RAIDING
TRILOGY OF DESIRE
FOR SOMEONE ELSE’S PROPERTY

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Exactly a century ago, in 1912, famous American writer Theodore Dreiser published first volume of his trilogy that became known as Trilogy of Desire.\(^1\) There is no need to give any more explanation on Dreiser’s trilogy for it has enjoyed the world fame, translated in many languages. I read it in Russian when I was 12 years old, back in the days when the USSR had yet to enter Perestroika, not to say about any slightest possibility of market reforms. The fascination that came with the rationalistic approach to economic actions undertaken in the market environment, described by Dreiser, was even bolder when viewed in the context of the heavily bureaucratized and rigid Soviet planned economy, then alive and well. The issue of assets and property changing hands through different economic and non-economic manipulations, so obvious in the Dreiser’s era, remains not less important today, and may be even more important now than ever before.

The dramatic changes that shook the Soviet Union more than two decades ago and continue to produce some serious aftershocks make the post-Soviet society rethinking its stance in regard to the changing system of property relations. The issues of property relations, property rights, ownership over assets and property, privatization, and distribution of land are of high concern not only for people in Russia and other former Soviet republics, but to most powerful foreign nations as well. Foreign investors are attracted to the rich in natural resources and fifth largest in the world Russian economy. But they are cautious of potential threats that come from widespread corruption, violence, bureaucratic delays, unclear laws and numerous regulations. Business does not like to act cautiously in the environment of high risk and uncertainty. Foreign investors face murky waters of the large emerging market economy where information is of primary importance. The problem, however, is that such information, which would serve as a lighthouse in the fog, is incomplete, biased, partial, or simply missing. Investors themselves are very diverse. Some are newcomers and some are here from the start; some are winners and some are losers; some say that Russia is a goldmine, and some say “in Russia – no investments.” Should foreign investors come and invest or should they run for their lives, trying to save what remains of their assets?

This project does not seek easy answers. Instead, it offers a comprehensive description and thoughtful analysis of fundamental processes that take place in modern Russia and define the destiny of domestic and foreign investors and owners. In addition, it gives well-grounded predictions for the future of raiding in Russia. Personalities (Vladimir Putin, Mikhail Khodorkovsky, William Browder, Sergei Magnitsky), processes (privatization, redistribution, raiding), institutions (commercial arbitration courts, power ministries, court bailiff services), companies (YUKOS, Hermitage Capital, IKEA, Bank of Moscow) and other political and economic players and agents are all featured here, connected in most amazing and oftentimes unexpected ways.

The trilogy that I offer is not a literary work; it is a scholarly project. Nor is it pretending on the laurels of the trilogy written by Dreiser; a one hundredth of one percent would still be too much for it. Nevertheless, some merit may be found in this work, especially by those who are courageous enough to venture in understanding modern Russia, its economic perspectives and investment challenges and opportunities, instead of accepting well-polished and yet not very useful clichés. The proposed trilogy consists of three manuscripts,² which are independent books, linked only by the common topic:

BY IRON AND BRIBE:
Corporate, Property & Land Raiding Russian Style

CORPORATE HOSTILE TAKEOVERS:
Privatization Reforms, Property Rights, and Predatory Raiders in Post-Soviet Russia

WITCHCRAFT AND WARCRAFT:
Of Corrupt Courts, Russian Raiders, and International Investors

The process realizing this trilogy book project began relatively recently, in 2008. George Soros’ famous phrase “No investment in Russia,” along with an extensive media coverage of a raiding case in one of Russia’s regions served as an initial push for this study. A dispute over a TV company in Tula turned into a criminal investigation, when a group of armed people was storming premises of the company located in a basement of an apartment building at 81 Gogolevskaya Street, city of Tula, the Russian Federation, on July 31, 2008. There were around 50 storm-troopers involved in the storming. Police did not interfere initially, but called for backup support. More police officers arrived later and stopped the storming, arresting 35 perpetrators. This story once again brought public’s attention to the rising tide of corporate, property and land raiding in Russia.

The initial investigation onto the issue of corporate, property and land raiding resulted in the presentation entitled “Corporate Raiding Russian Style: Hostile Takeovers via Corruption and Fraud,” delivered at the Annual Conference of the American Political Science Association in Washington, DC in September 2010. Another presentation, entitled “Predatory Raiding in Russia: Institutions and Property Rights after the Crisis,” was delivered at the Annual Conference of the Association for Evolutionary Economics / American Economic Association in Chicago in January 2012, with third presentation, entitled “From Khodorkovsky to Hermitage Capital: Building the New System of Property Rights in Transition Economies,” to be delivered at the Annual Conference of the Association for Slavic, East European, and Eurasian Studies in New Orleans in November 2012. Each of the presentations represents one of the trilogy’s books. Further results included the journal article: Predatory Raiding in Russia: Institutions and Property Rights after the Crisis. Journal of Economic Issues, MESharpe, Association for Evolutionary Economics (AFEE), 46(2), pp. 469-479, published in 2012. Finally, the book entitled “Reiderstvo: korruptionnye zakhvaty i vrazhdebnye pogloshcheniya” was published in 2011 in Russian language and is widely disseminated to leading academic libraries and think tanks in Russia, Ukraine, and other NIS.

² These manuscripts are currently under review. For details, see each of the manuscript links.
As the project has proceeded, a large volume of data has been collected from various Russian federal agencies, including commercial arbitration courts, court bailiffs’ services, the Ministry of Justice, the Ministry of the Interior, Prosecutor General’s Office, Presidential Administration, and numerous other state bodies. This data is supplemented with the data from other state and regional agencies, international organizations, numerous media sources, and results of polls, surveys, and interviews. Laws on property, land, corporate governance, privatization, and several other laws and legal documents also add to the informative base of the research. In addition, over three thousand media reports were analyzed, including more than a hundred of episodes of video footage with actual raiding actions, storming, and storm-troopers. Finally, case studies of most notorious cases of raiding along with cases often interpreted as raiding are added to the work. As the draft of the last of three book manuscripts is nearing completion, more data continues to arrive from different sources.