

UNDERSTANDING AUTHORITARIANISM AND KLEPTOCRACY IN RUSSIA

HEARING

BEFORE THE

SUBCOMMITTEE ON EUROPE, ENERGY, THE
ENVIRONMENT AND CYBER

OF THE

COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTEENTH CONGRESS

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UNDERSTANDING AUTHORITARIANISM AND KLEPTOCRACY IN RUSSIA

Thursday, May 27, 2021

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON EUROPE, ENERGY, THE ENVIRONMENT
AND CYBER,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to notice, at 1:03 p.m., via Webex, Hon. William Keating (chairman of the subcommittee) presiding.

Mr. KEATING. The House Foreign Affairs Subcommittee will come to order.

Without objection, the chair is authorized to declare a recess of the committee at any point and all members will have 5 days to submit statements, extraneous material, and questions for the record, subject to the length limitation of the rules.

To insert something into the record, please have your staff email the previously mentioned address or contact full committee staff.

Please keep your video function on at all times even when you're not recognized by the chair. Members are responsible for muting and unmuting themselves, and please remember to mute yourself after you finish speaking.

Consistent with House Res. 965 and the accompanying regulation, staff will only mute members and questioning witnesses as appropriate when they're not under recognition to eliminate background noise.

I see that we have a quorum. I'll now recognize myself for opening remarks.

Pursuant to notice, we're holding a hearing today entitled "Understanding Authoritarianism and Kleptocracy in Russia."

For more than two decades, Vladimir Putin has ruled Russia with an iron fist. He seized control of the Russian economy, co-opted and controlled Russia's political and security institutions in a brazen attempt to spread Russia's malign influence far beyond the near abroad to Western Europe to Africa, and to right here in the United States.

Putin, supported by a close group of elite oligarchs, personal connections, and mutually dependent relationships, has threatened democratic movements around the world and stifled dissent within Russia's borders.

Opposition leader and politician Alexei Navalny represents the most recent and most visible member of—example of Putin's crushing reaction to any inkling of dissent.

Today, Mr. Navalny remains in prison on bogus charges after having suffered from an assassination attempt, the evidence of

which was largely released from the work of one of our witnesses here today, Mr. Christo Grozev.

Despite the treatment he's endured, Mr. Navalny continues to show bravery in the face of such malicious and malign regime activities. But Mr. Navalny is not alone as a target and victim of the Kremlin's assassination squads.

Sergei and Yulia Skripal were the target of an attempted poisoning in 2018. Vladimir Kara-Murza was the target of an attempted poisoning in 2015 and 2017, and Boris Nemtsov was tragically assassinated within walking distance of the Kremlin in 2015.

Unfortunately, hundreds more political prisoners, including Paul Whelan, exist in Russia today. This is a higher number than at the height of the Soviet Union.

Yet, what we miss in these discussions about political repression are the daily realities that everyday Russians have to face. Russia is fraught with economic hardship, decreased standards of living, and limited opportunities for young people.

Environmental disasters are now affecting the health and safety of Russians around the country. This includes just last year, when during the height of the pandemic, 21,000 tons of oil spilled directly into the Arctic from a Russian refinery.

In addition, Russians continue to face treacherous housing conditions with most people continuing to live in crumbling Soviet-era concrete blocks and Soviet-era landfills face catastrophic overflows directly affecting the health and safety of nearby residents.

But it's just not the environment and environmental and economic problems that Putin wants us and, most importantly, the Russian people to forget. It's the widespread and outrageous corruption that he and his government fosters at home.

Russian oligarchs and Putin himself have stolen billions if not trillions off the backs of hardworking Russians. That stolen money has since been laundered through Western financial systems, tax havens abroad, and hard-to-trace assets like art and real estate.

In short, under the corrupt leadership of Vladimir Putin, Russian authoritarianism and kleptocracy know no bounds. In order to fill the gap in public knowledge and perception created by the brutal crackdown on independent media in Russia, Radio Free Europe and a few of the remaining independent outlets like Meduza have been on a mission to cover the stories of everyday Russians.

Their work has gained widespread recognition and following—throughout the world and in Russia, and in response, the Russian government has enacted undemocratic legal frameworks in a clear attempt to force them out of business.

Radio Free Europe, under the skillful leadership of Jamie Fly, has been forced to relocate their offices and employees, and Meduza has had to call upon their own readership for resources to pay exorbitant fines.

We have seen similar crackdowns on free speech in Belarus and just this past weekend the world witnessed the first ever illegal forced landing of a civilian plane, resulting in an unlawful imprisonment of Nexta founder Roman Protasevich. He was taken hostage as well as his girlfriend, Sonia Sapega.

These acts just simply cannot be tolerated. They are unprecedented and free speech must be maintained throughout the post-Soviet space.

So how does Putin maintain control with such bleak circumstances facing Russians at home and chaos surrounding their international exploits abroad?

To answer this question, Ranking Member Fitzpatrick and I have invited four outstanding witnesses to help us better understand the ways in which Vladimir Putin has wielded his power in the political, economic, and security spheres.

Through this hearing we'll be able to assess the seemingly ever-increasing status of Russian authoritarianism and its mission to threaten democracy both at home and abroad, and we'll explore the proportional and appropriate steps that the Biden administration and we, as members of the U.S. Congress, can take to confront and prevent Russian malign influence.

In the face of increasing Russian aggression and with Russia's upcoming parliamentary election set to take place in the fall in an environment which many predict will lack democratic oversight, this conversation is more important right now than ever.

And I look forward to our discussion and now welcome the ranking member to give his opening remarks.

Mr. FITZPATRICK. Good afternoon, and thank you, Chairman Keating, and I would also like to thank this panel for joining us.

Today we gather to acknowledge the system of corruption established by the Putin regime to consolidate power and resources amongst his closest circles at the expense, by the way, of the people of Russia.

We will also discuss how Putin and his regime use their ill-gotten gains to advance the Kremlin's malign agenda. Congress has the ability and the obligation to inspire whole of government strategies to counter kleptocracy and authoritarianism abroad.

The damage caused by kleptocracy is not simply contained within Russia's borders but takes advantage of all nations engaged in free enterprise, and since around 2000, Putin has cemented his authoritarian rule by enriching his closest colleagues and confidants and placing them in positions of power.

In doing so, Putin has fused government, business, organized crime, and covert operations together into one kleptocratic system that threatens Western interests.

This cohort has gone on to wield their enormous ill-gotten wealth abroad to purchase real assets and influence for their own benefit.

A report by the Atlantic Council on Russian dark money estimates that up to \$1 trillion dollars in dark money is invested globally, which stands in stark contrast to the stagnant economy of Russia itself.

Last summer, at the height of the pandemic, Vladimir Putin held an illegal referendum on constitutional changes that would allow him to remain in power until the year 2036. This phenomenon, therefore, cannot be ignored.

Instead, it must be addressed with decisive diplomatic action, cooperation amongst our allies, and by building our collective resilience against this threat.

Earlier this year, Chairman Keating and I introduced a bill to slow the creep of kleptocracy. H.R. 402, known as the Countering Russian and Other Overseas Kleptocracy Act, passed through our committee markup with bipartisan support.

Anti-corruption measures must be at the forefront of our foreign policy strategy, as dirty money impoverishes everyday citizens from its origin and it stains its destination.

Russian kleptocrats abuse democratic societies' freedoms to infiltrate their own financial systems, their own institutions, and their own markets. The Russians have developed a powerful set of tools to undermine democracies around the world and have shown their willingness to use it.

And, sadly, there are too many enablers who allow dirty money to enter Western financial systems and influence our domestic policies. A very clear example of this is Nord Stream 2, which not only exports a dependency on Russian natural gas to Europe, but it's also the largest symbol of Kremlin strategic corruption and elite capture in all of Europe.

This project has been condemned by Congress literally since the pipeline's inception through targeted mandatory sanctions that I and many others in this room have supported to stop this project once and for all.

It must be the policy of the United States to continue opposing this geopolitical weapon and I urge this administration to immediately remove the waivers that spared Nord Stream 2 AG, the company, its CEO, and its corporate officers from sanctions.

And it's my hope that Mr. Edward Lucas can further explain how Nord Stream 2 will be used by the Kremlin as a mechanism to export corruption throughout Europe.

Finally, it's critical to note how this crony government enriches itself while oppressing the everyday citizens of Russia. The U.S. Department of State's Human Rights Report for 2020 on Russia details a litany of human rights issues.

Under Putin's authoritarian play book, extrajudicial killings, torture, arbitrary and unjust arrests are—and imprisonments are commonplace.

Russia also actively suppresses independent media, peaceful assembly, associations, religious freedom, and the ability to participate in the political process.

This ongoing attack by the Putin regime on Radio Free Europe, Radio Liberty's operation in Russia, is an example of how the autocrat in the Kremlin will use any means necessary to silence voices he cannot control.

Addressing global kleptocracy must not be a partisan issue, and I believe every member of this committee would agree that the Putin regime is a destabilizing malign actor that poses a serious threat to our shared democratic values.

And it's, therefore, my hope that with the information gleaned today, we can continue working together to raise our resilience and combat Putin's kleptocratic system.

I yield back the balance of my time, Mr. Chairman.

Mr. KEATING. I'd like to thank the ranking member.

And as I introduce our witnesses, I think we'll all realize what an extraordinary panel we have in front of us here today.

I want to thank all of you for taking the time to be part of this important hearing, one that, clearly, has great significance in terms of current ongoing events.

Professor Masha Gessen is a staff writer at the New Yorker Magazine, an author on issues related to authoritarianism, democracy, and human rights and a distinguished writer in residence at Bard College.

Professor Gessen's best-selling books on Vladimir Putin and totalitarianism in Russia have moved the needle in examining Russia's malign activities.

Dr. Yuval Weber is a research assistant professor at Texas A&M's Bush School of Government and Public Service, and currently serving as the Bren Chair of Russian military and political strategy at the Brut Krulak Center for Innovation and Creativity at the Marine Corps University.

Mr. Christo Grozev is the lead Russian investigator with Bellingcat, an independent research organization which specializes in open-source intelligence investigations.

Mr. Grozev received the 2019 European Press Prize for Investigative Reporting award for his reporting on the poisoning of Sergei Skripal in the U.K., and Bellingcat as an organization has received numerous awards for its reporting.

Mr. Edward Lucas is a nonresident senior fellow at the Center for European Policy Analysis, also known as CEPA. He was formerly a senior editor at The Economist.

I'll now recognize the witnesses for 5 minutes each, and without objection, your prepared written statement will be made a part of the record.

Professor Gessen, you're now recognized for your opening statements.

Professor Gessen.

**STATEMENT OF MASHA GESSEN, AUTHOR, STAFF WRITER,
THE NEW YORKER**

Mx. GESSEN. Apologies.

Thank you, Mr. Chairman. My name is Masha Gessen. I have spent most of my life trying to describe political and social transformations in Russia.

In 2011–2012, I was also an activist in the protests against Putin's regime. I had to leave in 2013 when, like many opposition journalists and organizers, I was threatened by the government.

In my case, the threat was that my adopted son would be removed from the family because he was being raised by a same-sex couple.

Vladimir Putin has been in power for almost 22 years and appears to plan to stay in power forever. His power and his longevity rests on three pillars: fear, domination over the information sphere, and perceived legitimacy.

So I will go through those in turn. One, fear—it is impossible to compile a full list of deaths and assassination attempts in which the Kremlin is implicated. The attempt to kill opposition politician Alexei Navalny with the nerve agent Novichok is the best known and best documented example.

The violent or sudden death of a high-profile activist sends a message to anyone who is considering speaking out: you're risking your life. The reminders keep coming.

For members of Navalny's organization, including junior behind-the-scenes staff in their 20's, police visits in the middle of the night, violence searches, and arbitrary detentions have become routine.

And you never know when one of those detentions will turn into a criminal case that will send you to prison—to a prison colony for several years.

According to the human rights organization Memorial, Russia currently has 80 political prisoners and more than 400 people who are facing politically motivated charges but are not in prison. This is more political prisoners than Russia held at the height of the cold war, and the tally is likely far from complete.

To create an atmosphere of terror, the Kremlin goes not only after prominent national and local activists but after ordinary protesters.

In the winter and spring of 2021, Moscow police made a point of detaining at least three different well-known and much-loved retired school teachers, women in their 60's and 70's.

In each case, police officers came to the woman's home, told her that she had been identified by facial recognition software, and took her to the precinct for as long as 24 hours.

All together this year, police have made more than 10,000 arrests as a result of protests against Navalny's arrest. About a hundred people are facing likely prison sentences. Some of these people stand accused of violating pandemic regulations.

Anti-pandemic measures have become merely the tools of a punitive bureaucracy. Russia is the first country to have started distributing a vaccine. Yet, vaccination rates are negligibly low and death rates are strikingly high.

The regime kills its enemies and lets ordinary people die. Not only acting politically, but simply living in Russia is scary.

Domination over the information sphere—Putin's kind of autocracy does not need to control every media outlet. What it has to do is dominate. This year, law enforcement has specifically targeted for arrests, detentions, and apartment raids journalists who have covered protests for opposition media.

Last month, the leading Russian language independent media outlet Meduza was declared a foreign agent, a scarlet letter. Meduza lost its entire advertising base overnight. In the last few weeks, they have had to forfeit their office space, cut salaries, and ask their readers for help. Any media outlet can be effectively silenced with the stroke of a bureaucrat's pen.

Perceived legitimacy—you often hear that Putin is very popular. It's easy to be popular in the absence of an alternative. Putin's domination over the information sphere ensures that no one is allowed to appear to challenge him. We often talk about rigged elections when we talk about Russia, but even that is an understatement. It suggests the existence of a contest.

But arcane regulations and doctoring of the numbers ensure that results are virtually always predictable. Navalny and his organization refuse to act out of fear. They have challenged Putin's monop-

oly on the media. They have also campaigned to consolidate the protest vote.

The Kremlin has responded by attempting to murder and often jailing Navalny by bringing charges against his closest allies, forcing many of them into exile, and most recently, by starting the process of designating all Navalny—affiliated groups as extremist.

This disqualifies members of these organizations from trying to get on the ballot and also threatens them with prison terms up to 6 years, 10 years for the leaders. Often, descriptions such as this end with the conclusion that Putin's regime is weak.

I do not want you to come away with that impression. Yes, Navalny personally, his supporters, mass protests, and independent media scare Putin. But this fear does not mean that the regime is vulnerable.

It means, rather, that crackdown is the regime's animating force, its lifeblood.

Thank you.

[The prepared statement of Mr. Gessen follows:]

Testimony of Masha Gessen

Staff Writer, *The New Yorker*; Distinguished Writer in Residence, Bard College; author House Foreign Affairs Subcommittee on Europe, Energy, the Environment and Cyber Hearing on "Understanding Authoritarianism and Kleptocracy in Russia," May 27, 2021

My name is Masha Gessen. I am a journalist, a professor, and the author of several books of nonfiction, including a biography of Vladimir Putin, *The Man Without a Face* (2012) and *The Future Is History: How Totalitarianism Reclaimed Russia*, which won the National Book Award for Nonfiction in 2017. I have spent most of my life researching, thinking about, and trying to describe political and social transformations in Russia. In 2011-2012, I was also an activist in the protests against Putin's regime.

I came to this country as a refugee from the Soviet Union in 1981. I returned to the USSR in 1991 and had to leave again in 2013, when, like many opposition journalists and organizers, I was threatened by the government. In my case, the threat was that my adopted son would be removed from the family because he was being raised by a same-sex couple.

For every era in Russian history, there is a joke that sums it up perfectly. I heard the one for the current moment from an academic who has survived an assassination attempt because his wife was investigating one of Putin's cronies.¹ Here is the joke: Some crayfish are being cooked in a pot. One says to another, "You know, ten degrees ago it was really quite lovely."

¹ The interview was Sergei Mokhov, an anthropologist. He is married to Lyubov Sobol, a lawyer and politician who works with Alexey Navalny

That is contemporary Russia in a nutshell. On the one hand, the nature of the regime has been clear for a long time. And yet the scale of the tragedy is greater than it has ever been before. By this I mean the extent of corruption; the brutality and breadth of the current political crackdown; the disregard for human life; and the number of people pushed into poverty and despair. In my testimony I will focus on the crackdown.

Vladimir Putin has been in power for almost 22 years and appears to plan to stay in power forever. His power, and his longevity, rest on three pillars: fear; domination over the information sphere; and perceived legitimacy.

1. Fear

In my biography of Putin, I documented a series of suspicious deaths, likely caused by poisoning, that date back to Putin's first weeks as acting president. In 2021, it is impossible to compile a full list of deaths and assassination attempts in which the Kremlin is implicated. The August 2020 attempt to kill opposition politician with the nerve agent Novichok, which the investigative-journalism foundation Bellingcat has been able to trace to a group of secret-police officers, is the best-known and best-documented example of what is in fact a widespread practice. Other victims include: Pussy Riot activist and media executive Pyotr Verzilov, who survived a poisoning in 2019; opposition activist Vladimir Kara Murza, who has survived two poisonings; opposition politician Boris Nemtsov, who was shot dead in 2015; and many others, including local political activists and local bloggers. The violent or sudden death of a high-profile activist sends a message to anyone who is either already active or is considering speaking up: You are risking your life. And the reminders keep coming. For members of Navalny's organization - including junior, behind-the-scenes staff in their 20s - police visits in the middle of the night, violent apartment searches, and arbitrary detentions for one, 10, or 15 days at a

time have become routine. And you never know when one of these detentions will turn into a criminal case that will send you to a prison colony for several years. According to the human rights organization Memorial, Russia currently has 80 political prisoners² and more than 400 people who are facing politically motivated charges but are not currently in prison. This is more political prisoners than Russia held at the height of the Cold War - and this tally is likely far from complete³.

Tyrants, bullies, thugs know that fear works best when violence is unpredictable. To create an atmosphere of fear that borders on terror, the Kremlin goes not only after prominent national and local activists but after ordinary protesters. In the winter and spring of 2021, following protests against Alexey Navalny's arrest, Moscow police made a point of detaining at least three different well-known and much-loved retired school teachers - all women in their sixties and seventies; in each case, police officers came to the woman's home, told her that she had been identified by facial-recognition software, and taken her to the precinct, where each woman was interrogated and held for as long as 24 hours.⁴ The message - to these women, their families, and a combined thousands of former students - was that no one is safe from gratuitous punishment for exercising the right to protest, which the Russian Constitution still ostensibly guarantees. Altogether, this year police have made more than 10,000 arrests people as a result of protests against Navalny's arrest; about a hundred people are facing criminal charges and likely prison sentences.

² Not including people who are serving time for religious activity; they number 307

³ In fact, Memorial itself estimates that another 70 people are likely political prisoners who haven't been tallied as such

⁴ The women are Irina Bogantseva, Tamara Eidelman, and Anna Press

Some of these people stand accused of violating pandemic regulations, putting other people's lives at risk by calling for a mass protest while the coronavirus is circulating. This is another telling sign of the times. Everywhere you go in Moscow and other Russian cities, you see reminders of pandemic-era restrictions: every other seat on public transport is marked - you are expected to leave it vacant - as is every other table in cafes and restaurants; stores post reminders for customers to wear masks and gloves. Everyone ignores these signs: the subway is crowded, as are cafes and some stores. Every so often, police fine people for failing to wear masks or gloves - or charge someone with violating pandemic restrictions by going to a protest. In a matter of months, anti-pandemic measures have become nothing but the tools of a punitive bureaucracy. Russia is the first country to have started distributing a vaccine - yet vaccination rates are negligibly low and death rates are strikingly high. Such is the level of disregard for human life. The regime kills its enemies and lets ordinary people die. Not only acting politically but simply living in Russia is scary.

2. Domination over the information sphere

In my work, I rely on frameworks developed by Balint Magyar, an extraordinary Hungarian sociologist who studies post-Communist regimes. He talks about "domination of the information sphere" as a strategy distinct from the total control through both ownership and censorship that totalitarian regimes exercised. Putin's kind of autocracy doesn't need to control every single media outlet. What it has to do is dominate, by controlling the narrative, flooding the zone with disinformation and white noise, and marginalizing or shutting out alternative voices. Domination is a process, not a stable state. It began as soon as Putin took office, with the state takeover of federal broadcast television channels. It has continued, for more than twenty years, with the gradual disappearance of independent local television, followed by local radio, followed by

independent print newspapers, followed by magazines, and, finally, by online media and social media. This year law enforcement has specifically targeted - for arrests, detentions, and apartment raids - journalists who have covered protests for opposition media such as TVRain and Media Zone. Sergei Smirnov, the editor in chief of Media Zone, was arrested in February while he was walking in a park with his small child. He spent 15 days under administrative arrest.

Last month, the leading Russian-language independent media outlet, Meduza, was declared a "foreign agent." The designation requires the outlet to preface every article and every social-media post it publishes with a large-type disclaimer informing the reader that the post or piece was created by a foreign agent. It also places a number of paralyzing financial-reporting requirements on the outlet. But more than anything else, this scarlet letter serves to scare advertisers away from an outlet. Anyone who wants to continue to do business in Putin's Russia has to sever ties. Some advertisers even asked Meduza to stop running their ads without asking for a refund on the remaining term of their contracts. Meduza effectively lost its entire advertising base overnight. In the last few weeks, they have had to forfeit their office space, cut salaries, and ask their readers for help. The Kremlin has not only succeeded at marginalizing a critical voice - it is also staging a demonstration of power: any media outlet can be effectively silenced with the stroke of a bureaucrat's pen.

3. Perceived legitimacy

You often hear that Putin is very popular. This is conventional wisdom informed by opinion polls and election outcomes. It's easy to be popular in the absence of an alternative, though. Putin's domination over the information sphere ensures that no one is allowed to appear to challenge him: no one has a platform, no one gets the kind of

respectful coverage that Putin does. Indeed, for years neither Putin nor his press secretary nor his television would ever even pronounce the name Navalny. The Kremlin finally broke this apparent ban on August 27th of last year, a week after Navalny was poisoned with the nerve agent Novichok - when the entire world was talking about him.

Another source of Putin's perceived legitimacy are so-called elections. We often talk about "rigged elections" when we talk about Russia, but even that is an understatement: it suggests the existence of a contest. Russian elections are fixed at a number of points. First, arcane regulations and total Kremlin control over the administration of elections ensure that no one gets on the ballot without the Kremlin's permission. Most often candidates are, in fact, appointed by the Kremlin or its vassals to create the illusion of a contest. The next stage at which the contest is fixed is the vote itself. Fantom polling places, stuffed ballot boxes, election observers who are kicked out of precincts - all of these are regular features of the so-called elections. Then the vote is fixed again at the tallying stage: direct observation and statistical analysis have both shown, time and time again, that local election authorities make up vote tallies out of thin air. Finally, the central election committee does its own doctoring of vote tallies.

I have discussed the three pillars of the Putin regime: fear, domination over the information sphere, and perceived legitimacy. Alexey Navalny and the organization he has built over the last decade have been consistently attacking Putin in precisely these three areas. They refuse to let fear stop them - they show that it is possible for Russians not to act out of fear. They have challenged Putin's monopoly on the media by turning their work into videos that millions of Russians watch. Indeed, every Russian adult appears to have watched Navalny's movie about Putin's palace on the Black Sea. They have also campaigned to get their own candidates on the

ballot (they have failed, but rejections have sparked mass protests, most notably in Moscow in the summer of 2019) and, most recently, to consolidate the protest vote to back one of the Kremlin-approved but nominally alternative candidates. The Kremlin has responded by first attempting to murder and then jailing Navalny; by bringing charges against all of his closest allies, forcing many of them into exile; and, most recently, by starting the process of classifying all Navalny-affiliated groups as "extremist." This disqualifies members of these organizations from trying to get on the ballot, and it also threatens all of them with prison terms up to six years, ten years for the leaders.

Often descriptions such as the one I have provided end with the conclusion that Putin's regime is weak. I don't want you to come away with that impression. Yes, the Kremlin is acting afraid. Navalny personally, his supporters, mass protests, and independent media all scare Putin, and always have. But this fear doesn't mean that the regime is vulnerable. It's that crackdown is the regime's animating force, its lifeblood.

Thank you.

Mr. KEATING. Thank you, Professor Gessen, and certainly, much of what we're concerned about is happening in the journalistic field and thank you for your work in that regard.

I'll now turn to Dr. Weber. You're now recognized for your opening statement.

**STATEMENT OF DR. YUVAL WEBER, RESEARCH ASSISTANT
PROFESSOR, TEXAS A&M'S BUSH SCHOOL OF GOVERNMENT
AND PUBLIC SERVICE**

Dr. WEBER. Mr. Chair, I would like to submit a visual aid for the record.

Mr. KEATING. Without objection.

We can display that as you begin your testimony.

[The information referred to follows:]

UNDERSTANDING
AUTHORITARIANISM
AND KLEPTOCRACY IN
RUSSIA

Yuval Weber, PhD
Bush School (Washington, D.C.),
Texas A&M University
Kruslak Center, Marine Corps University
May 27, 2021



- How has Vladimir Putin held onto power for more than twenty years and counting at this point?

1. Authoritarianism and kleptocracy are not bad political or economic outcomes, they're Putin's most important tools.
2. Putin's true value to Russia's elites is being the indispensable man.
3. He "wins" when the Russian population and the outside world think he's so strong that change is not possible.

UNDERSTANDING
AUTHORITARIANISM AND KLEPTOCRACY
IN RUSSIA



HOW HAS PUTIN RULED FOR SO LONG?

Balancing all the elite factions *and*

Enforcing order upon the state *and*

Defining a clear grand strategy: make Russia a great power again or else it'll all come crashing down



WHAT CAN THE U.S. CONGRESS DO?

- Against authoritarianism
 - Help journalists through privacy and professional development assistance
 - Support online educational opportunities for Russian students
- Against kleptocracy
 - Support existing and future legislation (CROOK, TRAP, Combating Global Corruption, Magnitsky Act) to enhance resiliency here and build the rule of law abroad by targeting authoritarian elites



Dr. WEBER. Thank you.

Thank you, Chairman Fitzpatrick, Ranking Member Keating, members of the subcommittee. Thank you for the opportunity to appear before you today.

I'm excited to be with you because I've devoted my entire professional career to the study of Russia and to finding peaceful understanding between our country and theirs.

From 2012 to 2016, I lived in Russia and there are many wonderful things to say about its culture, people, language, and nature.

But I also experienced firsthand the grinding effects of authoritarianism and kleptocracy, people facing jail for trying to exercise their constitutional rights, and the best and brightest striking their fortunes abroad rather than having their businesses expropriated or limiting their ambitions.

My testimony today is to describe the nature of power and politics in Russia, about which my room testimony goes into much greater detail.

I'll conclude by describing avenues for U.S. policies to support peaceful, democratic, and economic change in Russia that are consistent with American values without putting individuals at risk, a serious concern in the current repressive environment.

The picture there on the right side of your screen is from Vladimir Putin's latest inauguration in 2018. Unlike the joyous public events here in Washington or many world capitals, the general public in Moscow is kept far away from such an event.

Instead, the very top echelon of Russia's elite, its political, military, economic, and cultural leaders, all fit into one very ornate room.

Now, keep this picture in mind as I describe Putin the politician. Beyond the numerous malign acts ordered or sanctioned by Putin with which we're all familiar, I'd like to answer a seemingly simple question. How has he held on to power for so long and why does he seem to be in power for so much longer?

The short answer is that practicing politics and representation in Russia means making sure there's enough authoritarianism and kleptocracy to keep the people in that room happy.

The longer answer is in three parts. First, authoritarianism and kleptocracy are important tools for Putin because limiting the ability of regular Russians to participate in their country's political and economic life is the very mechanism by which Putin has held on to power for all this time.

Second, Putin's hold on power is based on optimizing for stability and not growth. Those elites value Putin because he performs a critical service. He resolves their disputes so that they do not have to.

Whenever those people have a problem with each other, they can go to him instead of fighting it out in Parliament, in court, or with guns.

Too much democracy or economic openness would limit Putin's ability to be useful because that would mean more constituencies to please and being less able to pick and choose winners in the economy.

After all, according to Forbes magazine, Russia's 117 billionaires, the fifth highest in the world, control more than a third of Russia's

entire GDP, the highest such percentage in the world. So Putin knows exactly whom to please.

But it's not a one-way street. Those billionaires keep their positions because they're loyal, and they're called upon to repay the Russian State, to funding military research and development, private military companies, social programs, and cultural endeavors.

Finally, Putin wins, so to speak, when the Russian population and the outside world think he's so strong that change is impossible. He relies on the perception of inevitability that keeps everyone believing that no change is forthcoming. Good if you're in that room and bad if you're not.

Now, my written testimony goes into further detail. The power in Russia is practiced through two very different tasks: seizing and consolidating the formal levers of governance, and then keeping all the factions balanced so that no group can dominate others.

Putin can continue indefinitely if his supporters believe that life without him is worse than life with him. In essence, if both supporters and opponents believe that the future looks like the present, then why bother changing anything?

In the pictures on your screen you see, in that sense, two great stereotypical images of Russia. On the bottom, nesting dolls, evoking Winston Churchill's famous description of the country, "It is a riddle wrapped in a mystery inside an enigma."

And on the right probably my favorite picture about Russia because it has a bear in the snow in front of the Kremlin with a fur hat, felt boots, and a flag around its shoulders while holding an AK-47 with a couple of fighter jets above.

These two pictures have everything you need to know about Putin's success as a politician. Balancing all the elite factions, enforcing order upon the State through violence or the threat thereof, and defining a clear grand strategy, making Russia a great power by any means necessary or else it'll all come crashing down without him.

So what can the U.S. Congress do? A lot, actually. First, in terms of authoritarianism, when I asked friends and colleagues in Russia for their advice on my testimony, the most pressing requests were not to forget about them because international attention is one of their primary defenses.

To keep the names and individuals of individuals and organizations receiving U.S. Government assistance private because the government there uses that to target people, and to help, honestly, with small-bore stuff like subscriptions to pay walled media, professional tools, and professional development courses.

In a broader sense, the surest long-term inoculation to authoritarianism is education. I would call upon the U.S. Congress to fund online educational services for students in Russia such as spoken English lessons and preparation for standardized and college entrance exams such as SAT, GRE, TOEFL, LAST, AP tests.

It would create positive interest in the United States, and given what we've experienced over the pandemic, we all now have the on-line learning figured out. Such a program would export education, one of our greatest assets, without having to send any money abroad.

The other issue is kleptocracy. There are numerous acts that will be discussed later today. But the reason these measures are important is that the elites Putin needs to govern at home also want to take their money out of the country.

As long as they can engage in all the capital flight they want, they have no incentive to change anything at home. That matters to them even more than sanctions, because Putin can compensate them for being sanctioned but not for being unable to enjoy their money abroad.

And with that, I thank you for your attention.
[The prepared statement of Dr. Weber follows:]

Yuval Weber, Ph.D.

**Research Assistant Professor
Bush School of Government & Public Service (Washington, DC)
Texas A&M University**

**Bren Chair of Russian Military and Political Strategy
Krulak Center for Innovation and Future Warfare
Marine Corps University**

**House Foreign Affairs Committee
Subcommittee on Europe, Energy, the Environment, and Cyber
"Understanding Authoritarianism and Kleptocracy in Russia"
May 27, 2021**

Written testimony

Chairman Keating, Ranking Member Fitzpatrick, Members of the Subcommittee, thank you for the opportunity to appear before you and speak about "Understanding Authoritarianism and Kleptocracy in Russia."

I'm excited to be with you because I have devoted my entire professional career to the study of Russia and to finding peaceful understanding between our country and theirs.

My research covers a number of the topics we'll touch upon today, including a forthcoming book from Agenda Publishing and distributed by Columbia University Press that the tensions between economic modernization and the security state in Russia since the late 19th century. It argues that Russian leaders, whether they are tsars, general secretaries, or presidents, have pursued several episodes of pro-market economic reform in Russia, but only when the economy itself becomes a geopolitical security risk. They pursue

reform only to alleviate domestic pressure, but as soon as the crisis passes, they dispense with the reform.

I am also working on a Department of Defense-funded Minerva Research Initiative grant (#W911NF2110107) on "Hierarchy and Resilience in Great Power Politics" that defines and measures great power competition. While the focus today is on Russian domestic affairs, Russia's core grand strategy is about revising the international order to be acknowledged as a great power by the United States. The domestic uses of authoritarianism and kleptocracy are to limit political and economic competitors to Putin and his elite for the express purpose of being able to wage an indefinite revisionist struggle against the U.S.-led international order. The Minerva project measures how Russia (and other states) influence target countries along Diplomatic, Informational, Military, and Economic indicators. The Great Power Influence Index that I am overseeing will be the first tool available for the military and U.S. government policymakers that can show—at a glance—the extent to which outside states are able to influence other countries politically, economically, militarily, and technologically both in a bilateral setting and as compared to other great powers. It will show the military, the Department of Defense, and other national security analysts and policymakers the real-time conditions of American versus Chinese versus Russian alliance networks.

My interest in Russia is longstanding and from 2012 to 2016 I lived in Russia and there are many wonderful things to say about its culture, people, language, and nature.

But I also experienced first-hand the grinding and depressing effects of authoritarianism and kleptocracy: people facing jail for trying to exercise their constitutional rights and the best and brightest leaving the country to strike their fortunes abroad rather than having

businesses expropriated or limiting their ambitions before they even start their careers.

The bulk of my testimony today is to describe the nature of power and politics in Russia, about which my written testimony goes into much greater detail. I will conclude by describing avenues for U.S. policies that could directly support peaceful democratic and economic change in Russia consistent with American values without putting individuals at risk—a serious concern in the current repressive environment.

The picture presented as part of this testimony depicts Vladimir Putin's latest inauguration in 2018. Unlike the joyous public events here in the United States and in many other countries, the general public in Russia is kept far away from the inauguration.

Instead, the very top echelon of Russia's elite—its political, military, economic, and cultural leaders—all fit into one very ornate room.

I'd like you to keep this picture in mind as I describe to you Putin the politician. In addition to acts ordered or sanctioned by Putin, such as invading neighbors like Georgia and Ukraine, interfering in democratic elections abroad through cyber and information operations, poisoning opponents like Alexei Navalny, and supporting some pretty grim client states, I'd like to pose and answer a seemingly simple question: how has Vladimir Putin held onto power for more than twenty years and counting at this point?

The short answer is that practicing politics and representation in Russia means making sure there's enough authoritarianism and kleptocracy to keep the people in room happy.

The approach has been successful, as Putin has already served 21 years as the president or as prime minister as part of a so-called

“tandemocracy” with Dmitri Medvedev. Should he serve two more six-year terms, as recent changes to the Russian constitution have permitted him to do, he will end up with at least 36 years ruling Russia. That would make him the third-longest ruling leader of Russia of all time, going back to the medieval days of Muscovy. Only Peter the Great (51 years) and Ivan the Terrible (43 years) would have ruled longer.

The longer answer is in three parts:

First, authoritarianism and kleptocracy are important tools for Putin because limiting the ability of regular Russians to participate in their country’s political and economic life is the very mechanism by which Putin has held onto power for two decades and counting.

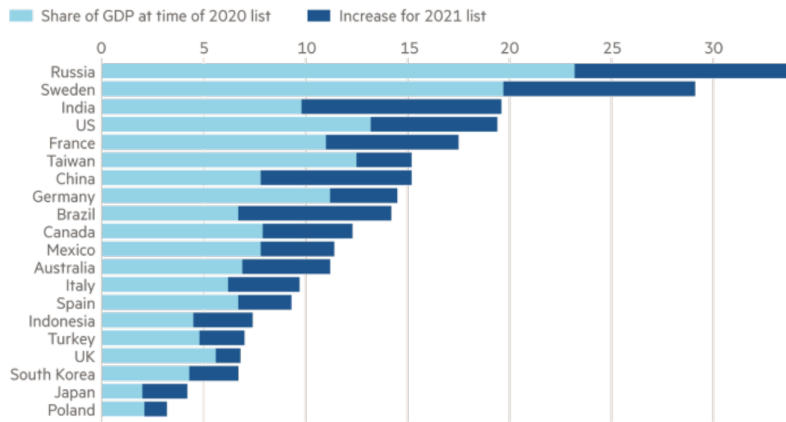
Second, Putin’s hold on power is based on optimizing for stability and not growth. Those elites value Putin because he performs a critical service: he resolves their disputes so that they don’t have to. Whenever those people have a problem with each other, they can go to Putin instead of fighting it out in parliament, in court, or with guns.

Too much democracy or economic openness would limit Putin’s ability to be useful because that would mean more constituencies to please and being less able to pick and choose winners and losers in the economy.

According to Forbes magazine, Russia’s 117 billionaires (fifth highest in the world) control more than a third of Russia’s entire GDP, the highest such percentage in the world, so Putin knows exactly whom to please.

The super-rich have increased their wealth during the pandemic

Billionaires' wealth as a % of GDP



Source: Ruchir Sharma team research using data from Forbes world's billionaires list

© FT

Source: Ruchir Sharma, "The billionaire boom: how the super-rich soaked up Covid cash," *Financial Times*, May 14, 2021.

<https://www.ft.com/content/747a76dd-f018-4d0d-a9f3-4069bf2f5a93>

Third, Putin "wins" when the Russian population and the outside world think he's so strong that change is impossible. He relies on a perception of inevitability that keeps everyone believing that no change is forthcoming—good if you're in that room and bad if you're not.

Power in Russia is practiced through two different tasks: seizing and consolidating the formal levers of governance to impose top-down vertical rule and then keeping horizontally balanced all the elite factions inside government, such as the security services and military, with those outside government, such as the oligarchs mentioned

above. Putin can continue indefinitely if his supporters believe that life without him is worse than life with him. Moreover, if both his supporters and opponents believe that can make the future look like the present, then why bother changing anything?

Consider, as a counterexample, Boris Yeltsin. He was able to face down a coup attempt in August 1991 not least by bravely standing on a tank that was threatening Russia's "White House" where its parliament sat and challenging the coup plotters directly. In less than six months, he had overseen the end of the Soviet Union and became Russia's first president. However, he was unable to manage the day-to-day grind of managing the policy interests of many competing factions in a very difficult environment and by October 1993 ordered the military to fire on his opponents in that same building. Seizing power was one thing, holding onto it was another.

Yeltsin failed to consolidate democracy in Russia, but he also failed to consolidate authoritarianism. That is Putin's major, albeit unfortunate, achievement. Putin eliminated his rivals one by one and consolidated authoritarianism: balancing all the elite factions, enforcing order upon the state through violence or the threat thereof, and defining a clear grand strategy—make Russia a great power by any means necessary or else it'll all come crashing down without him.

SLIDE 4

So, what can the U.S. Congress do?

A lot, actually.

First, in terms of authoritarianism, when I asked friends and colleagues in Russia for their advice on my testimony, the most pressing requests were not to forget about them because international attention is one of their primary defenses; to keep

names of individuals and organizations receiving US government assistance private because the government there uses that to target people; and to help, honestly, with small-bore stuff like subscriptions to paywalled media, professional tools, and professional development courses.

In a broader sense, the surest long-term inoculation to authoritarianism is education.

I would call upon the US Congress to fund online educational services for students in Russia, such as spoken English lessons and preparation for standardized and college entrance exams such as SAT, GRE, LSAT, and AP tests. It would create positive interest in the United States and given what we've experienced over the pandemic, we all now have the online learning figured out. Such a program would export education, one of our greatest assets, without having to send any money abroad.

Second, the other issue is kleptocracy. There are numerous acts already in Congress, such as the CROOK, TRAP, Combating Global Corruption, and Global Magnitsky reauthorization Acts. The REPEL Act and others such as Justice for Victims of Kleptocracy, Foreign Corruption Accountability, Golden Visa Accountability, and Foreign Extortion Prevention that are all critical to making the authoritarian rule of individuals like Putin harder to accomplish by making kleptocracy harder to pull off.

The reason these measures are important to changing politics in Russia is that the elites Putin needs to govern at home also want to take their money out of the country. As long as they can engage in all the capital flight they want, they have no incentive to change any aspect of politics at home. That matters to them even more than sanctions because Putin can compensate them for being sanctioned, but not for being unable to enjoy their money abroad.

With that, I thank you for your attention.

Mr. KEATING. Thank you, Dr. Weber, and thanks for underscoring the point, too, that today's hearing and much of what we talk about is not about the Russian people themselves.

We have an affinity for the Russian people themselves and their aspirational hopes, and part of the hearing is to try and bring some of that forth so that they are aware of the difference. So I really appreciate your underscoring that point.

And I now recognize Mr. Grozev for your opening statement.

Mr. Grozev, are you on mute? I think you have to unmute yourself.

**STATEMENT OF CHRISTO GROZEV, LEAD RUSSIA
INVESTIGATOR, BELLINGCAT**

Mr. GROZEV. I hope I'm unmuted now.

Mr. KEATING. We can hear you. Thank you, Doctor. Thank you.

Mr. GROZEV. In the last 7 years, Bellingcat has investigated more than 15 previously unresolved crimes involving Russian suspects for Russian victims. In all of these cases, our analysis has shown that the crimes were commissioned, planned, and perpetrated by Russian security services.

Many of the criminal incidents took place outside of Russian territory involving either attempted assassinations or acts of sabotage, sometimes with collateral fatalities. Most of these unlawful extraterritorial operations were conducted by Russia's military intelligence known as the GRU.

They included the blowing up of ammunition depots in Czechia in late 2014 that left two Czech civilians dead, assassination attempts on the Bulgarian arms manufacturer Emilian Gebrev and two other Bulgarian citizens in fall of 2015, explosions at a range of Bulgarian weapons depots storing weapons earmarked for export to Georgia and Ukraine, and the Novichok poisoning of Sergei and Yulia Skripal as well as the Dawn Sturgess in the U.K. in 2018.

All of these assassinations and terrorist acts were the actions of a secretive subunit of the GRU's unit 29155 that reports directly to the director of the GRU and to the Kremlin.

The operatives of this unit received Russia's highest military award, the Hero of Russia in the immediate wake of these explosions and assassination attempts.

We have identified more than 30 members of this black ops operation, who, in the past decade, have traveled hundreds—on hundreds of trips across Europe and the world under government-issued fictitious identities.

However, our investigations have shown that the GRU by far does not have a monopoly on Russian extrajudicial assassinations abroad.

In 2019, Bellingcat and our investigative partners discovered evidence that linked Russia's other security agency, the FSB, to the murder of a Georgian citizen, Zelimkhan Khangoshvili, in Berlin in August 2019.

This investigation allowed us to solve a string of other cold cases involving assassinations of other victims, all Russian or ex-Soviet nationals whom the Russian authorities had labeled terrorists or separatists.

In the course of these investigations, we uncovered also a sprawling proxy structure conducting overseas operations on behalf of the FSB, the Second Service of the FSB, which is called, non-ironically, the Service for Fight Against Terrorism and Extremism.

This proxy structure is hidden within the so-called Vympel group of companies, which masquerades as a private security group owned by former FSB officers but, in fact, serves as a deniable assassination squad doing the FSB's bidding.

Like with the GRU black ops operatives, members of this assassination squad got the highest military awards from Russia and travel on government-issued identities around the world.

Apart from these extraterritorial sabotage and assassination programs, we've uncovered the existence of a domestic assassination program run by the same Second Service of the FSB, often in collaboration with another FSB entity, the Technical and Scientific Service, which provides assistance in deploying chemical weapons and masking the traces of their use.

It was these two FSB units which, based on multiple and mutually cooperating data points, appear to have planned and perpetrated the Novichok poisonings of Alexei Navalny in August 2020.

Our followup investigation found that members of the same cross-functional FSB team that poisoned Navalny had been systematically tailing other—at least five other Russian nationals who were ultimately poisoned with unidentified chemicals, at least three of whom died.

Members of this FSB unit were always in the vicinity of the victim in the hours or days before they fell into a coma or died from multiple organ failure in unexplained circumstances.

The victims included political opposition figures like Vladimir Kara-Murza, who was targeted and poisoned at least twice, as well as other outspoken Russian journalists and human rights activists.

Our investigation also uncovered the existence of a clandestine Russian program of development and synthesis of banned toxins and nerve agents carefully designed to circumvent and disguise Russia's noncompliance with its obligation to terminate this chemical weapons program under the Chemical Weapons Conventions.

This program, which we believe is centered around the government-run Signal Institute in Moscow, provides cover employment for Russia's leading military scientists who previously worked for Russia's military chemical weapons program.

Dozens of these scientists continue working in a distributed manner under the guise of civilian research in a cluster of State-owned private labs. Telephone metadata obtained by us established persistent communication patterns between these labs and members of the GRU and the FSB poison squads, which peaked just before known poisoning operations.

Last, I would like to end with the fact that there seems to be a gap and a gaping hole in law enforcement internationally, we have discovered, because none of these terrorist and extrajudicial operations we have identified have been prosecuted properly simply because of the current system of the law enforcement that requires the cooperation of nation States in providing legal assistance.

This system simply does not work when one of the countries that is supposed to provide legal aid is the perpetrator.
[The prepared statement of Mr. Grozev follows:]

Christo Grozev

Lead Investigator at the Bellingcat Foundation

House Foreign Affairs Subcommittee on Europe, Energy, the Environment and Cyber

"Understanding Authoritarianism and Kleptocracy in Russia

May 27, 2021

In the last 7 years, Bellingcat has investigated over 15 previously unresolved crimes involving Russian suspects or victims. In all these cases, our analysis has shown that the crimes - or unsuccessful conspiracies - were commissioned, planned and perpetrated by the Russian security services.

Many of the criminal incidents took place outside Russian territory, involving either attempted assassinations or acts of sabotage, sometimes with collateral fatalities.

GRU's Clandestine Black-ops Unit 29155

Most of these unlawful extraterritorial operations were conducted by Russia's military intelligence known as the GRU. They include the blowing up of ammunition depots in Czechia in late 2014 that left two Czech civilians dead, two assassination attempts on the Bulgarian arms manufacturer Emilian Gebrev and two other Bulgarian citizens in 2015, the explosions at a range of Bulgarian weapons depots storing weapons earmarked for export to the Republic of Georgia and/or Ukraine, and the Novichok poisoning of Sergey and Yulia Skripal, as well as Dawn Sturgess in the UK in 2018. All these assassinations and terrorist acts were the actions of a secretive sub-unit of GRU's Unit 29155, reporting directly to the Director of the GRU. The operatives of this unit received Russia's highest military awards in the immediate wake of these explosions and assassination attempts - the Hero of Russia medal. We identified more than 30 members of this black ops unit who in the past decade travelled on hundreds of trips across Europe and the world under government issued fictitious identities.

FSB's "Vypel" Black-ops

However, our investigations proved that the GRU does not hold a monopoly on Russian extraterritorial assassinations. In 2019 Bellingcat and its investigative partners Der Spiegel and Insider discovered evidence linking Russia's other security agency, the FSB, to the murder of Georgian citizen Zelimkhan Khangoshvili in Berlin in August 2019. This investigation allowed us to solve a string of earlier cold cases involving assassinations of three other victims, all Russian or ex-Soviet nationals, whom Russian authorities had previously labeled terrorists or separatists. In the course of these investigations, we uncovered a sprawling proxy structure conducting overseas operations on behalf of the Second Service of the FSB: non-ironically named "Service for Fight against Terrorism and Extremism". This proxy structure is hidden within the so-called Vypel group of companies, which masquerades as a private security group owned by former FSB spetsnaz officers, but in fact serves as a deniable assassination squad doing the FSB's bidding. Like with the GRU black-ops operatives, members of this assassination squad traveled around the world on government-issued fake identity documents.

FSB's Domestic Assassination Program

Apart from the extraterritorial sabotage and assassination program, we uncovered the existence of a domestic assassination program, run by that same 2nd Service of the FSB, often in

collaboration with the FSB's Technical And Scientific Service which provides assistance in deploying chemical weapons and masking traces of their use. It was these two FSB units which, based on multiple mutually corroborating data points, appear to have planned and perpetrated the Novichok poisoning of Alexei Navalny in August 2020.

Our follow-up investigations found that members of the same cross-functional FSB team that poisoned Alexei Navalny had been systematically tailing at least 5 other Russian nationals who were ultimately poisoned with unidentified chemicals - at least three of whom died. Members of this FSB unit were always in the vicinity of the victim in the hours or days before they fell into a coma or died from multiple organ failure in unexplained circumstances. The victims included political opposition figures like Vladimir Kara-Murza - who was targeted and poisoned at least twice - as well as other outspoken Russian journalists and human rights activists. Like in the case with the other two assassination units, these operatives traveled under government-issued fake identity documents.

The Poison Labs

Our investigations have also uncovered the existence of a clandestine Russian program for development and synthesis of banned toxins and nerve agents, carefully designed to circumvent and disguise Russia's non-compliance with its obligation to terminate its CW production program under the 1993 Chemical Weapons Convention. The program, which we believe is centered around the government-run Signal Scientific Institute in Moscow, provides cover employment for Russia's leading military scientists who previously worked for Russia's military chemical weapons program. Dozens of these scientists continue working in a distributed manner under the guise of civilian research, in a cluster of state-owned and private labs. Telephone metadata obtained by us has established persistent communication between these labs and members of the GRU and FSB poison squads, which peaked before known poisoning operations such as the Skripal and the Navalny poisonings. Despite several rounds of sanctions imposed on a number of the state-run institutes that were deemed to be involved in development of chemical weapons, the Signal Institute and its leadership remains untouched by sanctions to this date.

Implausible Deniability

Based on analysis of travel and telephone data from the past decade, we believe that we have accounted for no more than 15% of all covert operations of these three clandestine units of the Russian security services.

While the Russian government has formally denied charges of complicity to any of the identified crimes, it has failed to make any serious efforts to present an alternative, innocent explanation for the facts disclosed. In fact, Russian propaganda has focused on discrediting the victims, and the investigators, rather than disproving the facts presented by us. Russian authorities have taunted German law enforcement who requested data on the real identity of the suspected assassin detained after the Berlin murder. "This is a real person", Russia's response read in

relation to the suspect's obviously fake identity that had no digital footprint before 2019, and continued: "He is known to the FSB as a good citizen". More recently, Dmitry Peskov trolled journalists who asked whether reports of the Kremlin employing the Skripal poisoners - who famously masqueraded on TV as sports vitamin salesmen - were true. "The Kremlin doesn't have a sports nutrition department," Peskov quipped.

The Kremlin's audacity belies what it knows to be a gaping hole in international law enforcement. In a global legal system where prosecuting cross-border crime depends on the good-faith cooperation of state parties, a state which happens to also be the perpetrator holds all the cards.

Mr. KEATING. Well, thank you, Mr. Grozev, for the rather chilling remarks.

I'll now turn to Mr. Lucas. You're now recognized for your opening statement.

STATEMENT OF EDWARD LUCAS, NONRESIDENT SENIOR FELLOW, CENTER FOR EUROPEAN POLICY ANALYSIS (CEPA), FORMER SENIOR EDITOR AT THE ECONOMIST

Mr. LUCAS. Thank you.

Chairman Keating, Ranking Member Fitzpatrick, distinguished members, it's an honor to be able to share my thoughts with the committee on this vitally important topic. I'm going to summarize my written testimony and then look forward to your questions.

I've spent all my adult life dealing with this region. I lived behind the Iron Curtain, I lived in post-communist Russia and other places, and I yearn for the time when the Russian people will live in freedom and prosperity and the peace of their neighbors.

But that day is a long way off. I strongly endorse my friend and colleague, Masha Gessen's, testimony and that of my fellow witnesses.

I am going to concentrate for my—in my remarks on the external picture, the interaction of the Kremlin kleptocracy with the West, and I have to tell you now we're losing and we're losing because our adversaries understand something about our society less than we do.

They understand that they can attack us using money and by abusing the freedoms that are inherent in our system, and Nord Stream is a great example of that. Sell cheap gas, buy political influence, and it's not against the law.

And because of the greed and complacency not just in Germany but also in my country, the United Kingdom, and elsewhere, we are not willing to defend ourselves.

We could defend ourselves, and I give details in my written testimony about what we could do with different legal and normative instruments, but we do not.

And there's a real paradox here because it was the free market capitalist system enabled us to beat communism. It brought us prosperity and dynamism. Democracy works better than dictatorship.

The same economic system that triumphed over communism is losing to kleptocracy. It allows our enemies to buy political influence and uses that to attack our decisionmaking when they're inside our system. They also use the rights and freedoms given by our political system and the courts to intimidate their critics.

We have to understand the threat and then make the changes necessary to put secure alliances first.

Now, Russia is not the only problem here but it's a great place to start because it combines both a technocratic system and a geopolitical threat.

Russia uses its money and its influence far beyond what just what a rich person has. They have access to State resources. They can run disinformation campaigns to demoralize and distract Western societies.

They can use cyber and intelligence means to surveil and harass whistleblowers and anti-corruption campaigners and investigative journalists. They can apply diplomatic pressure to protect their wealth, conduct physical intimidation campaigns including abductions like the one we just saw in Belarus, assaults and assassinations.

Now, many people say, well, hang on, isn't China the big threat. One hears that a lot these days. And it's true that China is far more important than Russia when it comes to global economic governance.

But it's still the case the Kremlin is the biggest source of instability on Europe's borders. It's the biggest source of interference inside democratic societies. It funds extremist parties for spreading disinformation and, as you mentioned in your opening remarks, Russian pipelines do not just export natural gas. They export corruption.

Germany is a weak country because of its energy dependence on Russia. It's also a weaker member of NATO, and that means that the United States has to bear a bigger burden.

How we deal with Russia's kleptocracy sends an important signal to China's leaders. If we cannot deal with Russia, a stagnant country with an Italy sized economy, then what chance have we of dealing with the biggest country in the world, China, and China takes advantage of the economic, legal, political, and social vulnerabilities that are created and exploited by the Kremlin.

Now, what do we do about this? We need a whole of government approach, we need to have a societal approach, and we need an international approach. The tentacles of kleptocracy are global and our responses, as Christo mentioned, are national.

Now, we can do this. No tanks crunched down Wall Street, forcing us to open our financial system to our enemies. We did that to ourselves because we are complacent, naive, and greedy.

Well, we can undo that. It's kryptonite for kleptocrats and we have it in our hands.

And just, finally, I want to say, speaking from outside the United States, we really appreciate the lead you're taking.

The Caucus Against Foreign Corruption, the CROOK Act, the Foreign Extortion Prevention Act, the REPEL Act, the TRAP Act, these are templates for us and the rest of the world and I yearn for the day when my country will not be seen as the global headquarters of money laundering.

We are—it's a source of great shame to me that the city of London is the kleptocrats' best friend.

I look forward to your questions. Thank you again for the opportunity to testify.

[The prepared statement of Mr. Lucas follows:]



Edward Lucas

Author, columnist, journalist; Senior Fellow, Center for European Policy Analysis (CEPA)

House Foreign Affairs Subcommittee on Europe, Energy, the Environment and Cyber

Understanding Authoritarianism and Kleptocracy in Russia

May 27, 2021 1:00 PM

Written testimony

Chairman Keating, ranking member Fitzpatrick, Distinguished Members

It is an honor to be able to share my thoughts with the committee on this vitally important topic. But I have to tell you: we are losing.

I say this as someone who has been dealing with this subject since the 1980s. I lived behind the Iron Curtain and experienced the corruption integral to the communist system. I witnessed how funds from the dying Soviet regime were transferred abroad and how they returned, freshly laundered, from foreign financial centers, to undermine and profit from nascent democracies. I observed the fusion of organized crime, business, government and the KGB in a system of power that brought Vladimir Putin to the Kremlin. I have seen the tentacles of kleptocracy reach deep into Western democracies, corroding our institutions, damaging our reputation, distorting our decision-making and demoralizing our fellow-citizens.

I have published books and made films on these topics, and lectured at universities including Brown, Harvard, SAIS and Stanford. After many years as a journalist at the *Economist* writing about these and other issues, I am now a non-resident fellow at CEPA, a DC-based thinktank specializing in transatlantic security. Disclosures about our US government and other funding have been provided as requested.¹

Russia's authoritarian kleptocracy is resilient at home and effective abroad. The Kremlin uses repression and propaganda to prevent effective challenge within Russia's rigged political system. And as I outline in the pages that follow, it:

- undermines, forestalls and muzzles outside criticism.
- weaponizes trade and investment in pursuit of its geopolitical goals.

¹ This testimony draws on research from publications and/or advice from staff at the Alliance for Securing Democracy, the FACT Coalition, Global Witness, the Hudson Institute, the OECD, Transparency International and others. But the interpretations are mine alone.



- leverages its position as an energy supplier to extort diplomatic favors and to build political bridgeheads.

This is exemplified by the Nord Stream 2 natural gas pipeline to Germany, now nearing completion amid the failure of US sanctions policy.

How it works

Russian kleptocrats use and abuse our democratic societies' rules, rights and freedoms, and the opportunities provided by our legal systems.

- They launder their money;
- They buy influence;
- They use Strategic Lawsuits Against Public Participation (SLAPP) to bully detractors into silence, citing defamation or supposed breaches of privacy and confidentiality; and when challenged
- They feign outraged innocence and demand to be treated fairly.

These people are not just rich. They have access to state resources.

- They run disinformation campaigns to demoralize and distract Western societies.
- They use cyber and other intelligence means to snoop on and harass whistle-blowers, anti-corruption campaigners and investigative journalists.
- They apply diplomatic pressure to protect their wealth.
- They conduct physical intimidation campaigns, including abductions, assaults and assassinations — and then deny brazenly what they have done.

Few democracies have yet realized the scale of the threat. In many countries the temptation is to accommodate the Kremlin's dirty money and mischief-making in the hope that economic engagement will eventually change things for the better. Such self-interested complacency underpins Germany's attitude to Russia. Others argue that the threat from China is so much greater that Russia can be deprioritized.

That approach is mistaken. Russia is indeed far less important than China when it comes to global economic governance. But the Kremlin is the biggest source of instability on Europe's borders, and the biggest source of interference inside democratic societies. It funds extremist parties, spreads disinformation, sows divisions and peddles influence. Russian pipelines, for example, do not just export natural gas. They export corruption. Germany is a weaker country because of its energy dependence on Russia. It is also a weaker member of NATO. The United States, as the security guarantor for Europe, must do more as a result. In short: cheap natural gas for Germany means higher costs and greater risks for the United States.

Russia is also forging ties with kleptocracies in Africa and Latin America. It offers them political, military and technological help in exchange for natural-resource concessions, for help in evading sanctions, and for diplomatic backing on issues such as Ukraine and Syria. That



means a more dangerous world for everyone, and — again — a greater burden on the United States.

How treat Russia's kleptocracy also sends an important signal to China's leaders. If we cannot deal with a stagnant country with an Italy-sized economy, there is little chance that we can deal with the biggest country in the world. I increasingly see China taking advantage of the economic, legal, political and social vulnerabilities that have long been created and exploited by the Kremlin. As my colleague Josh Rudolph notes, "Chinese state companies, party elites, and criminal organizations use shell companies to facilitate sanctions evasion, fentanyl trade, exploitation of forced labor, and corruption throughout the Belt and Road Initiative."²

Not all kleptocracies are direct geopolitical threats to the US and its allies. But dirty money, regardless of its origin, both impoverishes its source and taints its destination. The means employed to ease its path harm our democracies and weaken our alliances. The same combinations of sleaze and secrecy, and the compliance of supposedly respectable enablers, benefits organized crime, sex-traffickers, people-smugglers, counterfeiters, drug cartels and child-abusers.

Kleptocracy starts with domestic corruption. The Putin regime sits on a pyramid of theft: of tax revenues, of natural-resource rents and of bribes. The anti-corruption campaigner Alexei Navalny has produced excoriating videos depicting the grotesque luxury in which Russia's rulers live.

We cannot do much to stop Vladimir Putin and his cronies stealing money from the people of Russia. We cannot stop them disporting themselves in the miserable, poverty-stricken countries that Russia counts allies: the Central African Republic, Syria, Tajikistan and Venezuela spring to mind.

But as Navalny told me on his last visit to London, the Kremlin system works only thanks to Western accomplices. It is through the West that Russia's kleptocrats launder their money. It is from the West that they buy their luxury goods. It is in the West that they buy real estate. It is at Western marinas that they moor their yachts. It is in Western leagues their sports teams play. It is at Western universities that they educate their children.

Nobody made us allow this. No Russian tanks crunched down Wall Street or the City of London, forcing us to open our financial system to our enemies. All this works only because we permit it. And that can change.

Here's how.

Counter-measures

The problem is broad, but our response is fragmented. Our government departments and agencies too often operate in silos. Our efforts should involve all of government, but also the

² <https://securingdemocracy.gmfus.org/regulating-beneficial-ownership-for-national-security/>



private sector and civil society. Given the urgency and importance of the task, it needs high-level leadership, for example, by a senior director at the White House, coordinating efforts across the areas of democracy and human rights (DHR), international economics (Intecon), the Domestic Policy Council (DPC), and other White House offices, to energize the Treasury, State Department, USAID, DOJ, and other departments and agencies.

We also need to deal with the enablers: the bankers, lawyers, accountants, PR people, real-estate agents, advisers, luxury goods dealers, celebrity agents, and educational and cultural institutions who launder the kleptocrats' money and reputations. These are powerful lobbies and big political donors. They will protect their business models. But we need to be clear. If they take on kleptocrats as clients, they are aiding and abetting the enemies of this country and its allies. They should expect unforgiving regulatory scrutiny and normative pressure if they choose to do so. The climate of impunity must end for perpetrators and accomplices alike.

National approaches, even in a country as powerful as the United States, will always be insufficient. Kleptocracy's tentacles are global. So too must be our response.

I applaud efforts such the proposed Summit for Democracy, whether this year or next, the Global Kleptocracy Initiative and the International Anti-Corruption Court. We need to work towards:

- an international agreement to end offshore financial secrecy, with public registries listing the owners of assets and companies, and the beneficiaries of trusts;
- automatic exchange of tax information; and
- a cross-border payments database.

All this should be backed by sanctions: the penalty for providing false or misleading information about ownership, or the source of funds, should be confiscation of the asset concerned.

But we can start straightaway by better sharing of the data we already have, with

- harmonizing procedures between criminal justice systems;
- replicating sanctions across jurisdictions; and
- building greater resilience to kleptocratic attacks on our political system, by protecting whistleblowers, using aid money to fund anti-corruption campaigns, and countering SLAPP lawsuits.

This process has started. I commend the American lawmakers who pushed through the first Magnitsky sanctions in 2012 in the teeth of resistance from the then administration. Many other legislatures have now followed suit. That is a tribute to the determination of Bill Browder and his team in overcoming what now seems like inexplicable timidity and reluctance.



But these visa bans and sanctions on individuals are just pinpricks. Far more important, and more difficult, is to tackle the way that Russian and other kleptocrats exert real economic and political power in Western countries.³

A central element in the counter-offensive against kleptocracy must be to lift the veil of corporate anonymity. It is hard to see why this should be contentious. Indeed, it is hard to see why corporate anonymity exists at all. When the modern limited liability company was developed in the 19th century, it was a way of managing risk and raising capital. Nobody then conceived of it as a means of disguising or concealing ownership. Such an idea was never debated or passed into law. It is a historical accident — but one with baleful consequences. Undisclosed beneficial ownership allows criminals, terrorists and kleptocrats to conceal their identities, and enjoy the rights and privileges intended for honest shareholders.

A publicly accessible register of beneficial ownership allows businesses, customers, employees, and other interested parties to know whom they are dealing with, which is a precondition for fair dealing in business in general, and a deterrent to those whose competitive advantage relies on deceit.

Regulating the smithies that turn out shell companies is just the start. We have to deal with the millions that already exist.

For this, we need to say that if a company cannot show who really owns it, then it should not be allowed to do business: no contracts, no assets, no access to finance, and no recourse to the courts. This is kryptonite for kleptocrats.

It is therefore shocking that though law enforcement, anti-money laundering authorities, anti-corruption watchdogs and investigative journalists have been highlighting the pernicious effects of undisclosed beneficial ownership for more than two decades, it is only in very recent years that the national security community in the US and (at least some) allied countries has begun to appreciate its own stake in this struggle. It is also a matter of regret that powerful industries have lobbied so effectively to water down proposed reforms.

The Patriot Act of 2001 for example includes powerful anti-money-laundering (AML) rules. But these are not evenly applied. Many enablers have wiggled out of these requirements with supposedly temporary exemptions. Lawmakers might wish to ask the US Treasury leadership to display more energy and determination in applying these provisions more effectively. Why are banks obliged to check the identity of their customers and the source of their funds, but investment funds and non-banking financial institutions such as money services businesses are not? A Senate investigations committee report highlights how kleptocrats abuse the international art market. But AML provisions apply only to antiquities dealers, not those who trade in big-ticket art.

³ This report by Ben Judah and Nate Sibley has 70 recommendations. <https://www.hudson.org/research/16608-countering-global-kleptocracy-a-new-us-strategy-for-fighting-authoritarian-corruption>



The most obvious low-hanging fruit is funds and other financial conduits administered by investment advisers. A stroke of a pen would bring \$13 trillion — including substantial funds held by kleptocrats — within FinCEN’s scrutiny. A leaked FBI Intelligence Bulletin from May 2020 stated that “threat actors [or money launderers,] likely use the private placement of funds, including investments offered by hedge funds and private equity firms, to launder money, circumventing [AML protections in place elsewhere, such as with broker-dealers].”⁴

This rule change was proposed in 2015. One of your committee members, Tom Malinowski, has just urged its implementation, along with Senator Whitehouse.⁵ It is hard to imagine why this should not happen at once.

Under the 2004 Intelligence Reform and Terrorism Prevention Act, FinCEN was tasked with establishing a database of financial institutions’ reports on cross-border payments. It hasn’t. Why?

The Corporate Transparency Act (CTA), enacted on January 1, 2021, drives a stake through the heart of the legal monstrosity of anonymously owned “shell” companies. It is therefore a matter of vital importance, not only for the future of the United States, but for democracies everywhere, that the CTA is interpreted and implemented broadly and effectively, with minimal or nil exemptions to the new beneficial ownership registry when it takes effect on January 1 next year.

The following points, highlighted by Josh Rudolph, deserve intense Congressional scrutiny.⁶

- 1) The law’s broad definition of “beneficial owner” should mean listing activities that indicate control and define broadly the duty to report to include: partnerships, trusts, foundations, sole proprietorships, special purpose vehicles, and business associations.
- 2) Exemptions should be narrowly interpreted and limited to entities that are already required to report beneficial ownership elsewhere (such as to the SEC).
- 3) Minimize exemptions as follows.
 - Pooled investment vehicles should disclose their full legal names (not just SEC codes) and file detailed certifications. They should be exempt only if operated or advised by regulated financial institutions;
 - Unregistered private equity and hedge fund advisors should be exempt only if they already disclose their beneficial ownership to the SEC;
 - Subsidiaries should be exempt only if wholly owned;

⁴ <https://www.moneylaunderingnews.com/2021/02/investment-advisers-may-be-subject-to-aml-regulations-under-revival-of-proposed-rule/>

⁵ <https://malinowski.house.gov/media/press-releases/representative-malinowski-and-senator-whitehouse-urge-biden-administration-to-take>

⁶ <https://securingdemocracy.gmfus.org/regulating-beneficial-ownership-for-national-security/>



- Dormant/unused companies should be exempt only if they already existed at least one year before CTA enactment and continue to not conduct any activity; and
- Money transfer companies should list a beneficial owner (not a legal entity) on their Treasury registration forms and link to that information in exemption notification forms.

4) Companies should provide usable, verified information about their parent companies, subsidiaries, and affiliates. Complex webs of related entities spanning many jurisdictions obscure ownership and risk frustrating the point of the register.

5) Verify the accuracy of data immediately at the point of entry, for example by requiring the same standard of authentication and fraud-protection tools used for a credit card payment, checking passport information against the State Department's Consular Consolidated Database and comparing driver's license information to databases maintained by the National Law Enforcement Telecommunications System. Addresses should be checked to ensure they exist and comply with U.S. Postal Service standards.

6) Ensure broad, timely, and easy access to the database. Malign actors act speedily and stealthily over a period of days and are long gone by the time their pursuers are on the trail.

Other legislation also has the potential to damage kleptocracy and protect American and other democracies. The Geographic Targeting Orders introduced in 2016, for example, require title insurers involved in certain residential real estate transactions to identify the natural persons involved. Under the presidency of Donald Trump, these expanded to include counties in 12 metropolitan areas: Boston; Chicago; Dallas-Fort Worth; Honolulu; Las Vegas; Los Angeles; Miami; New York City; San Antonio; San Diego; San Francisco; and Seattle. The rules now cover transactions carried out by wire transfers (not just cash deals), above a \$300,000 threshold. Absent a nationwide ban on such deals, however, these rules simply encourage kleptocrats to range more widely. The latest renewal notice from FinCEN, disappointingly, does not expand this useful measure. Lawmakers should pressure the executive branch to make this scheme permanent and nationwide, to include commercial real estate; and then pressure allies/partners to implement similar rules.

The weakest point in the kleptocrats' business model is where they try to acquire respectability. They invest their way to visas and even citizenship, they donate to universities and thinktanks, sponsor cultural institutions and even buy news organizations, hoping in every case to evade inspection and distance themselves from their past. This works only because we allow it. Access to these points of entry can be tightened, and those who try to pass through them scrutinized. The commendable Foreign Agents Registration Act requires updating for the modern age, with sharper teeth and wider scope. The US should encourage allies and partners to adopt similar FARA-style measures to constrain and highlight kleptocrats' influence-peddling and reputation-laundering.



Speaking from outside the United States, I would like to underline how much your allies appreciate the bipartisan efforts in Congress in ensuring that this administration makes good on its promises. We note the new Caucus Against Foreign Corruption and Kleptocracy which launches formally on June 10th. We are studying intently proposed legislation such as the:

- CROOK (Countering Russian and Other Overseas Kleptocracy)
- Foreign Extortion Prevention,
- REPEL (Rejecting Enemy Payments through Enforcement and Leadership); and
- TRAP (Transnational Repression Accountability and Prevention) acts.

I would like to thank Representatives Keating and Fitzpatrick for their role in promoting the CROOK act.

Finally, we should not forget the people directly languishing under the rule of the kleptocrats. Our freedom is merely endangered; theirs is crushed. The Russian people overthrew the Soviet Union, under which they had suffered more than anyone else. But they have had the fruits of victory snatched away by the kleptocratic ex-KGB regime. The bread and circuses it offers are little consolation for the loss of a once-glittering prospect: a country governed by law, freed from the shadows of empire and totalitarianism, and at peace with itself and its neighbours.

The United States as the world's foremost democracy has a vital role to play in championing its values globally. We may be an era of geopolitical competition but that does not mean that should see foreign policy solely through the lens of *Realpolitik*.

Furthermore, promoting democracy undermines kleptocracy. The regimes in Moscow, Beijing and elsewhere are focus so hard on crushing independent media and autonomous social organization because they know that these will, left unchecked, become deadly threats to their rule.

For this reason it is vitally important that the United States continues to support independent media and civil society in any way it can. The traditional model of giving grants to organizations in Russia and China no longer works: indeed, being tarred as a "foreign agent" now carries serious risks and penalties. But that is no reason to give up. I would particularly highlight the possibility of boosting efforts outside Russia and China that may filter back into these closed societies. We should support independent universities, media outlets and civil society groups in Estonia, Latvia, Lithuania, Poland, Czechia, Slovakia and Ukraine that can train, inspire and inform Russians and Belarusians. We should promote similar efforts in Taiwan, and in any country with a significant Chinese diaspora.

These legislative and other efforts contrast sharply with the dimly ineffective approach of my own country, the United Kingdom. I hope that US officials and elected representatives will underline forcefully their dissatisfaction with Britain's progress. It should be a source of national shame that London remains the money-laundering capital of the world. It certainly is to me. I look forward to your questions.

Mr. KEATING. Thank you, Mr. Lucas.

And I want to recognize members for 5 minutes each, and pursuant to House rules all time yielded is for the purposes of questioning our witnesses.

Because of the virtual format of the hearing, I'll recognize members by committee seniority, alternating between Democrats and Republicans. If you missed your turn, please let our staff know and we'll circle back to you. If you seek recognition, you must unmute your microphone and address the chair verbally.

I'll now start by recognizing myself for 5 minutes.

You know, there have been numerous public reports regarding microwave attacks on Americans working for the government, both overseas here and abroad.

Mr. Grozev, with your background and experience, can you give any details about any specific threats posed by the GRU and SVR to the United States and to individuals working for our government?

What research have you conducted on event—on these type of microwave attacks and their potential usage by Russian security services, and any history that Russia had in using these type of tactics?

Mr. Grozev, you can lead and then anyone else that wants to comment after that.

Mr. Grozev, you're muted, I believe.

Mr. GROZEV. Yes, now I'm unmuted.

So I would like to answer by saying that we are currently investigating, together with our investigative partners from other media, the series of sonic or microwave attacks that took place across several consular sections around the world, including the United States.

We're not—we have not completed our investigation. So I would not like to provide a final judgment on that. However, I would say that in our investigation of the activities of the GRU and, in particular, their medical and scientific unit, which part of it is based in—it's in Petersburg at the—at a institute called the Institute for Experimental Biology, we see that the GRU had a particular interest in a particular type of a technology that impacts—that can impact the human capacity to operate—the brain's capacity to operate under the duress of particular sound waves.

And we have seen this—we have seen that there is a communication between the GRU and a particular institute called the Applied Acoustics Institute, which is in the domain of the Ministry of Defense. Whether that exactly is the program that has resulted in these sonic attacks we are not at this point ready to opine.

However, what is clear is that the GRU have looked at that and that also the GRU have a tendency to look into innovative, from their point of view, weapons that can affect the human brain, and this may be one of them.

Mr. KEATING. Do any of our other witnesses want to comment on that?

If not, I would just like to ask, something that's been broached upon in all your opening remarks and your written testimony that we have to take a broader view of how we deal with these Russian threats and malign activities, looking at it, and I think the opening

statements our witnesses have made really covered a lot of ground in that respect.

One of them in particular, however, draws the U.S.—and Mr. Lucas mentioned this in particular—but draws the U.S. to really reflect on its own ability to control what occurs throughout our own country and our institutions here, and that's the idea that in order for Putin to maintain his authority, as has been referenced in the opening testimony of our witnesses, he has to appease and please oligarchs and elites.

That's who his audience is that keeps him in power. And it's important, as was mentioned in the testimony, that they—from their perspective, that they have the ability globally to use their wealth and resources.

And so when you look at Western countries, U.K., and you look at the U.S., we, in fact, are facilitating some of this money laundering and covering up of assets.

You really stressed what we can do about that here. You mentioned some of the legislation, but some of your own opinions how vital that is in terms of U.S. response.

Mr. Lucas?

Mr. LUCAS. Thank you, sir.

There's a theory that one can destabilize the Putin regime by putting pressure on the oligarchs. I have to say that we have tested that. It does not seem to work, and the oligarchs close to Putin, you know, clustered around him rather than trying to do anything against him.

But in a way, that's not the point. The point is, this is important for our system. We need to keep dirty money out of our politics, out of our decisionmaking, and it's good for us whether or not it has an effect on Putin.

I think that the key thing is corporate anonymity and it's really important. This register of beneficial ownership is an absolute master stroke by the United States.

It's really important that it's implemented properly, and I hope that members of your committee will be really holding the U.S. Treasury and FinCEN's feet to the fire, making sure this is implemented in a broad and effective way.

And then you put pressure on other countries and say, hey, you do the same, because sunlight is the best disinfectant. When we see who owns stuff, then we can start asking questions—other questions about it.

Mr. KEATING. I agree. I think it's important to work with our allies in this regard, but not to wait for our allies to move on this. We have the ability ourselves to move on that. So I thank you.

My time has expired. I now recognize the ranking member, Mr. Fitzpatrick, for 5 minutes.

Mr. FITZPATRICK. Thank you, Mr. Chairman.

First question for Mr. Lucas. In your testimony, you note that Russian pipelines do not just export energy dependence on Russia but also export corruption.

Can you elaborate, sir, on how the Nord Stream 2 pipeline will enable the Kremlin to export corruption into Europe and the consequences of this to both the United States and our European interests?

Mr. LUCAS. Thank you, sir. It's a great question, and I would commend the work of Ilya Zaslavsky, who's written two excellent reports on the politics of Nord Stream, and I'll be happy to send those to your staff after the—hearing so you can look at more detail.

There are many elements to this. One is that pipeline gas creates a monopoly. Once the pipeline is built, the gas that comes through the pipeline will be cheaper than, for example, bringing it in from—by liquefied—in liquefied natural gas form from tankers.

So the pipelines are inherently monopolistic and one needs a legal framework in order to prevent that.

And the Kremlin is guilty in court of abusing its gas pipelines, which are legacy of the Soviet Union, to try and distort the gas market in Western Europe, and the EU did a pretty good job of pushing back against that. But the job's not done.

Particularly with regards to Germany, Nord Stream 2 makes Germany a weaker ally for the United States and that means the United States have to carry even more of the water in European security, and that's a big issue. It's something that every U.S. administration has complained about. Nord Stream makes that worse.

But it also, as you said in your question, it exports corruption and the best example of that is the role of the former German Chancellor, Gerhard Schroder, who is the chairman of the consortium that is in charge of the Nord Stream 1 pipeline and is building the Nord Stream 2 pipeline.

But it's not just. That's the kind of conspicuous tip of the iceberg. Once you have this bastion of economic influence in the German system, then you have all the jobs and sinecures and contracts that go with it, and we see the way in which German politicians, friends, relatives were put onto the payroll of Russia-related energy companies.

It creates a sort of web of interests and obligation, which pumps a sort of pro-Kremlin mind set and pro-Kremlin views and pro-Kremlin actions into the heart of the German system.

It's amazing, commendable to me, that so many Germans are now fed up with this, and perhaps the disquiet in Germany about fossil fuel dependency and worries about human rights in Russia and elsewhere is helping this.

But I think that the Gazprom lobby in Germany is to some extent on the—on the back foot. Boy, they had a good run over the last 20 years. Germans have benefited from this cheap gas.

Everyone else has paid a price for it in terms of security, not least in Ukraine, which, of course, would be the great loser if Nord Stream 2 is built and gas transit through Ukraine finishes.

And there's a real paradox here that American taxpayers and American servicemen are trying to defend Europe, and greedy German—the greedy German energy lobby is working on the other—in the other direction, and I'm really sorry that sanctions are being dropped on Nord Stream and I hope it's not too late to reimpose them and to try and put a stake through the heart of this project.

Mr. FITZPATRICK. Thank you, Mr. Lucas.

I want to shift briefly to China. In your testimony, you assess that China's taking advantage of the economic, legal, political, and

social vulnerabilities that have long been created and exploited by the Kremlin?

Sir, can you go into more detail and provide some concrete examples? And what can we do on this committee and in Congress to address these vulnerabilities of the Russia-China issue?

Mr. LUCAS. Well, it's really interesting to compare and contrast Chinese and Russian tactics, and I worry that the Chinese are learning from the Russians, particularly in the realm of law fare where we see, for example, supply chain dependency, the use of access to the market, the access to the Chinese markets far more important than access to the Russian market, but Russia pioneered this targeted use of sanctions against countries it did not like and now China's doing the same against the great U.S. ally of Australia.

We also see a much more powerful Chinese presence on campus. This is something the Russians tried. It did not get very far. But the attempt to try and intimidate academic discussion, China is very effective on that.

Russia has pioneered the use of intimidatory lawsuits, these so-called SLAPPs, but I think China's going to be moving in the same direction.

So it's almost like a hole in the roof. You've got a hole in the roof, rain will get through 1 day, wind will get through the next. The key thing is to, first of all, fix the hole in the roof.

And we can do this. What is so frustrating nobody made us do this. We chose to open our system up in a way that the Russian and Chinese adversaries can attack us.

Mr. FITZPATRICK. Thank you, sir.

My time has expired. Mr. Chairman, I yield back.

Mr. KEATING. Thank you. The chair now recognizes the vice chair of the committee, Representative Spanberger, for 5 minutes.

Ms. SPANBERGER. Thank you very much, Mr. Chairman, and to the witnesses thank you so much for joining us today.

It's unfortunate that we have seen for too many examples in recent years of the negative consequences of the authoritarianism and corruption in Russia, consequences that, of course, deeply impact the Russian people but also the security, the democracy, and human rights internationally.

And this disruptive behavior of the Kremlin has, in fact, directly affected Americans, whether it be the safety of our troops abroad, the security of our elections, or our cybersecurity and government infrastructure.

And so I'd like to begin by question—by providing questions that relate to some of the motivating factors here, and that's the proliferation of illicit finance and the corruption that really fuels some of this malign influence and malign efforts.

Like so many other members of this committee, I am concerned about how Putin and his collaborators do utilize illicit financing corruption to advance their own aims while repressing their people, weakening human rights and security internationally.

And so along these lines, I did lead an effort with nearly 40 of my colleagues calling for a significant increase to the U.S. Financial Crimes Enforcement Network, FinCEN, so that we, the United States, can better go after money-laundering illicit transactions

that underlie some of these criminal, corrupt, or dangerous behaviors that we see from States like Russia and nonState actors who take refuge in the country.

And so, Mr. Grozev, I would like to begin with you and ask, very generally, you know, what is known about the role of Russian oligarchs in financing illicit activities and operations, and can you speak to the strategy of how they finance some of these activities, including the links between the oligarchs, the actual government, and perhaps transnational actors?

And then what loopholes the oligarchs might exploit in international financial systems to carry out these activities or to secure their own wealth?

Mr. GROZEV. Thank you. It's a very good question, and I have to say that it's something that I always caution against, this seeing Russia, the Russian autocracy, as a centralized planned economy.

The equivalent is much more closer to an actual marketplace of both—of operations that are disruptive, and in that marketplace a lot of oligarchs offer their services, and they offer their innovation as well in exchange for funding or for solutions or solving other problems that they have. We can take a couple of examples just to make it more vivid.

At the start of the war in Ukraine, there was a particular oligarch, a Russian oligarch—his name is Konstantin Malofeev—who took the initial risk of sending some of his proxies, a mini army financed by him on his own account and delivered what turned out to be a pretty successful operation for the Kremlin whereby he solved a lot of legal issues that they had. There was a criminal case pending against him.

There was a large debt that he had accumulated toward one of the State banks. All of that debt vanished, disappeared, after he delivered the result.

This is an example of interplay between an oligarch and the Kremlin. The Kremlin has only a limited number of assets that they can share with the oligarchs. But that includes solving legal problems.

That includes giving them access to new resources and resources, such as when Crimea was in—was a large resource that was a part—was stolen by Russia, but a lot of licenses, concessions, access to mineral resources were given to some of the oligarchs as part of a trading deal.

Another oligarch who has been in a similar position offering such deniable services of international disruption is Yevgeny Prigozhin.

I mean, you know him because he did take part in disrupting your elections in 2018, at least, and he is funding a private army and he's being funded himself for that operation through large State contracts that are awarded to his catering companies that provide services—food and beverage services—and other logistical services to the army.

So it's a vicious circle. In this particular case, it's not legal solutions that are offered by the Kremlin, but actually they have a sort of symbiotic relationship where they're giving him—they're allowing him to overcharge for the logistical services in order for him to deliver this deniable proxy arrangement.

So these are just two examples, and there are many more that I'm sure my colleagues can also speak to.

Ms. SPANBERGER. And do you and anyone else on the call—do you have recommendations for what we, Congress, or the Biden administration could do that could potentially—you know, much of what you just described is occurring domestically within Russia.

But are there any things that we could do to close loopholes or cutoff some of the tools that they use in this illicit finance or movement of money?

Mr. GROZEV. Well, I think we—you have to be inventive and you have to sort of come to the challenge, and one of the ways to be inventive is to actually make it difficult for people with whom these oligarchs trade and trade also privately, not necessarily commercially.

I mean, Yevgeny Prigozhin and his family are very avid. They have racing horses in several countries around Europe, and but this is an example of continued operation and commercial transactions between the family and people in Europe or people in the United States.

So, essentially, there has to be very good intelligence work trying to find out what are the spheres of private lives that these people will feel affected by if they lose them. But that will be about the only way that I can think at this point.

Ms. SPANBERGER. Thank you very much, sir.

And, Mr. Chairman, I yield back. Thank you.

Mr. KEATING. Thank you, Representative.

The chair now recognizes Representative Wagner for 5 minutes.

Mrs. WAGNER. I thank you, Mr. Chairman, for organizing this important hearing, and I thank the witnesses for their tireless work to shed light on Russia's corrupt and illicit practices, especially its egregious human rights abuses.

As the State Department documented in its 2020 Human Rights Report, Putin's Russia has engaged in extrajudicial killings, disappearances, torture, wrongful arrest, attempted assassinations, and persecution of religious minorities.

The United States should honor the many victims of the autocratic Putin regime, including the unjustly imprisoned opposition leader Alexei Navalny, by holding Putin and his cronies accountable for the crimes that they have committed against their own people.

Dr. Weber, what has been the effect of Alexei Navalny's poisoning and imprisonment on civil society, and to what extent has it changed the way the Russian public views the Russian government?

Also, how can the United States best support those who are continuing to stand up to Putin?

Dr. Weber?

Dr. WEBER. Thank you. That's a—that's an excellent question. So, you know, for many years, the Russian leadership did not say Alexei Navalny's name in public. They would use such constructions as a blogger that nobody needs, the Berlin patient, so on and so forth.

So what we can see in the past couple of months is that they've taken a lot of money and, essentially, raised the amount of repres-

sion over the entire society just to illustrate the fact that they're not terribly bothered by him.

And it's clear that in—that what Alexei Navalny represents to them that is such a threat is that he's a political alternative.

He may be a good alternative for president, a viable alternative for president. The fact that the people can think of him as an alternative to Putin, that's the main threat that he poses.

And so that's why they've taken him, you know, in and out of prison, poisoned him, and what they've done right now is, as has been mentioned earlier, they have labeled his entire organization or gone through the political steps to or the legal steps to call his organization an extremist one, so at the same level as ISIS within Russia. That's how much of a threat the idea of political alternatives are.

And, you know, there was a previous question from Representative Spanberger that touches upon an aspect of this, that what Putin wants is all of these different, you know, oligarchs or security services or whatever else, all of these different groups to think that Putin is going to, basically, keep increasing their funding, their money, indefinitely into the future. That's why they support him. That's why he supports them.

But it's a relationship that's, in fact, kind of futile. He also expected—

Mrs. WAGNER. Thank you, Dr. Weber. I appreciate it.

Dr. WEBER. Thank you.

Mrs. WAGNER. I need to move on.

For decades, the American media service Radio Free Europe and Radio Liberty, or RFE/RL, has been a key part of U.S. efforts to share stories of freedom and democracy with millions of people around the world.

Today, the Kremlin is working to compromise RFE/RL's ability to expose the truth of dangerous propaganda and disinformation campaigns propagated by totalitarian—pardon me—regimes like Russia.

Mr. Lucas, how can RFE/RL fight the Russian government's efforts to limit and control its operations, and what more, again, can the United States do to assist both in maintaining Radio Free Europe and Radio Liberty's presence on the ground in Russia and to support freelancers facing the consequences of Putin's assault on freedom of the press?

Mr. LUCAS. Well, thank you, ma'am. It's a great question, and if there was an easy answer, we'd have it. This is a point of vulnerability for us. We want to do things inside Russia, and when we're inside Russia we are vulnerable to pressure from the Russian authorities.

I think, you know, so long as Russians can still travel abroad we can do stuff there. We can support these organizations that trade abroad. We can support people coming abroad. We can support organizations like Meduza.

In this, they put up a great firewall of Russia, like we have a great firewall of China. We can operate on a pool model where Russians are finding stuff on the internet. It won't be broadcast in the conventional sense.

I still have a hankering for shortwave radio. But that, perhaps, is my—says something about my generation. Some of us on this call may remember the joys of shortwave radio.

But the key thing, ma'am, is we have got to want to do it. We have got to believe that we have a story to tell, and we have got—

Mrs. WAGNER. Absolutely.

Mr. LUCAS [continuing]. To feel that it matters to get that story across because when we stop believing in our values and our message, then what chance is there of anyone else believing it either?

Mrs. WAGNER. I couldn't agree more. I thank you for your answer.

I yield back, Mr. Chairman, and thank you again for the hearing.

Mr. KEATING. Thank you, Representative.

The chair now recognizes Representative Cicilline for 5 minutes.

Mr. CICILLINE. Thank you, Mr. Chairman, and thank you to the ranking member for calling this important hearing and thank you to our witnesses.

The influence of Russia and its leadership under the long rule of Vladimir Putin on global democratic backsliding and corrupt governance cannot be overstated.

For over two decades, Putin has enriched himself and has enriched a tiny circle of elites through global money laundering schemes that harm democracy in the West, compromise critical markets around the world, and ensures that Putin is isolated from criticism and political opposition.

And, unfortunately, in America and in places around the world a cottage industry has arisen to service the needs of Russia's corrupt elite that seek to hide and launder dark money.

And so my first question is for you, Mr. Lucas. You know, as we think about what Congress can do, you reference in your written testimony—you use the term enablers, bankers, lawyers, accountants, real estate agents, and other members of the professional class in North America and Europe and beyond that are all too happy to service the needs of Russia through corrupt financial practices.

And what can we do here in the United States and along with our partners to ensure that that does not continue?

Mr. LUCAS. Well, it's a very broad problem and but you've got to start somewhere, and the United States, as the most important foremost democracy in the world with the biggest capitalist economy, is a great place to start.

And this legislation before Congress and the legislation that was already passed is a good jumping off point, because one of the great things about the United States is people are scared of doing things that will get them into trouble in the United States.

It was very interesting, just now on social media someone pointed out that there may have been some American citizens on board that flight that was brought—forced to land in Belarus, and that's just a game changer.

If it uses a single U.S. cent or single U.S. person involved, then suddenly it's different from if you're just mucking around in Cyprus or Luxembourg or one of these other jurisdictions that the Russians also exploit.

So it's really important for the United States to confidently take the lead, and I think there's two big things here. One is to go after corporate anonymity. Insist that you know where the money comes from.

Don't just say—a lobby will say, this is a shell company and it's buying business real estate. It's only residential real estate that's caught by FinCEN. So FinCEN's rules on real estate have got to go.

Mr. CICILLINE. Mr. Lucas, I'm just—I'm going to try to get in a couple more questions. So I just—

Mr. LUCAS. Sure.

Mr. CICILLINE. Yes. No, I get your point, and I guess—and I think we have some legislation before the committee that I hope we'll move forward in a bipartisan way.

I want to now turn to Professor Gessen. I would like, if you would, just speak for a moment about the impact of this autocratic rule in Russia and, particularly, during COVID-19 and how it has impacted human rights, particularly for women, girls, and members of the LGBTQI community and kind of what's happening on the ground.

Mr. GESSEN. Well, as I mentioned—thank you. As I mentioned in my testimony, Russia is a country that is uniquely positioned to vaccinate its population and this hasn't happened and, in fact, we're seeing—you know, we have lost count. It's, like, the second or third wave of COVID deaths in Russia and that's sort of vastly underestimated.

To answer your question about women, girls, and the LGBT community, I think one of the things that have—that has impacted people a lot is the isolation—the de facto isolation of Russia.

Russians have, effectively, lost the ability to travel abroad and to leave the country. This, for LGBT people, for women and girls facing abuse, means cutting off a lifeline, right?

We have seen so many refugees and asylum seekers coming out of Russia, especially as a result of sort of the so-called traditional values anti-LGBT campaign, and that has effectively stopped in the last year and a half.

Mr. CICILLINE. Thank you. And finally, Dr. Weber, you spoke about the importance of partnering with Russian pro-democracy and pro-reform forces and, of course, the challenge is how we do that in a way that does not endanger the very lives of the people engaged in this work.

And so you talked about some online courses, but are there other things we can do to sort of get the story out about the way that this Russian kleptocracy is destroying the lives for ordinary Russians and that, you know, Vladimir Putin and his cronies are, you know, robbing the treasures of this great country at the—to the detriment of the Russian people? And it feels like that's a big part of the untold story, and how do we effectively do that?

Dr. WEBER. So great. I mean, one of the things that, you know, these sorts of organizations when I was reaching out to them, they said, things like, you know, a subscription to Adobe Photoshop or other editing software, really small things like that, because what the Russian government has gone after is the investigative news journalists inside of Russia.

So these are Russian journalists and activists who want to talk about their own country in their own language, and so that's the support that they need. They, basically, need the spotlight from abroad and the tools to actually do their jobs. That's their core desires, and, you know, an evacuation plan if it really goes pear shaped.

Mr. CICILLINE. Got it. Thank you. My time is expired. Thank you, Mr. Chairman.

Mr. KEATING. Thank you, Representative.

The chair recognizes Representative Meijer for 5 minutes.

Mr. MEIJER. Thank you, Mr. Chairman, and thank you to our witnesses who are here today. You know, obviously, we have been watching over the past two decades, and I think we have this kind of nagging feeling of a window slowly starting to close that had been opened after the fall of the Berlin Wall.

But, you know, I guess there's a number of reasons to be pessimistic, and I think Dr. Lucas, you mentioned, some room for optimism in terms of greater transparency on property purchases, right, or other areas where beneficial ownership can be achieved.

And then there are still those green shoots on the activist front, Alexei Navalny being one but, obviously, as we all know, that whole path has really just gotten beaten down.

Professor Gessen, I wanted to turn to you. In your testimony, you mentioned the kind of dark joke of modern Russia being two crayfish turning to one another and saying, you know, 10 degrees ago it wasn't so bad in that, you know, slowly boiling pot of water.

If you were a pro-democracy activist or an anti-Putin activist today that isn't already associated with Alexei Navalny or an existing movement, I mean, is there—is there any room for that to grow that hasn't—any soil that hasn't been kind of salted by the regime?

Mr. GESSEN. That's a great question and I think—I think if you're looking for reasons for optimism, I'm not going to give you any. I think it's a scorched earth situation.

I mean, we—the vector of the regime is to kill everything in—on sight and the scale and brutality of the crackdown that we have seen just in the last few weeks is unprecedented.

We have said this before, but this just shows that yes, there's room for this to get much, much worse, and it's getting exponentially worse just in the last few weeks.

The extremists designation, which a couple of us have mentioned, that has—that has been—is going to be applied to Navalny's organizations opens up room for a scale of arrests and the kind of prison terms that we simply have not seen before.

Mr. MEIJER. And that—yes, I guess, looking for optimism may be an overly optimistic assessment. I know we saw some mass protests or at least a decline—I shouldn't say mass protests. We saw some isolated ones, but a decline in Putin's popularity when he was implementing some retirement reforms a few years ago.

I mean, is there still room outside of the pro-democracy—you know, kind of pro-Putin outside of that dynamic? Are there other areas where there may be simmering discontent that could undermine that hold?

You know, we talked about the oligarchs earlier and then that targeting. You know, they kind of, you know, circle the horses or

circle the wagons, if you will, you know, when it comes to other elements of the civil society that aren't necessarily engaged in the democracy advocacy front. You know, where is the—Putin standing at the moment?

Mr. GESSEN. I think, Representative Meijer, you're asking me if there's a way for the Russian people to bring down the Putin regime, and I think the answer is no.

Not because there's no discontent. There's a lot of discontent. But because all the levers that could possibly be set in motion by mass discontent, by mass protests, have long since been destroyed. There's no independent judiciary. There's no possibility of independent political action by any people who have official power.

There's nothing for protests—you know, there's nothing for—there's no way to express the discontent publicly, except by going out into the streets and going out into the streets with a more and more brutal crackdown every time it happens.

Mr. MEIJER. Thank you, Professor.

Dr. Lucas, real quick before my time expires, you know, obviously, we touched upon earlier the Ryanair flight that was kind of air piracy, you know, and forced to land in Belarus, and then just today we had an Air France flight from Paris to Moscow that was told if it wasn't going to transit Belarusian airspace, it wouldn't be allowed to land in Moscow.

Any insight into how you view this escalating tension with Minsk getting closer to Moscow and forming kind of that authoritarian alliance? How does that play out for the rest of the EU?

Mr. LUCAS. I think that Moscow is pretty surprised about what Minsk did. I do not think it was part of a plan. I wonder if Putin will tell Lukashenko to back down and then present that as a gift-wrapped something for the table at the summit with Biden. But if I knew the answer, I would be running some intelligence organization. I wouldn't be here.

Mr. MEIJER. Fair enough. Fair enough.

Mr. Chairman, I yield back.

Mr. KEATING. Thank you, Representative.

The chair recognizes Representative Titus for 5 minutes.

Ms. TITUS. Thank you, Mr. Chairman, and thank you to these witnesses.

You know, we have heard a lot this morning about how Putin and the oligarchs of Russia have used their wealth to kind of control or maintain a stranglehold on the internal economy and politics of Russia itself.

But we also know they've used these funds in turn to influence politics around them. They've supported separatist movements in Georgia, Ukraine, and Moldova.

They've tried to influence elections in some of their—the countries that are near their sphere of influence. They interfered in the referendum in Macedonia even.

I wonder if the panel would discuss what the United States can do to try to stop that extended influence without playing into the hands of Putin who actually needs the U.S. to be an enemy to buildup his position internally.

Dr. WEBER. So, ma'am, if I may, I would suggest better enforcement of secondary sanctions. So a lot of these oligarchs and dif-

ferent sorts of people they provide some service to Putin and the Russian State, but they also have totally normal business dealings.

And so there isn't any real reputational risk of dealing with those people because they can say, you know, this is my one State business but I have all my other business that's totally normal.

So to increase the risk—the reputational risk of working with them on other people, that would be the sort of thing that could raise the costs to, basically, business as normal within Russia and would then essentially create these, these long-term, you know, doubts within the elite, do I want to participate in trying to influence a referendum in Montenegro or wherever else if I cannot also have my normal, you know, stock listing in, you know, New York or London or Hong Kong or wherever else.

So that would be a core thing to raise the costs on the elites from inside of Russia through secondary sanctions.

Ms. TITUS. You may.

Mx. GESSEN. Can I jump in?

If I may be so bold as to suggest that we think about sanctions a little bit differently. I think the traditional way of thinking about sanctions is to try to measure their effectiveness and see if they've actually changed the behavior of somebody like Putin.

I think that's unrealistic. Putin's behavior is not going to change nor is the propaganda machine going to stop positioning the United States, no matter what the United States does, as the enemy.

As you rightly pointed out, that is what Putin needs for the survival of his propaganda machine. I think if we could reframe it as doing the right thing, as not—as the right thing being not doing business with a regime that kills its own citizens, that throws people in jail for thought crimes, that has assassination squads roaming the world, that interferes in other countries and works to undermine other democracies, then I think that question becomes a little bit simpler, right.

It's not a question of effectiveness. It's a question of maintaining the integrity of the West, maintaining the integrity of U.S. actors and not getting in bed with that regime. Thank you.

Ms. TITUS. Thank you.

Mr. LUCAS. If I could just jump in.

Mr. KEATING. Yes, go right ahead.

Mr. LUCAS. Yes. It's absolutely right, maintain—the best defense we have is the integrity of our system. The greatest weakness we have is problems in our system, which enemies can exploit.

As I already said, we have already done this with terrorist finance. If I'd said to you 30 years ago we are going to worry about how Islamic extremists handle money, people would have said why is that a problem.

9/11 taught us that's a big problem. And we have dealt with it. We have very sophisticated extensive measures for dealing with threat finance. We just need to refocus that a bit and start thinking not just about terrorists but about kleptocracies.

Ms. TITUS. Thank you.

Just really quickly, something that hasn't been mentioned is environmental progress in Russia. Now, often the way oligarchs or leaders get away with things is a lack of rule of law or a lack of regulation.

Is that occurring in Russia too where Putin says one thing and, yet, we do not have any way to hold him accountable for anything that's improving the environment like the Paris Accords?

Professor, I guess—

Dr. WEBER. The law of Russia is very flexible. So it's—there are many laws and regulations that are in conflict with each other and they get interpreted as is necessary.

So the way the Russians view climate change writ large, just quickly enough, is they look at, basically, China saying, you know, President Xi said we'll reach maximum coal usage in 2035 but we'll be carbon neutral in 2060.

The U.S. is sort of in and out. They look at that as the other two major players of the system aren't taking this very consistently and very seriously. They look at climate change as actually good for them. It's better growing seasons inside of Russia, which is a cold country.

It's greater access to the mineral resources in the Arctic itself, and if the Arctic becomes a navigable zone, well, then they can militarize it and make it something in which they are a founding member of the Arctic as something to negotiate with the United States and others akin to nuclear weapons.

So they're actually all in on climate change as being a good thing.

Ms. TITUS. Very interesting.

Well, thank you, Mr. Chairman.

Mr. KEATING. Thank you, Representative.

We'll just take a few moments to do some followup or some areas that weren't covered for the members that want to participate. At least, I have a few.

We really touched on Crimea. Just yesterday, I had conversation with several of the reform leaders in the Ukraine.

As they move forward and they realize their challenges, but they are moving forward, I believe, working on areas of judicial reform, dealing with corruption issues in Ukraine, you know, their aspirational goal is to move toward, you know, the EU, maybe NATO, as Russia masses anywhere between 80,000, maybe more, troops just for a show of force.

As they go along this, what do you anticipate Putin's move will be? We know what happened the last time in the Maidan after, you know, they were moving toward, you know, application toward the EU and Russia's response.

What do you anticipate the problems there for Ukraine, moving forward? What intervention do you think Putin is capable of, going forward now?

Go ahead, Mr. Lucas.

Mr. LUCAS. Yes. I think the key thing for Russia is that Ukraine has become a much stronger country now. This is not the Ukraine of 2014, which was, basically, unable to defend itself, and the thought of an all-out war with Ukraine, even if it did not have Western help, is a really serious prospect for Russia.

So I think that we are in an era of bluff and intimidation rather than outright conflict, and Russia looking for pressure points, and I would particularly point to the Sea of Azov and attempts to try and cut the Kerch Straits and put pressure on the east of Ukraine

there and, of course, the continued attempts to destabilize Ukraine through its economic system and corruption and so on.

I think it's really the number-one priority for us is to help the Ukrainians deal with corruption and strengthen themselves because a successful Ukraine, a politically strong, economically vibrant Ukraine, is like—is a terrible thing for Russia because it shows that this can work. Putin's approach, fundamentally, is nihilistic. He says there is no other way. This is never going to get any better. You just got to stay with me.

And if people look across the board in Ukraine and say, hey, there's an alternative that's better, that's terribly—that's really destabilizing for him?

Mr. KEATING. Anyone else? Other prospects there?

I know, you know, Mr. Grozev, you know, did they act in ways where it's deniable, and that's where you concentrate a lot of your efforts in reporting. They can continue to use the Wagner Group or—to destabilize things. What are their options?

Mr. GROZEV. Well, first of all, I would like to say that an escalation at this point in Ukraine will be most likely a function of internal domestic issues in Russia of dropping of popularity just before elections, for example, or, as we had a lot of discontent on the ground in Crimea because of the lack of—a shortage of water.

So whenever we see such symptoms of sort of a downward spiral of popularity of the Kremlin, we see an escalation of rhetoric, at least toward Ukraine.

So this is one of the risks for Ukraine, that actually something happens inside Russia and Putin needs a sort of a wag the dog situation.

And the second one is, as we just discussed, an improvement—a significant improvement in the economic position or in sort of the happiness in Ukraine because that will be a nightmare for the Kremlin.

So I think that if we see signs of escalation, this might not be a thing, and I agree completely with Edward that it's very unlikely that today's Kremlin will risk an all-out war, even a war via proxy, just because the Ukrainian army and the Ukrainian secret services are much better than they were 5 years ago.

Mr. KEATING. Thank you.

Representative Vice Chair Spanberger, would you like a followup question?

Ms. SPANBERGER. Thank you very much, Mr. Chairman, and to our witnesses, thank you for spending a little bit more time with us.

I was just wondering if we could—just any general answers or perceptions, observations you all want to share related to the Russian intelligence operation. So I've previously served as a case officer with CIA and this is always an area of interest.

So, just generally speaking, if you could speak to how intelligence operations really fit into Putin's larger aim of consolidating power, either domestically or expanding influence internationally, I would be interested in your thoughts on that.

Mr. LUCAS. If I might just jump in very briefly because I'm sure Christo has also got some thoughts on this. But I think it's one of

the weaknesses in the preconception. As a former intelligence officer, you may recognize this from your past life.

He tends to overestimate the importance of things that are called secret and he has a slightly distorted world view. He's, I think, sees the secret world in very sharp colors and perhaps sharper—sharper than they should be.

He's got tremendous—and I think another thing that's worth looking at is the competition between the intelligence branches. So they're not all playing on the same team. Obviously, that would never happen in a Western country the intelligence organizations would be rivals.

But that's, certainly, another element and what to take certain, we saw in the attack on the United States political system, the SVR was conducting one cyber operation and the GRU was conducting another and they were on the same network.

Ms. SPANBERGER. And when you talk about the differences there, are there also significant differences in terms of how they're funded, how they're prioritized, and how does that impact us? And I think one of the other witnesses wanted to add something. So I'll just open that back up.

Dr. WEBER. So if I may just sort of jump in on that exact point. So one thing to think about, there are many intelligence services.

The FSB, the successor to the KGB, can also be thought of as perhaps the largest economic organization in all of Russia, having a little slice of just about everything in the entire country.

So part of the reason that Putin is so afraid of what happens after Putin is his belief and everyone's belief that if, basically, a new group comes in, they're all going to whatever is the modern version of the guillotine and they'll all be expropriated.

So in that sense, their life is a day-to-day existential struggle to keep that future from happening, and so that's part of their fear. The success will be reversed in a very awful way.

Thank you.

Ms. SPANBERGER. Thank you. Mr. Chairman, I yield back. Thank you.

Mr. KEATING. Thank you.

The chair recognizes Representative Costa—Representative Costa is the chair of the Transatlantic Dialogue—for 5 minutes.

Mr. COSTA. Thank you very much, Mr. Chairman, and I think this morning's hearing is very important to our collective will to coming together with a strategy with our European partners on the flexing problem of Russia that we have discussed this morning.

I have a different version of how I describe Russia today that I suspect does not—I hope many of you would agree with. I think modern-day Russia is their version of “The Sopranos,” and “The Sopranos,” of course, a—the situation in Russia with the oligarchs, I think, dependent upon one another and Putin.

You touched upon a key to destabilizing this partnership as their common interest in their financing and whether it's laundering money in London or their Swiss bank accounts.

Why do you believe that the West there's just a lack of leadership has been—discounting the last 4 years where there was something else going on, in my view—a strategy to really undermine the

financial underpinnings of how this underworld system, this corrupt Soprano group continues to function?

Mr. LUCAS. Well, if I may, Congressman, just jump in quickly on that. It's incredibly lucrative, and if you are a lawyer, a banker, an accountant, a PR guy, selling real eState, you can make a fortune.

You can make life-changing amounts of money working for these people, and it does not feel that bad. We do not yet have—I think always the first thing we need is normative pressure. People should feel bad about taking these people on as clients.

They should feel that people aren't going to talk to their kids at school, that no one's going to want to talk to them at parties, they won't get into golf clubs, whatever. We need normative pressure this is bad. We do not have that at the moment.

In many countries, it seems completely respectable, normal, understandably even creditable to be building bridges with Russia and doing business with these people. And until that changes, it's going to be very difficult to get some—get some traction.

Mr. COSTA. But isn't there, basically, just a lack of a strategy that the West can agree on to implement?

Mr. LUCAS. Well, we need—we need to stick—I mean, someone's got to lead, and I think if we sit around waiting for a united Western strategy we're going to be waiting a long time and we'll—

Mr. COSTA. But I think the strategy has to come from us.

Mr. LUCAS. Absolutely. As I said in my testimony, the U.S. has to lead on this. You're the biggest and the strongest element in this.

Mr. COSTA. And what would be involved in that strategy between our European allies and ourselves?

Mr. Weber?

Dr. WEBER. Oh, sure. So, I mean, the—I think part of your question is to understand what are the limitations of sanctions, as mentioned by Professor Gessen.

We think that sanctions are there's a bad thing, stop it, we'll put this pain on you and we'll take it away when it leaves—when you stop doing it.

But because we sanction so many different things of Russian foreign policy that, basically, if Putin were to acknowledge any one part of it he would, in effect, create a market for sanctions and for Russian foreign policy, and we'd know exactly what to do in order to get him out of Crimea or whatever else.

And so that's it, in essence. So what we can do in terms of sanctions is just the thing, what are, basically, the secondary ones and to—and one of the other things that Putin is able to do is that the secretary—so in the State Department's Office of Chief Economist, they've published research that showed that Putin was able to compensate every single sanctioned individual, private company, and State-owned enterprise in Russia, either directly from the State budget or through increased State orders.

Because what happens in these authoritarian countries is that these sanctions on, basically, like, the oligarchs for the big companies is just an opportunity to be compensated by Putin. It becomes this loyalty test.

So I think what Mr. Lucas and others have been describing is what are the second and third order effects that we can think of, whether it's basically normative pressure or to think about what

are the sanctions' effects on people who are not directly that oligarch and not directly working with the Russian State.

That's the sort of stuff that I think is being suggested here.

Mr. COSTA. Thank you. My time has expired. But this is a conversation, Mr. Chairman, that I think the subcommittee needs to continue to pursue to try to see if we can, on the congressional side, put in place a framework that would allow us to move forward on a bipartisan strategy. I think we have to do this.

Mr. KEATING. Thank you, Representative, and we do have legislation that's been moved and others that will moved together. So I appreciate that, and this committee will continue to look at this issue. It's so integral to the area of responsibility we have on the Foreign Affairs Committee.

Mr. COSTA. We need to get our European help to work with us on this, I think.

Mr. KEATING. I agree. And thank you for your work in that regard.

Just as some closing remarks I might have where I'll give you an opportunity to—if you'd like, to comment on may not be necessary. We touched on one of my concerns with Vice Chair Spanberger's questioning about succession.

You know, one of the alternatives in how Putin maintains his control in an authoritarian way is the argument, well, no one else can do it. Well, no one else could do it in his narrative because no one else is there.

You know, several years ago, people like—people like Rogozin as the possible successor, you know, those things disappear quickly, politically. And I know that we even have people that in—that are concerned privately that if he leaves, there could be, as Dr. Weber had said, the guillotines and violence and unrest, maybe even civil discord of major proportions in that country.

If you want to comment on those concerns as the closing remarks that you may have.

And No. 2, if Russia does have a setback, if the people—if there is a chance for reform there, what effect might that have? It seems like in this world authoritarianism breeds more authoritarianism, and if we start to see some of these countries like Russia continue to fail—I say continue because in terms of fulfilling their obligations and responsibilities to their own people they are failing. What could that be effect—what could be the effect of that?

So, yes, I'll give you a chance, just closing remarks if you want to just touch on either of those two issues or something we have not touched on, very briefly.

I'll start, perhaps, you know, with Professor Gessen first.

Mr. GESSEN. Thank you. So I actually think that the question of succession and the—and the question of—and the fears of unrest and the question of whether authoritarianism breeds more authoritarianism are one question.

And the answer is, yes. The longer the Putin regime survives, the less possibility there is for anything positive to grow on that scorched earth. As to whether—

Mr. KEATING. Go ahead, Professor. I thought you were done.

Mr. GESSEN. As for whether things will get worse when Putin leaves office, I would just like to remind you that those same fears

were expressed by intelligence services in the United States when Stalin was getting older and weaker. And this country is already gripped by violence.

It is already a dying place where people are dying from violence, where people are dying from despair, where just living there is a terrible, frightening experience.

It is a nonzero possibility that it will get worse. But it'll also be a moment of great opportunity, and the sooner that moment comes, the better our prospects.

Mr. KEATING. Thank you.

Dr. Weber?

Dr. WEBER. So thank you all for your attention and for your excellent questions.

As you said in your—in your remarks, Putin does not have any other reasonable political opponents. So he's been running against this idea of the 1990's, that after me it's the flood.

And that is, in essence—you know, one of the things that, you know, I'd like to leave the subcommittee with is Russia, the country, is great. The Russian people are totally great.

The people who are afraid of democracy and the people who are afraid of political change in Russia itself is Putin, the circle around him, and that larger political elite who are afraid of the exact sort of payback that they've done to their predecessors, and it's that fear which is making sure that they are trying to hold the country, basically, in this arrested development, you know, for on and on.

So it's not that the Russian people do not want democracy. It's that they look at the elite and then thinking if Putin isn't there what are those elite going to do to each other, and that might be the war of all against all that the Russian people are actually afraid of.

And so that's, in essence, you know, the very delicate line that we need to thread. Thank you.

Mr. KEATING. Thank you.

Mr. Grozev?

Mr. GROZEV. Couldn't agree more. I have to say that until I saw and until we identified this domestic assassination program that is so pervasive that culminated in the attempt on Navalny, I did not realize how unlikely it is for this government to ever allow a change through peaceful means.

Having this program, which is completely out of any domestic law and anti-constitutional, have run—having run it for so many years makes it very, very unlikely that there will be a mechanism that would allow for a peaceful change.

So coming back to some of the mechanisms to encourage a possible desire by the oligarchs or the elite to enforce a change on its own, I cannot agree more, that secondary and tertiary sanctions—put sanctions where they cannot be substituted and offset by gifts by the Kremlin.

Yes, the Kremlin can offer money to offset the loss of revenue for oligarchs. What the Kremlin cannot often in exchange for Western sanctions is replace, for example, visas or residence permits for the wives and for the families of the oligarchs who definitely want to live and study outside of Russia.

So just do this. It's a sovereign right of the Western world to decide who gets visas and who does not. But look for things that cannot be substituted by the Kremlin in order for it to hurt.

Mr. KEATING. Thank you.

Mr. Lucas?

Mr. LUCAS. Thanks. I endorse what my colleagues have said.

There are two things we are really bad at. One is predicting what's going to happen in Russia and the other is—the other is influencing it. If you put those two together, you're bound to get it wrong.

So I think that we should—analytically, we can see succession is a real problem and the system is highly unstable. Its personalized institutions have been hollowed out. Regimes tend to split at the top or crumble at the bottom, but how and when and where we do not know.

So in the meantime, let's just concentrate on what we can do and that's cleaning up our system. That's not just does it make it safer in terms of attacks from outside. It boosts confidence inside if people see that the system is running in the interests of the voters and the taxpayers and not by mysterious dark money behind the scenes.

So that's super important, live by—live by our own values. And if we do that, we are—at least have a fighting chance of influencing things in Russia in the—in the right direction.

And also defending ourselves against other threats, such as China, which we have touched on. So all these tools are in our hands.

We are not weak because we were outgunned in some great war. We are weak because we unilaterally disarmed some protections we have. We can put them back again.

Mr. KEATING. Great. Well, thank you.

I want to thank all our witnesses, our members. As Representative Costa had said, I think this is a subject that we just touched the surface of, that we will continue to find more information on.

This panel has been extraordinary. I thank you for your time and your insight.

Members of the committee will have 5 days to submit statements, extraneous material, and questions for the record, subject to the length and limitations of the rules.

With that being said, this hearing is adjourned.

Thank you.

[Whereupon, at 2:40 p.m., the committee was adjourned.]

APPENDIX

**SUBCOMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6128**

Subcommittee on Europe, Energy, the Environment, and Cyber

William R. Keating (D-MA), Chair

May 27, 2021

TO: MEMBERS OF THE COMMITTEE ON FOREIGN AFFAIRS

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs, to be held by the Subcommittee on Europe, Energy, the Environment, and Cyber via Cisco WebEx (and available by live webcast on the Committee website at <https://foreignaffairs.house.gov/>):

DATE: Thursday, May 27, 2021

TIME: 1:00 p.m., EDT

SUBJECT: Understanding Authoritarianism and Kleptocracy in Russia

WITNESS: Mx. Masha Gessen
Author
Staff Writer
The New Yorker

Yuval Weber, Ph.D.
Research Assistant Professor
Texas A&M's Bush School of Government and Public Service

Mr. Christo Grozev
Lead Russia Investigator
Bellingcat

Mr. Edward Lucas
Nonresident Senior Fellow
Center for European Policy Analysis (CEPA)
Former Senior Editor at The Economist

By Direction of the Chair

To fill out this form online: Either use the tab key to travel through each field or mouse click each line or within blue box. Type in information.

Note: Red boxes with red type will NOT print.

COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF SUBCOMMITTEE ON Europe, Energy, the Environment & Cyber HEARING

Day Thursday Date 05/27/2021 Room Cisco Webex

Starting Time 1:03 pm Ending Time 2:40 pm

Recesses (___ to ___) (___ to ___) (___ to ___) (___ to ___) (___ to ___) (___ to ___)

Presiding Member(s)

William R. Keating

Check all of the following that apply:

Open Session

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Stenographic Record

To select a box, mouse click it, or tab to it and use the enter key to select. Another click on the same box will deselect it.

TITLE OF HEARING:

Understanding Authoritarianism and Kleptocracy in Russia

SUBCOMMITTEE MEMBERS PRESENT:

See Attached

NON-SUBCOMMITTEE MEMBERS PRESENT: (Mark with an * if they are not members of full committee.)

HEARING WITNESSES: Same as meeting notice attached? Yes No
(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: (List any statements submitted for the record.)

- Ms. Masha Gessen's Testimony*
- Dr. Yuval Weber's Testimony*
- Mr. Christo Grozev's Testimony*
- Mr. Edward Lucas' Testimony*
- Representative William R. Keating's Addition to the Record*
- Representative Brian Fitzpatrick's QFR for Mr. Edward Lucas*
- Representative Dean Phillips' QFR for Ms. Masha Gessen*
- Representative Dean Phillips' QFR for Mr. Christo Grozev*
- Representative Dean Phillips' QFR for Mr. Edward Lucas*
- Representative Dean Phillips' QFR for Dr. Yuval Weber*

TIME SCHEDULED TO RECONVENE _____
or
TIME ADJOURNED 2:40 pm

Benjamin Cooper
Subcommittee Staff Associate

WHEN COMPLETED: Please print for subcommittee staff director's signature and make at least one copy of the signed form. A signed copy is to be included with the hearing/markup transcript when ready for printing along with a copy of the final meeting notice (both will go into the appendix). The signed original, with a copy of the final meeting notice attached, goes to full committee. An electronic copy of this PDF file may be saved to your hearing folder, if desired.

Clear Form

Note: If listing additional witnesses not included on hearing notice, be sure to include title, agency, etc.

HOUSE COMMITTEE ON FOREIGN AFFAIRS
EUROPE, ENERGY, THE ENVIRONMENT, AND CYBER SUBCOMMITTEE HEARING

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RESPONSES TO QUESTIONS SUBMITTED FOR THE RECORD

Questions for the Record Submitted to Mr. Edward Lucas
Representative Brian Fitzpatrick
Europe, Energy, the Environment and Cyber Subcommittee
May 27, 2021

Question:

There are over 10 million people from the Ukrainian community in the Russian Federation - from St. Petersburg to the eastern Russian city of Vladivostok. The Magnitsky sanctions are a prime instrument used to target individuals and kleptocrats who are responsible for denying Ukrainians the right to organize cultural, social, and religious organizations in the Russian Federation. Since change in the Russia Federation is presumed to be done from within its own society, are threats of Magnitsky sanctions against Russian kleptocrats and government officials sufficient tools to change the internal dynamic in the Russian Federation, or should other measures be enacted?

Answer:

Magnitsky sanctions are necessary but not sufficient. We need carrots as well as sticks. In particular we need to provide surrogate education, media and civil society engagement for residents of the Russian Federation (whether Ukrainian, Tatar, ethnic Russian or any other nationality) who are, or may become, dissatisfied with the regime's stagnation and repression.

The most important thing we can do is regain the economic, cultural and moral high ground. The West won the cold war because it was more attractive than the Soviet system. Now the West is seen as declining and irrelevant in much of the world. We need to change that.

**Questions for the Record Submitted to Mr. Masha Gessen
Representative Dean Phillips
Europe, Energy, the Environment and Cyber Subcommittee
May 27, 2021**

Section 1: Disinformation/Misinformation

As the role of technology grows ever larger in our society, so too does the influence that bad actors have as they seek to inundate the internet with disinformation and misinformation. Such trends have highlighted the fragility of our democracy and the importance of every single one of us being vigilant in seeking out truth.

Question 1:

How does Putin use misinformation and disinformation inside of Russia? How has it evolved over time?

Answer:

While misinformation functions differently inside of Russia - it is best described as state propaganda - disinformation inside the country is actually quite similar to disinformation abroad. The pro-Kremlin troll farms were originally created to act as agents of chaos on the Russian-language internet. They target the opposition, most notably members of Alexey Navalny's organization, spreading defamatory rumors about them and creating conflict and noise in online discussions. Disinformation mechanisms also kick in at moments of international conflict. For example, following the 2017 downing of Flight MH17 over Eastern Ukraine, both state-controlled television and internet chaos-makers kicked into gear, creating a cacophony of lies (one wild example, apparently borrowed from the finale of the BBC series "Sherlock," was that all the people on board the plane were dead before takeoff). The result of these efforts is the sense that nothing is true - and the totalitarian sense that reality can be dictated by the Kremlin and it is one's patriotic duty to defend the Kremlin's ever-shifting version of events, however absurd it may be.

Section 2: Additional Questions

Question 1:

Are sanctions the best approach for targeting and deterring malign actions of security agencies or others in the Russian government? Is there evidence to suggest that the targeting of Russian officials successfully deters further malign action? If not, what other actions could the U.S. take?

Answer:

There is no indication that anything the U.S. does can have an influence on the actions of the Russian government or its security agencies. Framing sanctions or other measures in terms of

deterrence is outdated and unrealistic. Putin has been in power for nearly 22 years, and the logic and trajectory of his actions has remained consistent regardless of U.S. or other Western actions. I believe that the correct framing for U.S. action with respect to Russia is defence, not deterrence. In other words, the question ought to be not, "What can make the Russian government's and its agents' malign behavior less likely" but what can make it less effective. This, in turn, suggests that whatever actions are taken have to be bold and decisive rather than gradual, as sanctions usually are. The most important thing that the United States can do is cut the flow of Russian money through and to Western financial institutions. This should include funds that originate with Russian government agencies; Russian state-dominated industry, particularly the energy sector; and very wealthy Russians, on the well-documented premise that being wealthy in Russia is possible only by working with and for the Kremlin. I see three categories of financial measures. (1) Cut off the flow of Western money to the Kremlin. For example - and this is an urgent first step - the United States should oppose Nord Stream-2, the pipeline that will be a literal lifeline for Putin's government. (2) Cut off circulation of Russian money in the West. The United States should strengthen and enforce regulations intended to guarantee transparency in financial transactions, preventing Putin and his elites from parking their wealth in the U.S. (3) Protect American institutions from being complicit in Russian behavior. This is less of a financial measure than a moral one. We should be looking at the use of Russian money, particularly state money, to exert soft power through programs at universities and cultural institutions.

Question 2:

What loopholes do oligarchs exploit in international financial systems to ensure the security of their wealth? What can Congress do to close these loopholes?

Answer:

Mx. Gessen did not provide a response to this question.

**Questions for the Record Submitted to Mr. Christo Grozev
Representative Dean Phillips
Europe, Energy, the Environment and Cyber Subcommittee
May 27, 2021**

Section 1: Disinformation/Misinformation

As the role of technology grows ever larger in our society, so too does the influence that bad actors have as they seek to inundate the internet with disinformation and misinformation. Such trends have highlighted the fragility of our democracy and the importance of every single one of us being vigilant in seeking out truth.

Question 1:

How does Putin use misinformation and disinformation inside of Russia? How has it evolved over time?

Answer:

Mr. Grozev did not respond in time for printing.

Section 2: Additional Questions

Question 1:

Are sanctions the best approach for targeting and deterring malign actions of security agencies or others in the Russian government? Is there evidence to suggest that the targeting of Russian officials successfully deters further malign action? If not, what other actions could the U.S. take?

Answer:

Mr. Grozev did not respond in time for printing.

Question 2:

What loopholes do oligarchs exploit in international financial systems to ensure the security of their wealth? What can Congress do to close these loopholes?

Answer:

Mr. Grozev did not respond in time for printing.

**Questions for the Record Submitted to Mr. Edward Lucas
Representative Dean Phillips
Europe, Energy, the Environment and Cyber Subcommittee
May 27, 2021**

Section 1: Disinformation/Misinformation

As the role of technology grows ever larger in our society, so too does the influence that bad actors have as they seek to inundate the internet with disinformation and misinformation. Such trends have highlighted the fragility of our democracy and the importance of every single one of us being vigilant in seeking out truth.

U.S. political institutions and even private businesses have come under fire in recent years as outside actors use misinformation and disinformation to divide us.

Question 1:

What tools does the U.S. government already have to combat such tactics?

Answer:

We have the Global Engagement Center at the State Department, and the radio, tv and online news provided through Radio Free Europe, Radio Liberty, Radio Free Asia and other outlets.

These are good, but not enough. We need to spend more, do more, take greater risks and work more closely together.

Question 2:

What more does the government need to crackdown on foreign actors who are seeking to sow discord in our society? How can Congress help?

Answer:

We need to enforce FARA better, modernize it in terms of data collection and access, and apply tougher penalties for breaches. We need public education and training to help citizens spot hostile influence operations and to build cohesion in responding to them. The Finnish "total defense" model is notably successful here. It deserves close study by the U.S. and other allies.

Question 3:

What role do individuals and the private sector play in combatting this crisis?

Answer:

Individuals can play an important role by choosing not to share rumors and hoaxes, and in challenging them when they appear among family and friends. We are all foot-soldiers in this war.

The private sector must realize that profit maximization is not the only goal. The legal and political framework in which business makes money is vulnerable. We all need to play a role in protecting it, in our choice of suppliers, customers, employees and business model.

Section 2: Corruption

Corruption has always posed a threat to the rule of law and stood in the way of protecting basic civil and economic rights. As you all well know, malign countries have begun to weaponize corruption. Bribery and graft have “become core instruments of national strategy” through which authoritarian rulers seek to exploit “the relative openness and freedom of democratic countries [that] make them particularly vulnerable to this kind of malign influence.”¹

Question 1:

How should the United States be working with and encouraging our likeminded partners and allies to implement similar policies to combat corruption and kleptocracy both externally as well as inside their own borders?

Answer:

The US criminal justice system needs to think strategically, viewing foreign criminal activity through a national security lens, and not only by assessing the gravity of the crime that may have been committed within the US or by US persons. Merits, promotions, budgets and other priorities should reflect this. Hearings could ask FBI, DOJ and other agencies about how far they work with other parts of government on this front. The fear of extradition to the US is powerful deterrent to foreign enablers.

Question 2:

How should national governments, like the United States, work with the private sector to counter Russian malign activities? What role should multilateral institutions play in these efforts?

Answer:

We need better reporting and vigilance. Greater use of reservists working in the private sector would help. The private sector is our biggest point of vulnerability. As I wrote in the New Cold War “if you think that only money matters, then you are defenseless if people attack you using money”.

Section 3: Additional Questions

¹ [Foreign Affairs. “The Rise of Strategic Corruption.”](#)

Question 1:

Are sanctions the best approach for targeting and deterring malign actions of security agencies or others in the Russian government? Is there evidence to suggest that the targeting of Russian officials successfully deters further malign action? If not, what other actions could the U.S. take?

Answer:

Sanctions are a necessary but not a sufficient condition. We could apply them more broadly, and also build public databases of those involved in abuses of human rights or in other malign actions.

Question 2:

What loopholes do oligarchs exploit in international financial systems to ensure the security of their wealth? What can Congress do to close these loopholes?

Answer:

Shell companies (and similar entities such as Scottish Limited Partnerships) still operate with near-impunity in other jurisdictions. The US should say that contracts with companies and partnerships that conceal their beneficial ownership are unenforceable in the US. It should also say that real estate cannot be bought, sold, rented out or leased by in transactions involving such companies. It should set a deadline of five years for the registration of beneficial ownership, after which time the property title would pass to an escrow account, and then to the state or federal authorities.

This would make shell companies toxic and unusable by the people who rely on them most

**Questions for the Record Submitted to Dr. Yuval Weber
Representative Dean Phillips
Europe, Energy, the Environment and Cyber Subcommittee
May 27, 2021**

Section 1: Disinformation/Misinformation

As the role of technology grows ever larger in our society, so too does the influence that bad actors have as they seek to inundate the internet with disinformation and misinformation. Such trends have highlighted the fragility of our democracy and the importance of every single one of us being vigilant in seeking out truth.

U.S. political institutions and even private businesses have come under fire in recent years as outside actors use misinformation and disinformation to divide us.

Question 1:

What tools does the U.S. government already have to combat such tactics?

Answer:

This is not a question for the Intelligence Community, which has the knowledge, skills, and capabilities to track much, if not all, of the disinformation campaigns coming into the country. It's a law enforcement and constitutional rights question for those media gatekeepers who know bad information is coming from external sources to disrupt the American system that are so far undeterred. It's not against the law to spread conspiracy theories and that's the aspect of an open information society that we live in that has been weaponized against us.

Question 2:

What more does the government need to crackdown on foreign actors who are seeking to sow discord in our society? How can Congress help?

Answer:

This is a politically incorrect answer, but disinformation (purposeful bad information meant to subvert a government, its institutions, its society, and its economy) works when the political elite of the target society is so polarized that one side accepts the assistance in its domestic struggle against opponents. Arresting the information laundering scheme wherein knowingly bad, but politically useful, information is brought into the mainstream via partisan media can only happen when those elites who prefer discord to comity receive different incentives or cease taking part in mainstream politics. As yet, there appears to be no appetite for that.

Question 3:

What role do individuals and the private sector play in combatting this crisis?

Answer:

Many actors might sincerely believe XYZ conspiracy theory as a result of misinformation (wrong but not maliciously intended information) and public education and media literacy might help with that. The ones who know better but have incentives to pretend otherwise should find their access to public media restricted. It's already impermissible to yell "Fire!" in a crowded theater but there turns out to be a carveout for someone yelling, "Have you ever considered yelling FIRE?" in a crowded theater. Both in effect can cause a stampede for the exits or make people frightful enough to consider drastic courses of action.

Section 2: Additional Questions**Question 1:**

Are sanctions the best approach for targeting and deterring malign actions of security agencies or others in the Russian government? Is there evidence to suggest that the targeting of Russian officials successfully deters further malign action? If not, what other actions could the U.S. take?

Answer:

Sanctions are necessary but insufficient to deter malign actions from Russia because current U.S. sanctions policy might be very costly for Russia in an economic sense with hundreds of billions of dollars of lost growth since 2014, but not costly enough in a political sense to change the behavior.

The United States and its partners have sanctioned numerous different actions of Putin and Russia, but since Putin's goal is to revise the international order, these can all be considered the "cost of doing business." If Putin were to respond as intended to any particular sanction, then he would effectively create a market for sanctions and the U.S. would know exactly how much pain to inflict to change Russian policy behavior.

The absence of sanctions would truly encourage some terrible behavior from Russia and my studies of the Russian economy and society have shown that Russia's basic policy response is to depress consumption at home to the lowest possible levels to demonstrate that they are unaffected by sanctions writ large. The Russian state has compensated every official, private company, or state-owned enterprise either directly from the state budget or through increased state orders.

Targeting political, security, or military officials is more or less meaningless because these people do not leave the country and their holdings are obscured heavily. Targeting civilians who support the regime, particularly the wealthy who cooperate in some ways with the government but try to firewall those activities from outside scrutiny, would be more effective because it would force the Russian to increase the amount of money it needs to keep its high-level supporters happy. It would be, in effect, a one-sided arms race that would limit Russian capabilities going forward.

Question 2:

What loopholes do oligarchs exploit in international financial systems to ensure the security of their wealth? What can Congress do to close these loopholes?

Answer:

Dr. Weber did not provide a response to this question.

