to establishing inter-ethnic and intra-ethnic reconciliation, people-to-people co-operation, trans-border co-operation, raising public awareness and civil society development, reforms in education. If properly implemented those measures can ensure not only a successful development of the trans-border co-operation in Ukrainian Bessarabia, but also a successful transition of the societies of the region.