

Corporate Raiding and the Role of the State in Russia

Michael Rochlitz*

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Abstract

To what extent are Russian state agencies involved in predatory behaviour, and what are the determinants of their activities? Analysing a novel dataset containing 312 cases of illegal corporate raiding (reiderstvo) between 1999 and 2010, this paper identifies a shift both in the regional and sectoral distribution of raiding attacks over time, as well as an increasing participation of state agencies in criminal raiding attacks. Using panel regression analysis to look at the determinants of increasing state involvement, I find that election results for the ruling president and his party, as well as the degree to which elections are manipulated throughout Russia's regions are significantly and positively correlated with the number of raiding attacks in a given region, while regions with governors that have stronger local ties are characterized by a smaller number of attacks. A potential interpretation of these findings is that the federal centre might tolerate a certain degree of predatory activities by regional elites, as long as these elites are able to deliver a sufficiently high level of electoral support for the centre, with the effect being weaker in regions where the governor is interested in the long-term development of the regional economy.

JEL codes: O43, P26, P37

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*Post-Doc Research Fellow, National Research University - Higher School of Economics (Moscow, Russia), michael.rochlitz@gmail.com

1 Introduction

Imagine being a young innovative entrepreneur in Russia. A couple of years ago, you had a brilliant idea, you were able to get some money, which permitted you to start a business. The business began to grow, with your company eventually becoming one of the leaders in its field. Until one morning, access to your office is denied by a group of armed people in black uniforms. A sleek lawyer presents you with a document stating that you no longer own your business. The document is evidently a forgery, but it contains the official seal of a local judge. You call the police, but after viewing the document an officer confirms that the document is legal. The officer then asks you to kindly leave the company premises, as you no longer own the firm. Outraged, you start a legal battle to get your business back. But procedures are long and protracted, and although finally a court acknowledges that the document was indeed a forgery, in the meantime your company has been dismantled, its assets sold off, and the group carrying out the raid has disappeared. Although you are still young and innovative, you will now think twice before starting a new business.

During the last 15 years, this has been a common situation for many Russian entrepreneurs. While only a couple of high-profile cases have made it into the Western press, inside Russia the problem of corporate raiding (*reiderstvo*) has received widespread attention. The issue has been widely discussed in regional and national Russian newspapers, as well as in the popular media, with numerous novels, TV series and movies about raiding being published and produced in recent years¹. Leading observers of the Russian economy have underlined its importance, with Elena Zhuravskaya (2008, page 2) calling corporate raiding “the problem most acute, urgent and illustrative of the present state of affairs” in Russia today.

Corporate raiding in Russia is a distinctive phenomenon, not to be confounded with hostile takeovers elsewhere. Unlike hostile takeovers in the West, corporate raids in Russia are characterised by the use of illegal methods, such as blackmail, bribery, forged documents, and the use of armed groups to enforce change of ownership. A further central point is the close involvement of corrupt government agencies, both as active supporters of raider groups, and as initiators of raiding attacks themselves. From an economic perspective, most observers agree that the economic effects of corporate raiding in Russia are negative, in contrast to the often efficiency-enhancing effects of

¹For example, *Ochota na Isubrja* (1999) and *Promsona* (2003) by Yulia Latynina, *Reider* (2007) by Pavel Astachov, or *Anti-Reider* (2008) and *Millioner* (2010) by Sergei Sergeev. *Ochota na Isubrja*, about the takeover of a steel plant in Siberia, was made into a TV series in 2005, and *Reider* into a movie in 2011.

takeovers elsewhere in the world. In Russia, the story goes, firms are attacked and taken over not for productive purposes, but for short-term profits, with companies being dismantled and assets sold off after a raid has been successfully carried out. Apart from the direct negative effects on attacked companies, this also contributes to a negative business climate in general. If entrepreneurs have to fear that their firm is stolen once they are successful, they are less inclined to start a business and to invest in the first place.

Corporate raiding is the latest distinctive stage in the history of the fight for property in Russia's economic transition. Volkov (2004) identifies three different stages of property re-distribution before the start of raiding attacks around the year 1998. After covert insider privatization threatened to get out of hand (1988-1991), the reformers initiated privatization by vouchers (1992-1994), which was then followed by the infamous loans-for-shares schemes around the time of Boris Yeltsin's re-election (1995-1996). By 1997, the Russian state had privatized a large percentage of its assets, which had been acquired mostly by insiders and a small group of profiteers that smartly navigated the different stages of privatization, the so-called oligarchs (Barnes 2006). Facilitated by a change in Russia's bankruptcy law in 1998, it was at this point that corporate raiding started in Russia (Volkov 2004, Radygin 2010). Those who had been left outside until now started trying to get a share of the pie, while some of the leading oligarchs tried to consolidate and round-up their possessions with the use of illegal takeover attacks. Increasingly, various state-agencies then also started to participate in the fight for property, first as facilitators of raiding attacks, and then by grabbing attractive assets out of their own initiative. Although the methods, characteristics and main protagonists of raiding attacks have changed over time, since the late 1990s until today corporate raiding has remained a central feature of corporate conflict and state-business relations in Russia.

Considering the central importance of the topic to understand Russia's economy during the 2000s, its treatment in the literature has remained relatively limited to date. A number of descriptive studies provide an overall account of raiding in Russia. Volkov (2004), Firestone (2008), Zhuravskaya (2008), Carbonell (2009), Settles (2009), Sakwa (2011) and Osipian (2012) focus on a couple of high-profile cases to highlight the characteristics, methods, determinants and economic consequences of raiding attacks. Kireev (2007) and Radygin (2010) look more specifically on the market for corporate control in Russia, while Woodruff (2004) and Firestone (2010) examine the legal side of the problem. Demidova (2007) and Markus (2012) look on preventive measures and possible defenses against raiding, whereas Kapeliushnikov et al. (2012) and Dzarasov

(2011) try to quantitatively measure the economic effects of insecure property rights in Russia. Finally, Privalov and Volkov (2007), Aldabergenova (2010), Volkov et al. (2010), Gans-Morse (2012) and Yakovlev, Baranov and Nazrullaeva (2013) look on the involvement of state agencies and the role of the state.

While these studies provide important insights, a number of central questions have not yet been addressed. Although there is a general consensus that corporate raiding has been a major problem of the Russian economy in the 2000s, estimates about the actual extent of the phenomenon vary widely (see table 3, appendix). Most estimates cited in the literature are subjective evaluations made by officials and experts in newspaper interviews. Apart from a short study by Zhang (2010)², there is no quantitative evidence about the real number of raider attacks or about a possible evolution in the number of cases over time. While there seems to be a consensus in the literature that the number of attacks per year might easily be situated in the hundreds or even thousands, no solid evidence for this exists. As there has been a recent tendency in the Russian media to call all types of corporate conflict in Russia “reiderstvo” (Sakwa 2011), the actual number of attacks might also be lower than expected. Evidence about the nature and characteristics of the firms attacked, the raiders themselves, the prevalence of raiding in different regions and the extent to which state agencies are involved remains also largely anecdotal to date. While a handful of cases have been widely covered, a genuine understanding of the phenomenon of corporate raiding would require an analysis based on a broader sample. Such a sample would also permit to have a look at the deeper determinants of reiderstvo in Russia, especially with respect to the growing role played by regional state agencies and the central state.

In this paper, I attempt to provide an analysis based on a broader sample of cases. As official information about corporate raiding in Russia does either not exist, or is not publicly available, I base my study on a comprehensive search for cases that have been mentioned in Russian newspaper articles. Using the online-archive Integrum³, a strict definition of corporate raiding, and looking for at least two independent sources per case, I was able to compile a new dataset of 312 cases that have occurred between 1999 and 2010. The dataset permits a more in-depth treatment of the topic than has previously been possible. I am able to identify a shift over time both in the regions and in the sectors affected by raiding attacks. The dataset also permits to show that corrupt state agencies have indeed become increasingly involved in the illegal grabbing of economic assets, especially from the year 2003 onwards.

²Zhang, using a number of different sources, assembles and analyses a sample of 97 major takeover cases between 1992 and 2005.

³A database containing all national and regional newspapers in Russia, www.integrum.ru.

Having more substantive evidence for the increasing involvement of state agencies makes it possible to place this study into the wider literature on predatory state officials and center-regional relations in transition economies and authoritarian regimes. In a classic paper, Frye and Shleifer (1997) describe how government agencies in transition countries might act with a grabbing, helping or invisible hand. In another classic study, Olson (1993) distinguishes between roving and stationary bandits, arguing that a ruler with some attachment to a given territory will be less inclined to act in a predatory way. Libman, Kozlov and Schultz (2012) apply this framework to Russia, showing empirically that governors with no prior links to a given region are more likely to act in a predatory way, by increasing the repressiveness of regional tax agencies in order to collect private rents. Similarly, Persson and Zhuravskaya (2012) find that Chinese governors with stronger regional ties behave less predatory than appointees from outside the province. Using a fixed-effects panel model, I find that various indicators measuring the attachment of a regional governor to his or her region are negative predictors of the number of raiding attacks in the region, thus confirming earlier empirical results and providing additional evidence for Olson's theory.

Furthermore, the study also relates to the literature on electoral authoritarian regimes (Gandhi and Lust-Oskar 2009; Frye, Reuter, Szakonyi 2012). Investigating the determinants of raiding attacks across Russian regions, I find that election results for the Kremlin party United Russia in Duma elections and for the Kremlin candidate in presidential elections, as well as the degree to which elections have been manipulated in Russia's regions, are significantly and positively correlated with the number of raiding attacks in a given region. One potential interpretation of these results is that the electoral authoritarian regime introduced in Russia during the last 10 years works through a quid-pro-quo mechanism. As long as regional state agencies are able to provide a sufficiently high level of electoral support for the ruling elites in the centre (see e.g. Frye, Reuter and Szakonyi 2012 on how regional governors use their political machines to generate desired election results), the central state might in turn tolerate a certain degree of predatory activities by these same elites.

The paper is organized as follows. Section 2 presents the dataset and the methodology used for data collection. Section 3 describes more in detail the phenomenon of corporate raiding in Russia, and looks on the distribution of attacks across time, regions and sectors. Section 4 presents the econometric specification, section 5 the regression results, and section 6 concludes.

2 Data

Until the introduction of a federal law on corporate raiding in July 2010⁴, no official statistics on raiding did exist in Russia. In the comparatively rare cases that raiders were convicted, this was done under standard corporate law, making it difficult to distinguish raiding cases from other cases in criminal statistics. Estimates about the overall number of cases that are cited in the literature are mostly based on the subjective opinion of experts, politicians and officials, and vary widely (see table 3, appendix). To my knowledge, no reliable aggregate information exists to date about the number of raiding attacks carried out each year in Russia, and their regional distribution.

The only available information that I am aware of is information present in news reports and newspaper articles about raiding attacks. In this study, I therefore undertake a systematic analysis of Russian newspaper archives, to assemble a dataset about raiding that is as complete, representative and random as possible, given the limitations on data availability described above.

To access newspaper archives, I used the online database “Integrum”⁵, a comprehensive database of all Russian national and regional newspapers archives (2441 different media in total). I searched the archives with the use of different keywords for articles about illegal corporate takeovers and raider attacks⁶, ending the search when no new relevant articles appeared for each keyword. For each reference to an attack, I checked if the attack was compatible with a strict definition of illegal corporate raiding. A case was only added to the dataset if two independent sources clearly confirmed that illegal methods (e.g. blackmail, bribery, forged documents or the use of physical force through armed groups or bribed police officers) were used in an attempted or successful attack on a given firm. The objective of the attack had to be a partial or complete transfer of property from the initial owners to the attackers. Moreover, the information also had to be detailed enough to permit the clear identification of the year the attack occurred, of the firm attacked, and of the attack’s precise location.

Altogether, I was able to identify 312 cases of corporate raiding for the period 1999 to 2010, based on evidence from approximately 1500 newspaper articles. For each case, I checked if the illegal involvement of state agencies was mentioned, either in support

⁴Composed of a number of amendments and extensions to existing law, i.a. to Federal Law No. 147-FZ, “On Natural Monopolies”.

⁵www.integrum.ru

⁶Keywords used are reider, reiderstvo, reiderskii sachvat, korporativnii sachvat, nedrushestvenoe poglashenie, peredel sobstvennosti, sakasenoie bankrotstvo, i.e. raider, raider attack, raider takeover, corporate takeover, hostile takeover, property redistribution, ordered bankruptcy. Archives were accessed between November 2011 and February 2012.

of raiders, or as initiators of the raid themselves. If state-involvement was mentioned, I grouped it according to five categories, i.e. involvement by the security services, the tax service, courts and the legal system, any kind of regulatory control agency (e.g. fire security), and local and regional administrations. Finally, I also retrieved financial and corporate information for each attacked company from the company database ORBIS (copyright BvD). This was done to get some idea about the size, type and importance of target companies. Detailed corporate information was available for 216 of the 312 firms in my sample.

It is obvious that information collected from newspaper archives comes with a number of shortcomings. On the one hand, only a limited number of cases might find their way into newspapers, as raiders are inclined to keep their activity secret, and local officials might try to prevent the publication of incriminating information. Furthermore, reporting on economic crimes is inherently risky, especially in a country like Russia where 106 journalists have been murdered between 1999 and 2010⁷. Thus, it is quite possible that the real number of cases is a multiple of the number of cases that can be found in the press.

On the other hand, attacked businessmen have increasingly tried to make their cases public, as part of a strategy of defense. In addition, a number of local business associations⁸ have started to publicize information about raider attacks and about the predatory behaviour of state agencies. While this might imply that information on raider attacks in the press is favourably biased towards the interests of attacked entrepreneurs, it at least means that information is made available at all.

While not fully free, the Russian print media is still more independent than the televised media in the country, with a number of regional and national newspapers actively discussing sensitive issues. Looking at a frequency analysis of mentions in all Russian national and regional newspapers, it seems that at least from 2004 onwards, the issue of corporate raiding has been relatively widely discussed in the Russian press.

Figure 1 shows that while the number of times terms such as “organized crime” and “property redistribution” (characteristic for Russia in the 1990s) were mentioned remained stable throughout the 2000s, the number of mentions for terms such as “corporate raiding”, “corruption” and “siloviki” (“silovik” being a Russian word used to describe politicians from the security and military services, with a large proportion of Vladimir Putin’s close associates being siloviki⁹) increased significantly during the

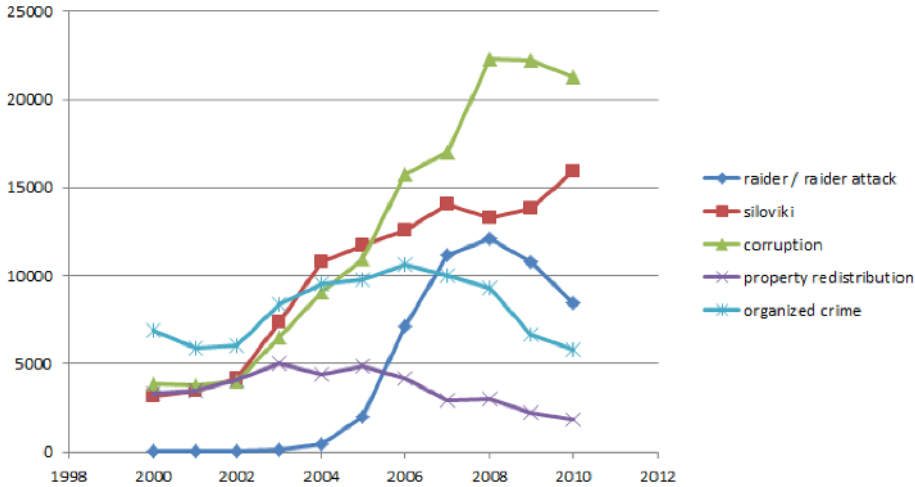
⁷“Journalists in Russia” database, <http://journalists-in-russia.org/>.

⁸An example is the NGO “Business Solidarity”, founded by entrepreneur Yana Yakovlevna (www.kapitalisty.ru).

⁹See e.g. Kryshatanovskaya and White (2003, 2009).

same period. Apart from showing that newspapers in Russia do discuss the issue of corporate raiding, the simultaneous increase in newspaper mentions for “siloviki”, “corruption” and a bit later “raider attack” also suggests that both issues might be somehow connected.

Figure 1: Terms mentioned in Russian national and regional newspapers (number of mentions / year; source: Integrum, www.integrum.ru).



An obvious problem concerning newspaper reports on economic crime in Russia is the possibility that newspaper articles might have been bought or fabricated by one party to attack or slander a competitor or opponent. I try to address this issue in reporting a case only if at least two independent sources describe the same attack.

However, as the ownership and control structure of Russian newspapers (especially of regional newspapers) is very opaque, this remains a serious problem, as it is very difficult to determine if two different newspapers are indeed independent. I therefore tried to apply common sense in deciding whether a reported case indeed describes an attack, or whether the description could have been fabricated to harm a specific party.

A final issue concerning data quality is the risk of information being geographically biased, as the likelihood of newspapers reporting raiding attacks might differ from region to region. In the empirical part of this study, I try to address this problem by including a control for the degree of media freedom in my regressions (see section 4 and 5).

We thus see that newspaper archives are far from providing a perfect source of information on illegal corporate raiding attacks in Russia. However, the information I was able to identify using this method is most probably still much richer and more detailed than all other information publicly available on the topic to date. I also believe that the dataset is sufficiently large and random and presents sufficient variation to make

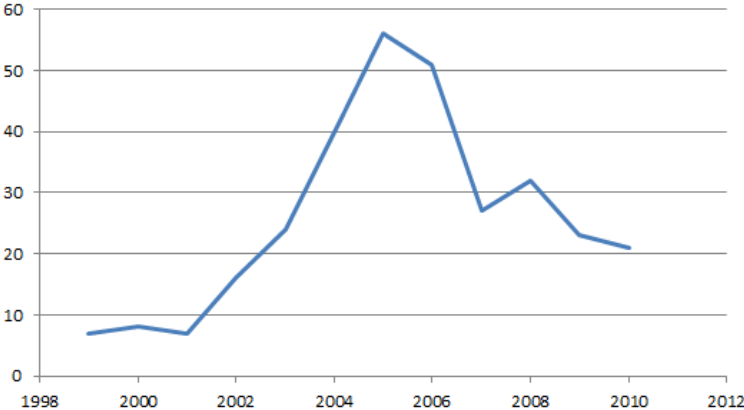
at least a certain amount of inference about various patterns of corporate raiding in Russia possible. Finally, I also believe that the information included in the roughly 1500 articles that I read and analysed for this study is rich enough to provide a relatively clear descriptive picture of the phenomenon of corporate raiding under Putin. The next section is thus giving a range of descriptive statistics as well as an account of the story of corporate raiding in Russia, before sections 4 and 5 move on to empirically analyse the determinants of raiding attacks in the country.

3 Context and Descriptive Statistics

Distribution of raider attacks over time, regions and sectors

Although Integrum covers newspaper archives from 1991 onwards, I found the first clearly identifiable cases of corporate raiding for the year 1999. This confirms earlier accounts of raiding “arising at the turn of the century” (Kireev 2007, page 38), with the introduction of a new bankruptcy law in late 1998 “triggering” the start of raider attacks (Volkov 2004). While from 1999 to 2002 the number of attacks remains relatively low, attacks increase rapidly from 2003 onwards, to reach a peak in 2005 and 2006 (figure 2).

Figure 2: Number of identified raiding attacks per year



To show the regional distribution of raider attacks, I constructed an index showing the intensity of raidings across Russia’s regions (raidings weighted by the average number of firms in a given region). A graphic representation of this raiding intensity index reveals interesting regional patterns. Apart from a concentration in Moscow, St. Petersburg, Tver Oblast and Primorsky Krai in the Far East, raidings are centred in

two groups of regions (figure 3). One group are the Ural Mountains, with the heavily industrialized regions of Perm, Sverdlovsk and Chelyabinsk showing a high prevalence of raiding cases. A second group are the Southern Russian regions of Samara, Penza, Saratov, Ulyanovsk, Voronezh and Volgograd, as well as the republic of Chuvashia.

Disaggregating attacks over time reveals the dynamics of property conflicts in Putin’s Russia (figure 4). In the early 2000s, corporate raiding attacks were concentrated in centres of heavy industry such as the Ural Mountains (Perm Krai, Sverdlovsk and Chelyabinsk Oblast), the Republic of Tatarstan or the region of Ulyanovsk, where large industrial conglomerates were trying to complete and consolidate their economic empires through hostile takeovers. Simultaneously, a number of ambitious latecomers such as the infamous raider Pavel Fedulov from Yekaterinburg were trying to belatedly build their own holding companies.

After 2005, the number of raiding attacks declines in the Urals and other heavily industrialized regions such as Ulyanovsk Oblast and Tatarstan, indicating a consolidation of property. At the same time, a shift in raiding cases towards a new centre of gravity around the Southern Russian regions of Ryazan, Tambov, Voronezh, Volgograd, Saratov and Samara becomes visible.

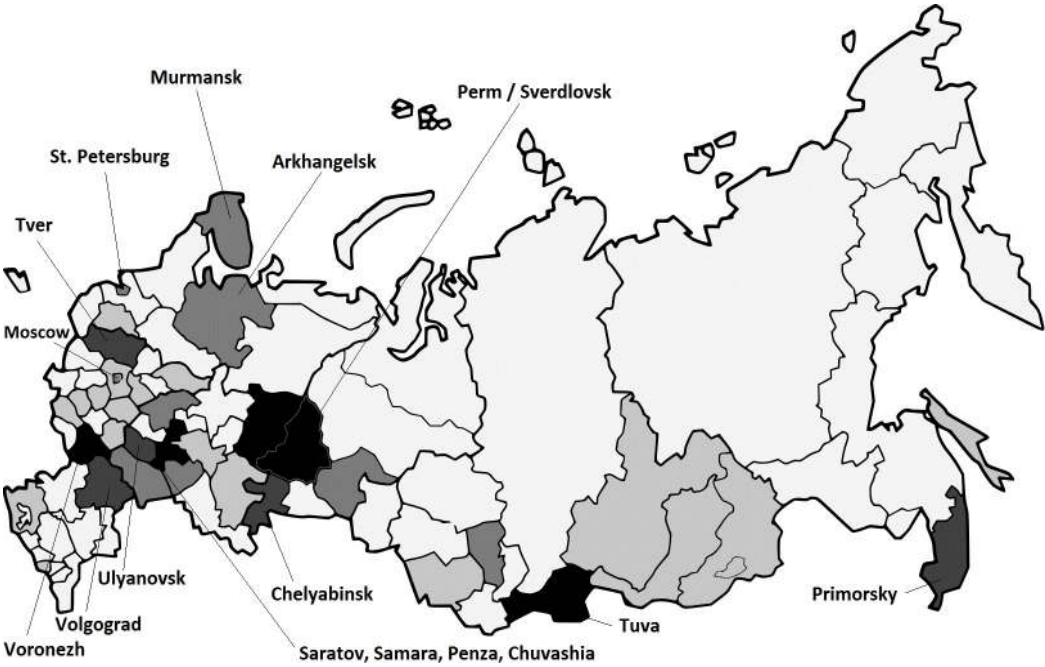


Figure 3: Raiding intensity index (1999 - 2010) Raidings weighted by average number of firms in a given region, normalized from 1 (low intensity) to 20 (high intensity). White grey: 1 - 4, light grey: 5 - 8, darker grey: 9 - 12, dark grey: 13 - 16, black: 17 - 20.

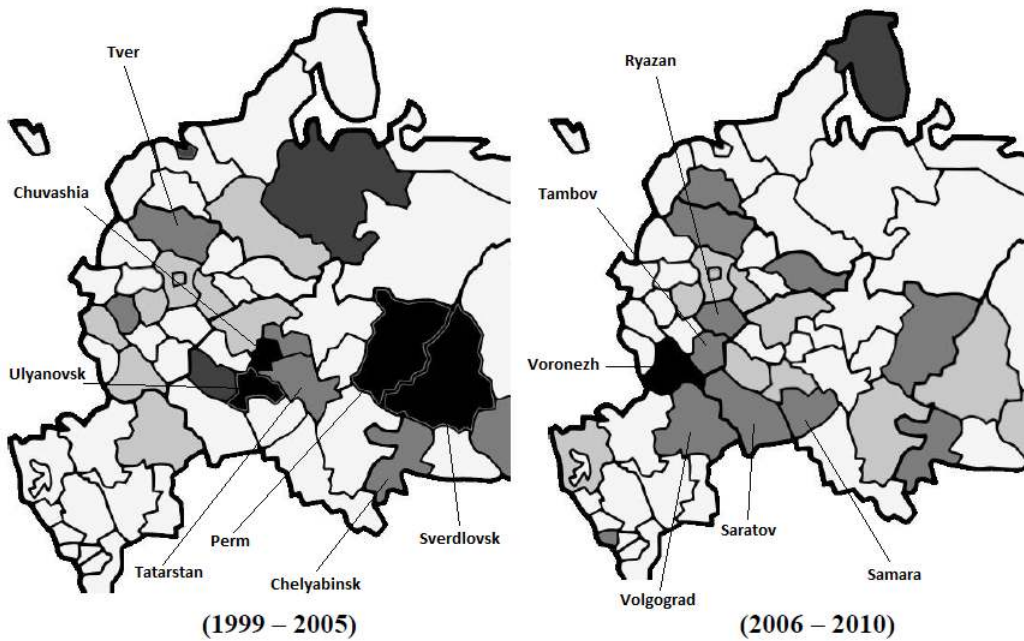


Figure 4: Raiding intensity index over time for Western Russia. Raidings weighted by average number of firms in a given region, normalized from 1 (low intensity) to 20 (high intensity). White grey: 1 - 4, light grey: 5 - 8, darker grey: 9 - 12, dark grey: 13 - 16, black: 17 - 20.

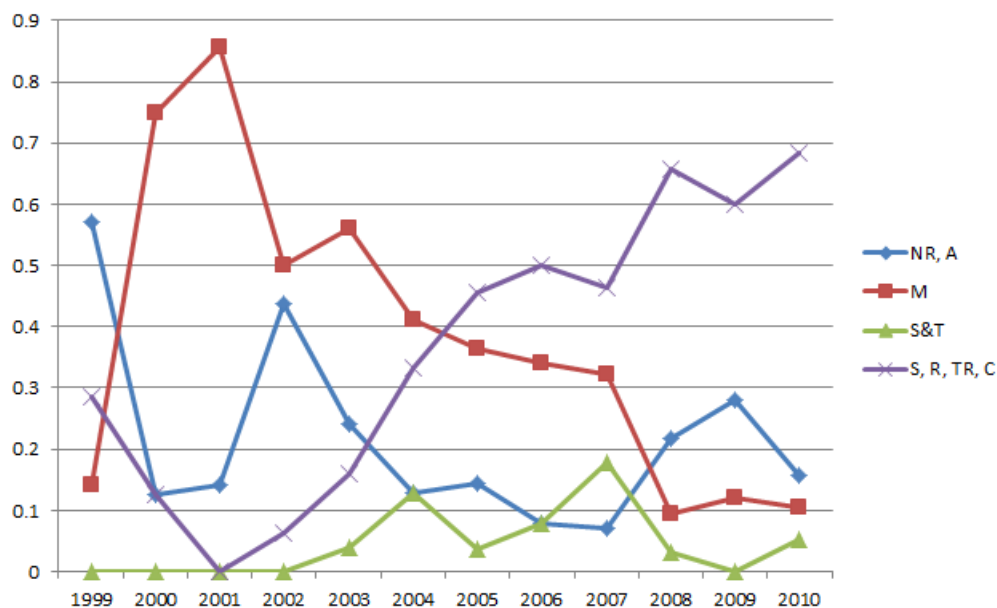
This shift in the regional distribution of attacks is also reflected in the sectoral distribution of raiding cases. While in the early 2000s, attacks are concentrated in the manufacturing sector, around 2005 a clear change is visible, with services, retail, transport and construction becoming the sectors mainly affected (figure 5).

The fact that raiders shift their attention from one sector to others over time shows the dynamics of property rights consolidation in an economy that is still in transition. In the early 2000s, the ownership situation of many manufacturing enterprises was still unstable. Many former Soviet company directors had acquired controlling stakes of their companies during the privatizations of the 1990s, and had thus become de-facto owners (the so called “red directors”, see Barnes 2006). These directors were often unable to oppose well-organized raiding attacks, especially if raiders were acting on behalf and with the resources of larger conglomerates, or with the support of state agencies.

However, once a large number of factories had become part of bigger holding companies, these large holdings were better able to protect their assets, with the manufacturing sector consequently experiencing a certain consolidation in the second half of the 2000s. As it became more difficult for raiders to attack firms in the manufacturing sector, they shifted their focus to sectors that were easier targets, such as services, retail

and construction.

Figure 5: Raider attacks by year and sector (as percentage of all attacks; NR: natural resources, A: Agriculture, M: manufacturing, S&T: science & technology, S: services, R: retail, TR: transport, C: construction).



Firm characteristics

Taking a closer look at the characteristics of the firms in the present dataset helps to illustrate this point. In the early 2000s, the typical firms affected by raider attacks were large industrial enterprises with still high numbers of employees as a legacy from Soviet times, such as the steel works A.K. Serov in Yekaterinburg (attacked in 1999), the Kachkanarsk Mining Company (attacked in 2000), the Zapadno-Sibirskiy Metallurgicheskiy Kombinat in Novokuznetsk (attacked in 2000), or the Achinsk Alumina Refinery near Krasnoyarsk (attacked in 2002).

Eventually, as the manufacturing sector became more consolidated, raiders put their sights on a much larger spectrum of firms in different sectors and of different size. Typical examples of targeted firms in the second half of the 2000s range from restaurants, hotels and tourist centres over car dealers, smaller supermarkets and specialized shops to agricultural companies, local housing service providers, transport companies or scientific research institutes. A number of large retail firms, such as the cosmetics chain Arbat Prestige, the mobile phone retailer Evroset, the supermarket chain Lenta or the electronic retailers Svyaznoy and Eldorado were also attacked during the late 2000s.

Figure 6 illustrates this phenomenon. We see that from an average number of 3000

employees per attacked firm in the first half of the 2000s, the number falls to an average of around 750 employees from 2005 onwards. The high numbers for turnover and total assets between 2008 and 2010 are due to the attacks on big retail firms during this time.

One common characteristic of the firms attacked during the second half of the decade is that most had been established during the late 1990s or the early 2000s. One can thus also identify a shift from old Soviet industrial property being targeted towards attacks against new and often innovative companies that have been founded during Russia’s economic boom in the early 2000s.

Thus, it seems that raiding attacks in Russia have actually become more harmful over time. While some of the early raiding cases eventually led to industrial restructuring and the consolidation of holding companies (thus in the outcome resembling takeover cases in the West), the increasing number of attacks on young innovative firms since 2005 constitutes a growing threat to Russia’s investment and incentive climate, as more and more the country’s most dynamic companies are targeted. Although it is difficult to establish direct causality, the resulting negative incentive climate might be one of the reasons why new firm entry has been consistently declining in Russia over the last 15 years (see e.g. EBRD 2012, page 32).

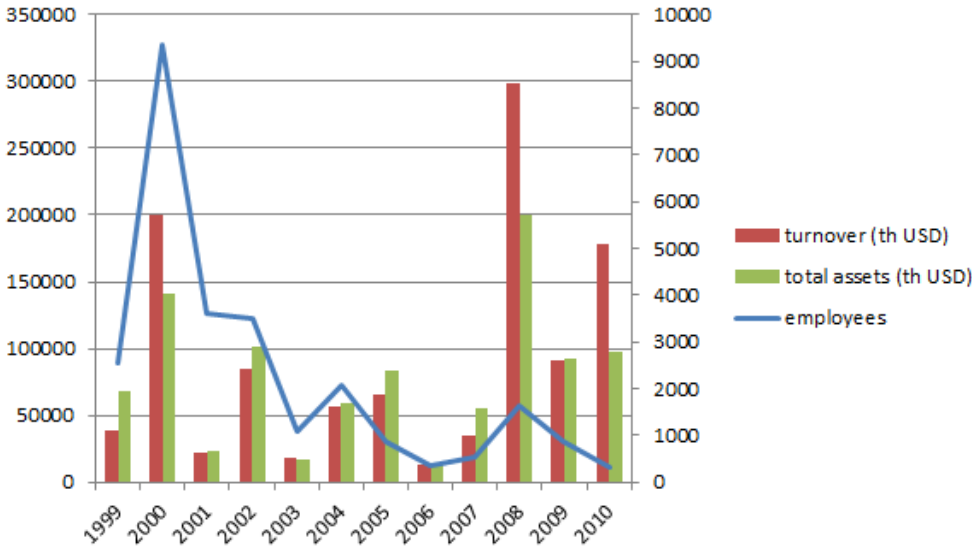


Figure 6: Average yearly turnover, total assets and number of employees of attacked firms Left y-axis: th USD, right y-axis: employees; data from Orbis (Bureau van Dijk), available for 216 of the 312 firms in the dataset. Data for the large oil companies Yukos (attacked in 2003) and Russneft (attacked in 2007) has been excluded from the graph, as turnover (8.4 billion for Yukos, 4.6 billion for Russneft for the respective year of attack) and total assets figures (18.7 billion for Yukos, 6 billion for Russneft, respective year of attack) were much higher than for all other firms in the sample.

Raider Groups and the Involvement of State Agencies¹⁰

Who are the people that carry out a corporate raid? Volkov (2000, 2002) has described how the criminal groups that emerged during the late 1980s throughout Russia became increasingly well organized and established in the 1990s, up to the point that most businesses in Russia had to make regular payments to a protection racket or private security agency. Volkov called these criminal groups and private security agencies “violent entrepreneurs”, as they used their ability to apply organized force to fill the vacuum left by the crumbling Soviet state. During these years, state agencies had lost the monopoly of violence, and were often just another competitor on the market for protection money.

With the beginning of Russia’s economic recovery after the financial crash in 1998, state agencies received better funding, re-consolidated and were eventually able to regain the monopoly of violence on the territory of the Russian state. Being pushed out of their initial market, many criminal groups legalized their structures and evolved into business groups or private security agencies. Others hired lawyers and began to work as consulting agencies for firms involved in corporate conflicts, using the connections and knowledge they had gained during the 1990s. Firms that were interested in taking over a rival approached these newly founded agencies, and soon the former violent entrepreneurs were carrying out corporate raids for a number of big business groups that wanted to consolidate their economic holdings (Bloom et al., 2003). According to Aldabergenova (2010), in 2004 no less than 100 such agencies were offering their services in Moscow alone, while Privalov and Volkov (2007) speak of “several dozen professional agencies throughout Russia”.

A characteristic feature of these raiding groups are the close links they entertain with state agencies. During the early 1990s, the former Soviet security apparatus experienced a significant reduction of personnel. Many members of the security services that had lost their job went into the private sector, often joining private security agencies or other groups controlled by violent entrepreneurs. However, they kept close contact with colleagues that were still working for the state (Volkov 2000).

After the turn of the century, these former secret service members or policemen started using their connections to facilitate the corporate raids the agencies they worked for were conducting. As a result, raids were increasingly carried out with the active support of law enforcement agencies, tax officials, or the judiciary. Eventually, members of state agencies also started to directly play the role of a raiding group in carrying

¹⁰The analysis in this part is based both on secondary sources, and on information from the 1500 newspaper articles that I collected and read for this study.

out attacks for payment¹¹, in conducting raider attacks in the interest of higher placed regional and state officials, or in attacking companies for their own benefit.

In June 2010, then President Dmitry Medvedev denounced this state of affairs in an official meeting about corporate raiding with interior minister Rashid Nurgaliyev, deploring that “as a rule, these crimes are committed with the support of law enforcement officials”¹². In the literature on corporate raiding, there is a strong consensus that it is almost impossible to carry out a successful raid without the help of state agencies.

Bloom et al. (2003) underline that “the main tool employed in the recent wave of hostile takeovers in Russia is the judicial branch of government, plus ‘administrative resources’”, while Volkov (2004) maintains that “the central feature of enterprise takeovers [is] the use of state courts, of special police forces, and of regional administrations to execute the change of management and ownership by means of physical or administrative coercion.” Similarly, Privalov and Volkov (2007) argue that raiders usually operate with the help of elements in the judiciary, the security services or tax agencies, and that most raiding agencies are protected by some regional-level official in the FSB (Russia’s federal security service).

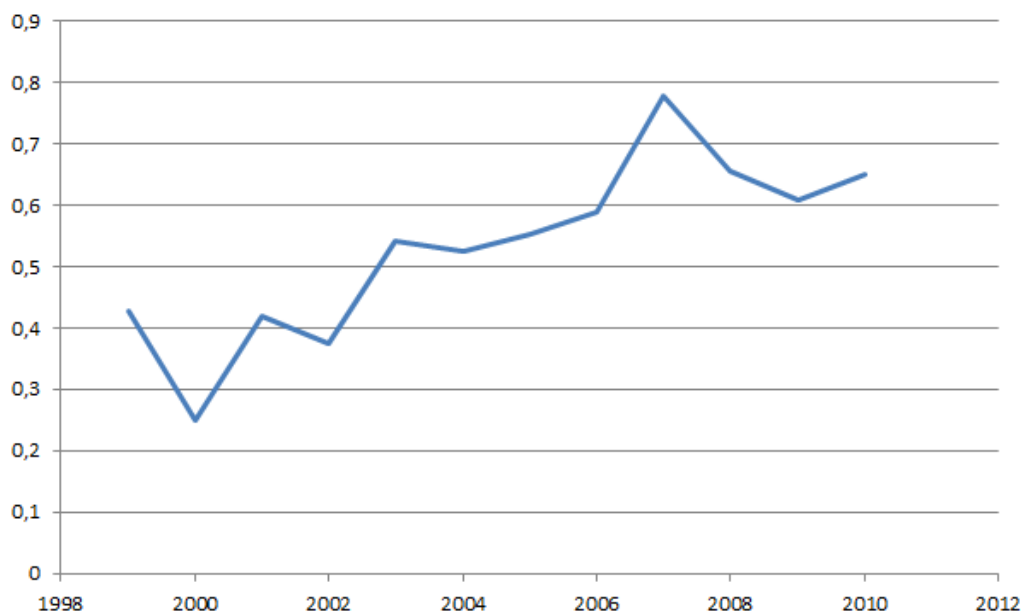
For my sample, I checked for each raiding case if the illegal involvement of state agencies was mentioned. As it is likely that various state agencies (e.g. the police or the judiciary) are also associated with a raiding attack as part of their normal activities (e.g. in trying to help an attacked company, without being in any way acting illegally), I took special care to check if the involvement of a state agency could indeed be characterized as *illegal*. Illegal state involvement is noted if at least two independent sources state that state agencies have acted against the law to support a raider attack, or have attacked a given company by themselves and acted in a predatory way (e.g. by supplying organized force, by arresting entrepreneurs on minor charges in order to facilitate an attack and make it more difficult for entrepreneurs to defend themselves, by refusing to investigate an attack when called upon, or by providing forged documents that then have been used in an attack). Various examples of illegal state involvement are provided below.

For 52.8% of cases in my sample, newspaper sources clearly state that state agencies were supporting the group that carried out the raid, or were themselves initiators of an attack. Looking on state involvement over time, one can find a structural break

¹¹A range of price lists are available on the internet, showing how much it would approximately cost to enlist a state agency for the provision of various raiding and enforcement services (see e.g. Aldabergenova 2010).

¹²Meeting between President Dmitry Medvedev and Minister of the Interior Rashid Nurgaliyev, Vnukovo Airport, 1.06.2010; “Law on improving the effectiveness of anti-raiding measures has been signed” (eng.news.kremlin.ru/news/532).

Figure 7: Involvement of corrupt state agencies in illegal raider attacks (% of all attacks)



occurring around the year 2003. While from 1999 to 2002, illegal state involvement was mentioned for 37% of cases, from 2003 to 2010, state agencies were involved in 61% of cases (figure 7).

This increasing involvement of state structures in raiding cases and criminal persecution of businesses is also found by other studies. For example, Gans-Morse (2012) finds in a study based on 90 interviews and a survey carried out in 2009 and 2010 that threats to firms' property rights from the side of predatory state agencies have increased sharply after 2003, with firms also increasingly paying corrupt state officials to help solving corporate conflicts. In another recent paper, Yakovlev, Baranov and Nazrullaeva (2013) find an upward trend in predatory criminal persecution practices of entrepreneurs between 2004 and 2009. They however accord this fact mainly to the inefficient organization of the Russian police, although rent seeking behaviour and private interests of law enforcement officials also play a role.

To have a look at the nature of state involvement, I checked for each case what kind of state agency was involved. While the judiciary was involved in 21% of cases, the security services in 19% and tax agencies in 17%, the involvement of local and regional administrations was mentioned for 15% of cases, and some kind of regulatory agency was involved in 8% of cases.

In a typical case, the police or officials from a regulatory agency would confiscate corporate documentation during a regulatory control. These documents would then

be used by corporate raiders in a takeover attack. An example is the attack on the meat processing factory Plutos in Moscow in 2004, where the owner was investigated by local police on charges that were soon dropped. However, the police asked him to provide a range of corporate documentation, which he submitted. Six months later, these documents were used in a successful takeover attack on Plutos. The company was resold six times in three months, with the premises and equipment finally being sold off and the company being dissolved, before the case could be heard in court¹³.

In other cases, the security services facilitated or provided logistical support for takeover attacks, or refused to intervene when called upon. In the well documented attack on the cosmetics chain Arbat Prestige, competitors allegedly paid police organs for help in attacking the company¹⁴. During an attack on Alstom-SEMS in 2001 (a company producing electrical machinery in Yekaterinburg), the police arrested the security service of the company in the middle of the night and drove them off in two minibuses to a forest 40 km outside of town. Two hours later, the company was taken over by 70 armed men¹⁵. When the chemical company Uralchimash was attacked in Yekaterinburg in September 2000, the police helped the raider Pavel Fedulev to enforce his ownership claims, which were based on fraudulent documentation¹⁶. During the attack on a meat processing factory in Yekaterinburg in 2006 (Yekaterinburgsky Mjasokombinat), the police arrived but left again, calling the attack a "dispute amongst management entities"¹⁷. In Perm Oblast, the police, although called upon, allegedly cooperated with raiders by purposefully not investigating several cases of corporate theft¹⁸.

The police also increasingly arrested entrepreneurs on minor charges, thus weakening their ability to defend themselves against attacks. While entrepreneurs were in prison, their companies were attacked by raiders, as happened in the case of the agricultural firm Agromol in 2008¹⁹. Volkov et al. (2010) show that in a large part of criminal cases related to economic crimes, these cases are not resulting from any wrongdoing by the arrested entrepreneurs, but are rather an outcome of services offered by law enforcement agents to raider groups and economic competitors.

In a growing number of cases, security services themselves seemed to be among the initiators of attacks. Probably the most prominent example is the attack on the

¹³Vedomosti, 21.09.2009; www.utro.ru, 01.12.2011

¹⁴Kommersant, 25.01.2008; The Moscow Times, 11.10.2010

¹⁵NEWSru.com, 06.06.2001

¹⁶eanews.ru, 19.06.2006; urbc.ru, 13.06.2010

¹⁷Kommersant Ekaterinburg, 30.11.2006; uralpolit.ru, 08.12.2006

¹⁸Kommersant, 22.05.2009; <http://ilya-shulkin.livejournal.com/779.html>

¹⁹Kommersant, 21.11.2012; gazeta.ru, 26.05.2011

investment fund Hermitage Capital Management. Hermitage claims that the attack was initiated by a lieutenant-colonel in the Department of Tax Crime of the Interior Ministry, and approved of by the FSB. Allegedly, phoney tax claims were used to take over several companies, the accounts of which were then forged to claim large tax-repayments from the Russian state²⁰.

Privalov and Volkov (2007) argue that over time, a change in quality in the relation between security services and raider groups did happen. While at the beginning of the 2000s, raider groups paid corrupt state officials in return for logistical support, after a certain time members of the security services started to use raider groups as instruments to achieve their own objectives. Due to their initial cooperation with raiding agencies, the security services were well informed about illegal raids carried out by raider groups. They then used this information to blackmail and force raiders to carry out additional raids, with themselves becoming the main beneficiaries. In my sample of 1500 newspaper articles, I find evidence that confirms this hypothesis. While big industrial holdings are frequently mentioned as hiring raiding agencies to initiate attacks during the early years of the decade, from the mid-2000s onwards articles increasingly note that members of state agencies themselves ordered, initiated and benefited from attacks.

While the security services play a prominent role in raider attacks, especially because of their capability to use force, prosecutors, judges and the judicial system are equally involved. Often, raiders approach courts asking for legal decisions to obtain search warrants or official confirmation of ownership changes. These warrants are then used to occupy companies with the help of private security companies or local police forces. Although claims made by raiders are often based on fraudulent documentation, courts frequently grant the raiders' requests, either because they have been bribed, or because they did not understand the requests' fraudulent nature.

For example, in the takeover battle over the Angarsk cement plant in 2007, raiders used search warrants to justify their forced occupation of the plant. The search warrants were issued by small local courts located far away from the city of Angarsk. Although the courts reversed their decisions in several cases after having realized that they had been victims of fraud, the search warrants had already served their purpose²¹.

While the security services and the judiciary seem to be the state institutions most actively involved in raider attacks, the tax service also plays a significant role. An example is the attempt by the company Syntech to take over the world's largest ammonia

²⁰New York Times, 24.07.2008; Vedomosti, 04.04.2008

²¹Novaya Gazeta, 28.05.2007; compromat.ru, 04.09.2006

producer Togliatti Azot in 2005. Shortly after Syntech acquired 10% of Togliatti Azot stock and tried to take control over the company's board of directors, Togliatti Azot was subject to severe pressure and a series of regulatory controls (120 in 18 months) by the tax authorities, in what allegedly amounted to a coordinated attack on Togliatti Azot²². The case of the Moscow book retailer Biblio Globus in 2007, where raiders obtained the company's constituent documents through the tax office and then used them in their attack²³, or the sudden and substantial tax claims that pushed the telecommunications company Svyaznoy on the brink of bankruptcy in 2008 are further examples²⁴.

By far the most famous involvement of tax agencies is the attack against the oil company Yukos that began in 2003. After the arrest of its owner Mikhail Khodorkovsky in late 2003, the company was presented with a series of tax claims that amounted to \$27 billion, forcing the company to sell its core asset Yuganskneftegaz and eventually to declare bankruptcy in 2006. Shortly after Yuganskneftegaz was acquired by the then unknown shell company Baikal-Finansgrup in December 2004, Baikal-Finansgrup was bought by the state owned oil company Rosneft, thus confirming the political nature of the raid.

Due to its political implications, Yukos is not a typical raiding case but rather a personal reckoning between a leading businessman with political ambitions and President Putin, who in arresting Khodorkovsky eliminated a potentially dangerous political challenger (see e.g. Sakwa 2008). In the Yukos case, Russian courts have also repeatedly ruled that both the attack and Khodorkovsky's imprisonment are legal, thus making it difficult to strictly define the case as one of illegal state involvement.

However, although different in scope and nature than the other raider attacks in our sample, the Yukos affair still has important implications with regard to the involvement of state officials in corporate raiding. As shown above, the attack on Yukos in late 2003 coincides with a notable and lasting increase in the involvement of state agencies in raiding attacks (figure 7), as well as with a significant increase in the overall number of cases (figure 2). The number of entrepreneurs arrested on phoney charges also grew markedly after 2003, with Gans-Morse (2012, page 38) arguing that "after 2003, the initial year of the Khodorkovsky Affair, there was a notable increase in the number of economic crimes uncovered by Ministry of Internal Affairs investigators". Many observers thus see a link between Yukos and the increasingly predatory nature of Russian state agencies, with "every official after 2003 looking for his own little Yukos" (interview with the social activist Yana Yakovleva, cited by Gans-Morse 2012, page 36;

²²Rossiskaya Gazeta, 07.06.2011; zhavat.ru, 06.09.2010

²³Kommersant, 28.02.2008; litrossia.ru, 07.03.2008

²⁴Vedomosti, 11.02.2008; Kommersant 11.02.2008

see also Yakovlev 2012). In other words, once state officials at the very top started to steal openly, mid- and low-level state officials might have seen no reason to keep back either.

What are the determinants of increasing state predation?

The Yukos affair is often seen as a turning point in Putin's Russia, ending a period of liberal reforms and introducing a number of institutional changes that eventually transformed Russia into what one could call an electoral authoritarian regime. In this paper, I argue that these institutional changes might be one of the reasons why we observe an increase of state predation in Russia over time.

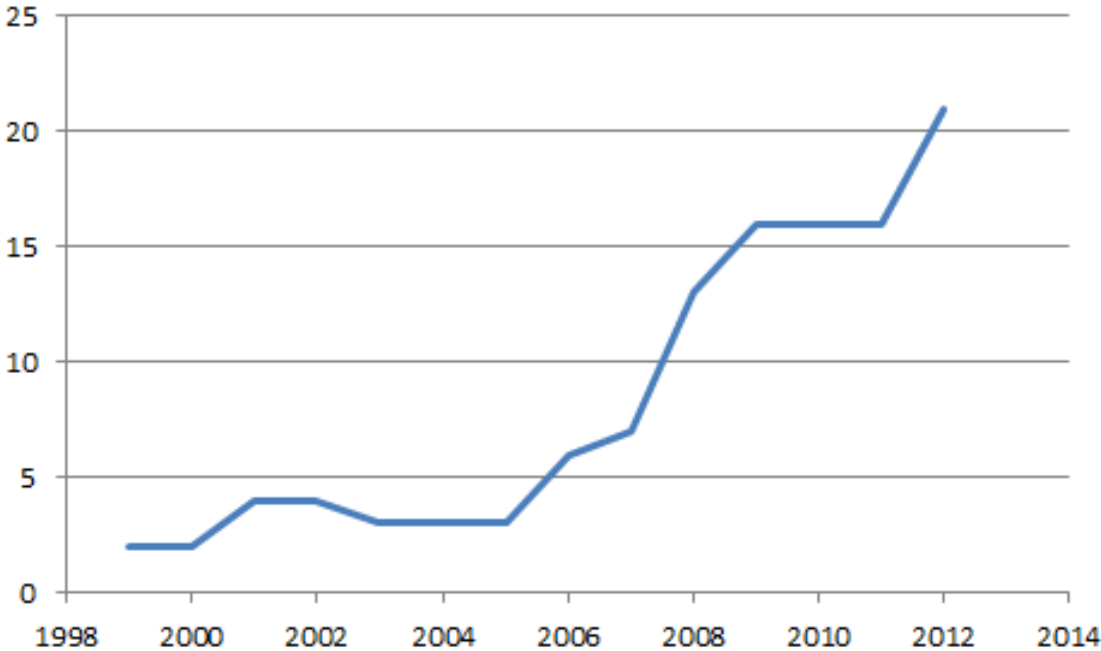
Mendras (2012) maintains that the very institutional changes introduced under Vladimir Putin to consolidate his hold on power are at the origin of an increasing institutional decay in Russia. Especially from 2004 onwards, many of the institutions that have formerly assured at least a degree of accountability and democratic control have been dismantled, such as independent television channels or the election of provincial governors (centrally appointed from 2005 onwards). Due to the federal centre's selective interference in various law cases, the judiciary as an independent institution has also largely ceased to function (Mendras 2012, pages 175-181). The increase in predatory activities by state agencies might thus be related to a concomitant decline of institutional quality, with the apparent strengthening of the federal centre and Putin's "vertical of power" making it actually more difficult for the centre to prevent local and regional state from acting in a predatory way, as various institutional control mechanism have been disabled. However, it is also possible that the security of property rights is simply not a key priority of the regime, with securing political control over the country being of higher importance.

In this regard, various authors have stressed that the one defining feature of Russia's new institutional system is the importance of political loyalty to the federal centre (see e.g. Judah 2013, Ledeneva 2013). In order to keep their job or to be promoted, regional officials have to demonstrate their loyalty in delivering high election results during Duma or presidential elections. Economic performance or other criteria play a much less important role (Reisinger and Moraski 2011, Reuter and Robertson 2012), with the Kremlin urging regional governors and local officials to use their administrative resources to deliver desired election outcomes (Frye, Reuter, Szakonyi 2012). Studying the 2007-2008 elections, Duncan (2013) argues that in the light of colour revolutions elsewhere, the regime in late 2007 was genuinely afraid of revolutionary upheavals at home, and that high election results for the Kremlin party and candidate were thus an

absolute priority. As a result of this incentive structure, a quid-pro-quo mechanism is conceivable, with the Kremlin closing an eye on predatory activities by regional elites, as long as these same elites are able to deliver sufficiently high election results (even if these results are obtained through electoral manipulation and election fraud).

An additional feature of Russia’s new institutional system has been the replacement of gubernatorial elections by presidential appointments in 2005. A brief look at the characteristics of Russia’s regional governors between 1999 and 2010 shows that once governors were appointed by the Russian president (i.e. from 2005 onwards), the number of governors without prior ties to a given region has increased sharply (figure 8)²⁵. In many cases, the Kremlin was replacing governors with local ties by loyal people from the federal centre. As these newcomers did not depend on support from their respective region, they arguably could act in a more predatory way than governors that had to depend on local support, if only they managed to demonstrate their loyalty to the centre through sufficiently high election results. Thus, the increasing number of non-local governors might be an additional channel to explain the increasing predatory behaviour of Russian regional state agencies. In the next section, I will now try to test these two hypotheses empirically.

Figure 8: Number of governors without prior connection to a region



²⁵With prior ties to a region being defined as a governor having been born in a region, or having lived or worked in a region for a period longer than six months prior to becoming governor.

4 Empirical Model

This section is proposing an empirical test for a potential link between the increasing predatory behaviour of state agencies, and the mechanism assuring political control of the ruling elites in an electoral authoritarian regime, using data from the Russian Federation between 1999 and 2010.

Following the reasoning in the last section of part 3 above, the first hypothesis we are going to test is as follows:

Hypothesis 1: The higher are the vote shares for the Kremlin candidate and party in presidential and Duma elections, as well as the degree of electoral manipulation in a given region, the higher will be the amount of predatory activities (measured by the number of raiding attacks per year) in a given region.

I will then also test to what extent the data in this study supports the argument made by Olson (1993), Libman, Kozlov and Schultz (2012) and Peerson and Zhuravskaya (2012). All three studies argue that the weaker is the attachment of regional officials to a given region, the stronger is the likelihood that they will act in a predatory way (i.e. the likelihood that they can be characterized as roving rather than as stationary bandits). Accordingly, our second hypothesis to test will be the following:

Hypothesis 2: The longer a regional governor has been serving in a given region, the better is his personal record in fostering regional economic growth, and the weaker are his ties to the federal centre, the lower will be the number of harmful predatory activities by local state officials (measured by the number of raiding attacks per year) in a given region.

To test both hypotheses, I use a fixed-effects panel model, with data for 81 Russian regions for the time period 1999 to 2010. The following econometric specification will be used:

$$y_{it} = \alpha_0 + \alpha_1 election_{it} + \alpha_2 irregular_i + \alpha_3 tenure_{it} + \alpha_4 central_{it} + \alpha_5 growth_{it} + \sum_m \beta_m X_{mit} + \gamma year_i + \delta region_t + \epsilon_{it}$$

where y_{it} are the number of raiding attacks in a given region during a given year, $election$ are the vote shares for either the Kremlin party United Russia in Duma elections or for the Kremlin candidate in presidential elections, $irregular$ is the degree to which elections have been manipulated in a given region, $tenure$ is the number of years a regional governor has been in office, $central$ is a dummy equal to 1 if a governor had no previous links to a region prior to becoming governor, and $growth$ is regional GDP growth or regional GDP growth weighted by the time a governor was in office (see below for how this second indicator is constructed).

In addition, I also add a vector X of further control variables, such as an indicator for the degree of media freedom in a region, the number of firms in a region weighted by regional population, as well as proxies for the degree of organized crime, criminal activity and the level of human capital in a region, the age of a regional governor, an indicator of political instability, logged regional GDP per capita, the percentage of the population that is ethnically Russian, and a dummy being equal to one for the 10 biggest oil producing regions in Russia. Finally, $year$ and $region$ are time and regional dummies, and ϵ_{it} represents an idiosyncratic error term that is assumed to be uncorrelated with other explanatory variables.

Data on presidential and Duma election results in Russia's regions have been obtained from the Russian Central Election Commission (www.cikrf.ru). The variable describing election irregularities (*irregular*) comes from an article by Dmitry Oreshkin, published in *Novaya Gazeta* in November 2007 (Oreshkin 2007). For the time period 1995 to 2007, Oreshkin identifies and collects various statistics that might indicate possible election irregularities from the website of the Central Election Commission of the Russian Federation, such as an implausibly high or low participation rate in elections (1), an implausibly high number of invalid votes (2), a very high or low share of votes "against all" (3), an implausibly high vote share for a single party or candidate (approaching 100% in some Russian regions) (4), and a high difference between results in a particular voting district and results in neighbouring districts (5). He then aggregates

these various measures to build an index that is ranking Russia's regions according to the degree that election irregularities occurred.

Data on regional governors (*tenure*, *central* and *age*) have been gathered from official sources, such as the official websites of regional governors which normally provide extensive biographical information, as well as from other websites such as Wikipedia and various Russian websites that provide biographical data. For the variable *central*, I define that a previous link to a province exists if a governor was born, had lived or worked for a period longer than 6 months in a given region, prior to being elected or appointed governor of the region. Data on regional economic growth, on regional crime levels (measured by the number of criminal cases filed by year and capita in a given region, as well as by the number of murders committed by year and capita), as well as on the quality of human capital (proxied by the number of university students per capita in a region) are from the Russian Federal Statistics Service Rosstat.

Regional political instability is measured by a ranking published every year by the Russian rating agency Expert RA, with regions with higher political instability being given a higher ranking. Media freedom is a yearly indicator constructed by Nikolay Petrov at the Carnegie Centre in Moscow. Finally, the percentage of the population that is ethnically Russian (an indicator for the ethnic homogeneity of a given region) has been obtained from the website of Russia's national population census in 2010 (www.perepis-2010.ru).

To measure the personal economic performance of a regional governor, I use an indicator representing regional GDP growth weighted by the time a governor is in office. To construct the indicator, I follow Li and Zhou (2005, page 1755), who build a similar indicator to measure the economic performance of Chinese regional officials. The indicator is a moving average measure of the GDP growth rate over the time a governor is in office, \tilde{g}_T , which is defined as

$$\tilde{g}_T = \frac{1}{T} \sum_{t=1}^T g_t,$$

where T is the number of years a governor is in office up to the point of calculation, t is the t -th year ($t = 1, 2, \dots, T-1, T$), and g_t is the GDP growth in the year t for a region. Thus, \tilde{g}_T corresponds to an evaluation mechanism in which there is an annual assessment of a regional governor's economic performance, with the assessment for each year being based both on the past and on the current regional growth rate during the time a governor is office.

Table 1 presents summary statistics for all variables used in this study.

Table 1: Summary Statistics

Variable	Observations	Mean	St. Dev.	Min	Max
Raiding attacks	972	0.318	1.391	0	22
Presidential elections	972	0.637	0.124	0.250	0.998
Duma elections	972	0.400	0.181	0.014	0.987
Election irregularities	972	0.206	0.228	0	1
Log GRP per capita	972	11.222	0.959	8.537	14.152
Tenure	972	6.662	4.342	1	19
Central GRP growth	972	0.081	0.273	0	1
GRP growth (weighted)	972	0.054	0.065	-0.228	0.787
Media Firms (per 1000 people)	972	0.042	0.043	-0.202	0.357
Media	972	2.753	0.859	1	5
Firms (per 1000 people)	972	24.448	13.293	7.882	115.11
Crime	972	0.021	0.007	0.0031	0.049
Murder	972	0.204	0.107	0.054	0.906
Human cap.	972	0.038	0.017	0	0.126
Pol. instability	972	45.676	25.234	1	88
Ethnic	972	0.776	0.246	0.0078	0.973

5 Regression Results

Table 2 presents the results of the regression analysis. We see that the vote share for the Kremlin candidate in presidential elections, as well as the vote share for the Kremlin party United Russia in Duma elections are indeed significantly and positively correlated with the number of raider attacks in a given region. The coefficient for the degree to which elections are manipulated throughout Russia's regions is also significant and positive. The regression results thus corroborate hypothesis 1.

In a paper on the political machines of regional Russian governors, Frye, Reuter and Szakonyi (2012) have shown how governors are under pressure to deliver electoral support for the centre during Duma and presidential elections. They also show that governors extensively use their respective administrations to manipulate elections and deliver expected results. This finding is in line with other studies that also find an increasing degree of electoral manipulation in Russian regions over time (see e.g. Myagkov et al., 2009). At the same time, Reisinger and Moraski (2011) and Reuter and Robertson (2012) demonstrate that delivering election results is one of the main criteria influencing the probability of Russian regional governors being reappointed (at least for the time period after 2004), while the economic performance of a given region plays no or even a negative role in this respect.

In other words, the central elites in Russia seem to accord a high importance to a good electoral performance of the Kremlin candidate and party in national elections, while regional economic development seems to be relatively less important. While we do not have any evidence that the Kremlin is directly trading access to economic assets against the delivery of electoral support, it is quite conceivable that at least a certain degree of predatory activities in a given region are tolerated by the centre, as long as regional administrations are able to deliver sufficiently high levels of political support. This would also explain why the central state has been consistently hesitant to intervene or condemn predatory activities by regional state officials. For example, in the cases of Hermitage Capital or Yevgeny Chichvarkin and the mobile retailer Evroset, the central state eventually turned against the victims of raider attacks to the extent that they had to leave the country, as they had collected too much incriminating evidence against regional state agencies²⁶.

Furthermore, we have also seen in section 3 that regional administrations, security,

²⁶Both Hermitage Capital owner Bill Browder and Evroset founder Yevgeny Chichvarkin invested significant amounts of resources to investigate the attacks mounted against them, eventually revealing the names and affiliations of the regional officials that had attacked their firms. As a result, one of the lawyers hired by Hermitage Capital in the investigation was arrested and died in prison, while both Hermitage Capital and Chichvarkin had to leave Russia.

Table 2: Regression Results

OLS; dependent variable: raiding attacks per year and region; robust standard errors; *** 1% significance level, ** 5% significance level, * 10% significance level.				
	1)	2)	3)	4)
Pres. elections	1.398** (0.696)		1.299* (0.682)	
Duma elections		0.881* (0.532)		0.879* (0.531)
Election Irregularities	1.327* (0.797)	1.914*** (0.688)	1.401* (0.799)	1.718*** (0.664)
Tenure	-0.024* (0.013)	-0.22* (0.013)	-0.025** (0.013)	-0.024* (0.013)
Central	0.045 (0.106)	0.043 (0.108)	0.045 (0.107)	0.045 (0.109)
Weighted GRP growth	-1.933** (0.796)	-1.78** (0.755)		
Annual GRP growth			-0.147 (0.452)	-0.106 (0.447)
Media freedom	0.205** (0.098)	0.212** (0.099)	0.196** (0.097)	0.203** (0.098)
Firms (per 1000 people)	0.045** (0.023)	0.044* (0.023)	0.044* (0.023)	0.044* (0.023)
Crime	0.0002* (0.0001)	0.0002* (0.0001)	0.0003* (0.0001)	0.0002* (0.0001)
Murder	0.647 (0.618)	0.347 (0.688)	0.535 (0.688)	0.246 (0.697)
Governor's age	0.007 (0.005)	0.006 (0.005)	0.008 (0.005)	0.007 (0.005)
Human capital	19.352 (14.832)	18.444 (14.915)	18.722 (14.994)	17.958 (15.066)
Log GRP per capita	0.643* (0.374)	0.629* (0.358)	0.504 (0.356)	0.493 (0.339)
Political instability	0.007** (0.003)	0.006** (0.003)	0.007** (0.003)	0.006** (0.003)
Ethnic	0.323 (0.656)	0.891 (0.544)	0.522 (0.658)	0.678 (0.518)
Oil	-0.537 (0.509)	-0.209 (0.312)	-0.35 (0.486)	-0.178 (0.308)
Time / Region FE	yes	yes	yes	yes
R-squared	0.4502	0.4503	0.4488	0.4491
Observations	972	972	972	972

tax and regulatory services as well as the regional judiciary have increasingly been involved in predatory raiding attacks over the last decade. While again I have no direct evidence to show that those members of regional administrations that manipulate elections and those that are involved in predatory activities are the same or that they are somehow linked, this is a possibility. Presumably, regional administrations that regularly act illegally in manipulating elections might also have fewer inhibitions to participate in rent-seeking and other predatory activities.

However, the interpretation presented above is of course not the only possible one. Table 2 also shows that the coefficients for the number of criminal cases per capita in a given region is positive and significant, while the number of murders per capita has also a positive sign, although it is not significant. An alternative explanation of our regression results might thus be that in regions that are more heavily affected by criminal activities and organized crime (resulting in a higher number of raider cases), people vote for Vladimir Putin and his party, in the hope for protection. However, although such an alternative explanation might seem reasonable at first glance, it is difficult to find evidence in the literature in support of such an interpretation. At least since early 2011, the Kremlin party United Russia has been widely called “the party of crooks and thieves”²⁷ throughout Russia, making it seem unlikely that people would want to appeal to such a party for protection against predatory state agencies.

If we now look on the coefficient for the variable measuring the length a regional governor has stayed in office (tenure), we see that it is significant and negative across all specifications. In other words, the longer a given governor has been serving in a region, the lower is the number of predatory raiding attacks that took place in his region.

We also see that the dummy variable indicating that a governor has had no prior ties to a region before becoming governor is consistently positive, even though it is not significant. Finally, if we look on the personal economic performance of a governor in a given region (weighted GRP growth), we see that it is significantly and negatively correlated with the number of raiding cases. In other words, it seems that the better a regional governor is able to manage his region economically, the lower is the number of predatory activities by regional state officials.

I interpret these findings as additional evidence confirming the results obtained by Libman, Kozlov and Schultz (2012) and Peerson and Zhuravskaya (2012), as well as evidence illustrating the argument made by Olson (1993) about roving and stationary bandits. The longer a governor has been serving in a given region, the stronger are

²⁷Coined by the blogger Alexey Navalny in early 2011, the nickname “party of crooks and thieves” for United Russia has since then been widely used throughout the country; see e.g. Time, 29.12.2011, “Russia Rising: The Blogger who is Putin’s Greatest Challenger”.

his ties to the region, and the more he cares about the economic development of a region, the lower is the number of predatory activities by regional officials. In other words, the closer a governor fits the characterization of a stationary bandit developed by Olson (1993), the stronger indeed seem to be his interests to engage in the long-term development of a region (or at least in long-term rent-seeking relationships with regional businesses), instead of focusing on short-term asset grabbing.

Judging from these results, it would thus be in the interest of the federal centre to promote regional economic stability by keeping governors in place for longer time periods, if the primary objective of the centre would be regional economic development. However, if we look for example on the appointment of regional governors in Russia (Reisinger and Moraski 2011, Frye, Reuter and Buckley 2011, Reuter and Robertson 2012), this does not seem to be the case. From the time the Kremlin has been appointing its own candidates, longer serving governors were often replaced by new governors that often had no prior ties to a given region.

Finally, we will have a short look on the regression results for media freedom and various economic controls. We see that the degree of media freedom is significantly and positively correlated with the number of raiding cases in a region. As the source through which information has been obtained in this study are newspaper articles, this result makes sense. The freer is the press in a given region, the higher is the likelihood that it will report cases of predatory corporate raiding.

Firm density in a given region (i.e. the number of firms weighted by the population) as well as gross regional product per head are also significantly and positively correlated with the number of raiding attacks. It thus seems that in regions where there is more to steal, criminal raiding groups and corrupt state agencies are also more actively involved in illegal asset grabbing.

6 Conclusion

This paper presents a new dataset on illegal corporate raiding activities that took place in Russia between 1999 and 2010. Carrying out a comprehensive scan of Russian national and regional newspaper archives and using a strict definition of illegal corporate raiding, I found evidence for 312 raiding cases that took place between 1999 and 2010.

The paper identifies a shift both in the regional and sectoral distribution of raiding cases over time. I also find that regional state agencies have become increasingly involved as supporters or initiators of illegal asset grabbing and illegal raider attacks, especially after the year 2003. This finding is in line with results that have been found

elsewhere in the literature. I conjecture that the increase in illegal predatory activities by state agencies after 2003 might be linked to the attack on the oil company Yukos that took place in the same year, with regional state agencies after 2003 feeling less constrained to act in a predatory way, after having observed how the federal centre expropriated one of Russia's leading businessmen.

The paper then uses panel regression analysis to look at the deeper determinants of corporate raiding in Russia's regions. I find that vote shares for the Kremlin candidate in presidential elections, as well as vote shares for the Kremlin party United Russia in Duma elections and the degree to which elections have been manipulated in Russia's regions are all positively and significantly correlated with the number of raiding attacks in a given region. I hypothesise that this might be evidence for a sort of quid-pro-quo mechanism, with the central state tolerating a certain degree of predatory activities by regional elites, as long as these same elites are able to deliver a sufficiently high level of electoral support for the ruling elites in the centre.

I then also find evidence that the stronger are the ties of a regional governor to a given region, the lower is the number of raider attacks in the region. These results confirm empirical evidence found by Libman, Kozlov and Schultz (2012) and Peerson and Zhuravskaya (2012), who show that Russian and Chinese governors with weak ties to a given region are more likely to act in a predatory way. My results also illustrate the argument made by Olson (1993) on stationary and roving bandits, by showing that regions with governors who have longer-term interests in their region (i.e. who could be characterized as "stationary bandits") are less affected by raiding attacks than regions with governors whose lesser attachment to a region makes them look more similar to "roving bandits".

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7 Appendix

Table 3: Importance and Frequency of Raiding Attacks in Russia (Estimates by Experts and Leading Politicians) We see that estimates vary considerably, but are generally much higher than the number of 312 cases I found by analysing Russian newspaper archives. I.e., either the biggest part of cases never make it into the press, or estimates by experts are somehow inflated.

Estimate	Expert / Politician / Institution	Source / cited by
"...more than 60 000 attacks per year."	Sergey Mironov (former head of the party "A Just Russia")	Demnin, Labutin (2011, page 140)
"...in 2004, more than 100 groups active in Moscow alone."	A. Kireev (Moscow city government)	Aldabergenova (2010)
"...about 5000 cases between 2000 and 2004, 1900 cases in 2005 alone."	Russian Chamber of Commerce and Industry	Demnin, Labutin (2011, page 140)
"...by 2001, thousands of cases per year."	Volkov (2004)	Volkov (2004, page 527)
"...in Moscow, 11 cases in 2003, and in 2006 already 53, i.e. a 5 times increase in 4 years."	Moscow city prosecutor Yuri Semin	Volkov, Privalov (2007)
"...from 2002 to 2005, about 5000 companies attacked."	Victor Pleskachevskii, head of the state committee for property	Volkov, Privalov (2007)
"...every year, about 60 000 to 70 000 attacks in Russia."	Elena Ballask, St Petersburg Law Institute of the General Prosecutor	Volkov, Privalov (2007)
"...approximately 70 000 Russian companies a year become targets of raider attacks."	Carbognell et al. (2009)	Carbognell et al. (2009, page 1)
"In 2005 Russia's Ministry of Internal Affairs had under preliminary investigation 346 criminal cases connected with the unlawful seizure of firms - twice as many as in 2004."	Demidova (2007)	Demidova (2007, page 47)
"300 Moscow businesses are raided every year."	Ivan Novitskii, deputy of Moscow city Duma (2007)	Firestone (2008, page 1207)
"Every year, 60 000 to 70 000 companies attacked in Russia."	Auditing Chamber of the Russian Federation	Osipian (2011, page 8)
"Every year, 70 000 to 80 000 attempted raider attacks result in about 5000 successful hostile takeovers."	Filimonova (2008)	Filimonova (2008, page 40)