



# HOUSE OF LORDS

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 External Affairs (Sub-Committee C)  
 Inquiry on  
**THE EU AND RUSSIA**

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10.05 am

Witnesses: Tracey McDermott and Shona Riach

Vladimir Kara-Murza

Members present

Lord Tugendhat (Chairman)  
 Baroness Billingham  
 Baroness Bonham-Carter of Yarnbury  
 Baroness Coussins  
 Lord Foulkes of Cumnock  
 Baroness Henig  
 Lord Jopling  
 Lord Radice  
 Earl of Sandwich  
 Lord Trimble  
 Baroness Young of Hornsey

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## Examination of Witnesses

**Tracey McDermott**, Director of Enforcement and Financial Crime, Financial Conduct Authority, and **Shona Riach**, Director, International Finance, Her Majesty's Treasury

**Q87 The Chairman:** Good morning, ladies. Thank you very much for appearing before us. I am sure you have experience of these things, but just to put it on the record, this is a formal meeting of the sub-committee as part of our inquiry into the EU and Russia. Therefore, everything will be recorded. We only have an hour, so I would be grateful if you could keep your answers brief. I am sure there will be lots of supplementary questions. If at the end there is any point that you feel we have not covered sufficiently or where, on second thoughts, you would like to provide additional information, then obviously we would be happy to receive further communication from you. It might even occur to us that there is something we have not asked you and that we would like further clarification on. If I may, I will kick off with the first question. By all means both answer, but if you agree, do not feel the need to repeat what the other person said.

Let me ask the first question. Does the presence of significant amounts of Russian capital in the UK financial sector and property markets, in your view, pose a threat to the integrity of UK institutions or to the Government's ability to develop and pursue foreign policy and/or to the security of the UK more broadly? If you do feel that, are there any policies that you think might be considered in order to reduce whatever threat may exist? Shall I turn to the Treasury first?

**Shona Riach:** Let me start by commenting on the premise of the question, which is about Russian capital in the financial sector and property markets. It is certainly true that the UK and London in particular do attract investment from overseas, and particularly into the property market, and it is undeniable that we have Russian investors in the property market, just as we have investors from all around the world. We would question how much capital is actually held in the financial sector in London. There are a number of London-based investment and wealth banks that administer Russian assets and provide advisory services from London. For us, to the extent that there was any risk, that would be the primary area.

Also, we should not assume that all money from Russian investors is corrupt money, and the sanctions that have been imposed—we have had asset freezes—have been very targeted on specific individuals. Equally, there are other individuals who invest in London completely legitimately and who we would have no concerns about.

To the extent that there are concerns, either from Russia or from elsewhere, the Treasury is responsible for maintaining a proportionate and robust anti-money-laundering regime. We are committed to ensuring the integrity of the UK market. We play a leading role in the Financial Action Task Force, which is the inter-governmental body that sets global standards on tackling money-laundering and terrorist financing, and the FATF considers the UK to have one of the most robust anti-money-laundering and counterterrorist-financing regimes of all its members. Nonetheless, as a leading global financial sector, just due to the sheer volume of money that passes through the UK we are exposed to significant risks and we continue to be vigilant in ensuring that regulated entities have the adequate systems and controls in place to identify and to manage those risks.

The Home Office and the Treasury are currently in the process of undertaking a national risk assessment on money-laundering and terrorist financing. This is a new aspect of the FATF regime—it was introduced for the first time this year—and rather than looking just at the letter of the law it also looks at the effectiveness of the legislation.

**The Chairman:** Two small supplementaries, if I may. Open Europe published a figure suggesting that although the absolute sums in pounds were quite large, the Russians probably accounted for about 2%, I think they said, of the funds deposited in London. I do not know if you feel that is an order of magnitude more or less correct.

Secondly, would you agree that a number of UK banks have simply found that taking money from Russians creates more trouble than it is worth? They decide not to have the business, rather than go through the complexities of demonstrating that everything is clean and above board.

**Shona Riach:** To answer the second question first, yes, that is true, and not just in the banking sector but across the private sector. Even before the sanctions came into place, we had seen a move away from Russian business and signs that the private sector preferred not to take those risks.

In terms of the Open Europe figure, we would not want to say exactly what the amount of capital held is, but the order of magnitude sounds broadly right.

**Lord Jopling:** You talked helpfully about the effect of Russian money and assets on the UK economy, but I can remember being told in Moscow and elsewhere over the years that a good deal of outflow money from Russia has gone to various other places. I remember being told that Cyprus and Gibraltar were particular destinations. Do you see that those two economies in particular, where there is strong British interest, might be threatened by Soviet funds being put there? I wonder if either of you have thought about that.

**Tracey McDermott:** I think it is widely reported that there is a large amount of Russian money in Cyprus in particular. As part of the discussions with the IMF in relation to the bailout for Cyprus previously, there were reports looking specifically at the anti-money-laundering controls in relation to Cypriot banks. Those findings were actually published by the Cypriot Government and showed that there were significant areas where Cypriot banks needed to improve their ability to screen Russian payments into those accounts. That has obviously focused on whether or not they are identifying money that they should not have from Russia, as opposed to money that they should have. I do not know the precise numbers, but it is probably a larger proportion of their banking sector than it is of ours.

**Q88 Lord Trimble:** This is to Ms McDermott as well. I understand that your most recent report on money-laundering found “significant weaknesses in a number of firms”. I wonder if you could explain that a bit further to us and indicate whether you think there is any need to reinforce our legislative framework.

**Tracey McDermott:** I will start by explaining briefly the context of that report and the role of the FCA as a supervisor of the financial institutions that we regulate, in their controls over financial crime. We look at the extent to which they have systems and controls in place to prevent them being used for financial crime. That obviously includes money-laundering, compliance with sanctions, and bribery and corruption issues.

The way in which we discharge that responsibility is really threefold. We have a systematic programme for the most significant institutions, where we visit individual institutions and look at those in depth. We do thematic reports—the report you referred to is one of those—where we look across a section of the sector at a particular issue, and then do what we call reactive work on issues that arise.

The report that you refer to we did in 2011, and it focused on banks’ controls over high-risk customers. We found significant weaknesses. We found that there were failures in the overall risk assessment and governance within institutions and how they identified what risks they faced. We found weaknesses in the way they identified whether or not customers were in fact high risk and in the way they monitored them afterwards.

Since 2011, when that report was published, significant work has been done both by the regulator and by institutions to improve controls. We have taken enforcement actions against

10 institutions over the past five years in relation to anti-money-laundering, and there are ongoing cases.

We have also done other thematic work in the interim. We did a review on trade finance controls last year where we also found weaknesses, although perhaps not as significant as previously. Of particular interest to this Committee, we found improvements in the way firms were dealing with sanctions and related issues. We have an ongoing report, which will be published relatively shortly, in relation to smaller banks' controls over anti-money-laundering.

As far as the larger institutions are concerned, there has been a significant improvement in the amount of effort and energy, particularly at senior management level, that has been put into those areas over the past few years, but there is still some way to go.

**Q89 Lord Foulkes of Cumnock:** I wondered whether one of the sectors you look at is football clubs.

*Tracey McDermott:* We do not look at football clubs.

**Lord Foulkes of Cumnock:** Why not?

*Tracey McDermott:* We do not regulate football clubs. We are the regulator of the financial services institutions.

**Lord Foulkes of Cumnock:** If there was any suggestion that football clubs might be used for money-laundering, and a lot of the transactions are cash, as you know, who would deal with that?

*Tracey McDermott:* The primary responsibility for looking at allegations of actual money-laundering is with the law enforcement authorities, so that would be the relevant police force or the National Crime Agency, depending on the scale. Clearly if that money passes through an institution regulated by us, we would have an interest in the controls that firm had to identify those risks, but the actual laundering itself is a matter for law enforcement. There are other regulators that look at different aspects of money-laundering—HMRC and so on. I do not think that the Football Association has any responsibility in that, but I could be wrong on that.

**Lord Foulkes of Cumnock:** Another one: if a Russian wants to set up a bank in the United Kingdom, he has to apply for permission to you. Is that right?

*Tracey McDermott:* If you want to set up a bank in the United Kingdom, you are technically authorised by the Prudential Regulation Authority with our consent. It is effectively a dual key process. You have to make an application and you will be assessed on your ability to finance—the capital and the liquidity position of the institution—but also importantly on what we call the fit and proper test. This looks at your honesty and integrity, and your connections—who you are linked to and whether or not we believe that you are a fit person to be in UK financial services, whether you are a bank or any other sort of institution.

**Lord Foulkes of Cumnock:** I know one that has been refused, but do you know any that have been accepted?

*Tracey McDermott:* There is at least one Russian bank operating in the UK and there are other institutions with Russian connections operating in the UK. If they are authorised, they would have been through our process to assess whether or not they are fit and proper. As Shona said earlier, not all Russian money is necessarily corrupt and not all Russians are corrupt.

**Lord Foulkes of Cumnock:** These banks are still allowed to operate in spite of sanctions, are they?

**Tracey McDermott:** The sanctions impact on five specifically named banks in Russia. There is a connected institution operating in the UK, but it does not fall within the scope of EU sanctions.

**Q90 Lord Lamont of Lerwick:** I think the question I was meant to be asking has already been answered, but perhaps I could ask the Treasury a slightly more general question. Is it really possible to devise economic sanctions that are one-way in their impact? Surely by definition all commercial transactions have an impact on the purchaser, a cost, and a cost on the person selling. The idea that we can devise things that put pressure and costs on Russia that do not have pressure and costs on our own system, even if it is not necessarily our own country but another country in the European Union, is surely delusory.

**Shona Riach:** I think that is a very fair point and the Government have recognised that. They have recognised that the sanctions that have been implemented have been designed, as far as possible, to maximise the impact on Russia while minimising the impact on the UK and Europe. You are absolutely right that it can never be an entirely one-way process. Nonetheless, the Government take the view that the costs associated with sanctions are less significant than the costs associated with inaction and with doing nothing to tackle the very aggressive behaviour that we have seen from Russia. We recognise that they will have some impact on the UK economy. This also comes back to the point I made earlier about the fact that, even before we saw the sanctions, the nature of the political regime in Russia meant that we had seen some move away from investment into Russia.

On your other point about this being not just about the direct impact on the UK but about the indirect impact through our partners, obviously just for geographical reasons some European economies have more direct trade with Russia than we do in the UK. Given that the euro area remains our main trading partner, and given the vulnerabilities that we continue to see in the euro area, any impact that it has on the euro area is also of concern to us.

**Lord Lamont of Lerwick:** Thank you very much for that very frank answer. The very recent figures for the German economy, German growth, German exports and German exports to Russia have caused a lot of alarm. In the eurozone, the very small growth that it is having is largely the result of growth in Germany. Then we have had the Chancellor's remarks about the impact of the eurozone slowdown on the British recovery. Are we not seeing a situation that is very dangerous for the whole European economy?

**Shona Riach:** The biggest risk to the European economy is the geopolitical threat and the threat from the situation in Ukraine, rather than specifically the impact of the sanctions. Germany's importance to growth in the euro area, and therefore to the UK, is true, but not to do anything and not to take action would have had greater costs associated with it.

**Q91 Baroness Coussins:** You will be aware that BIS is in the process of upgrading some of the rules on corporate good governance, in particular the criteria that would disqualify certain individuals from becoming company directors if they have committed misdemeanours here or overseas. Could you say whether the UK is ahead of the game here in relation to the rest of the EU, or whether there are parallel measures in train in the EU and/or other member states? What steps could be taken to make sure that there is consistent enforcement of these corporate governance and company director rules, specifically in relation to issues such as beneficial ownership and financial transparency?

**Shona Riach:** There is always a tension in recognising the absolute importance of having consistency across Europe, but also more generally, when you are tackling money-laundering and when you are tackling corrupt assets. In order to really tackle the problem, the more global your solution is the more effective it will be. There is a tension between that and a desire to lead the way and to set best practice. During the UK presidency of the G8, the Prime Minister specifically made greater transparency around company ownership and specifically beneficial ownership a priority for the presidency. It is something on which we have worked very closely with our G8 colleagues, and we have agreed a set of principles about how the G8 would implement the FATF standards. The Financial Action Task Force sets standards that apply globally, and we want those standards to be implemented in as comprehensive and full a way as possible.

The Prime Minister has taken the decision that the UK will establish a central registry of beneficial ownership, which will be done through Companies House, and that access to that information will be made public. We are the first advanced economy to announce that we will do that. We believe that this is fully consistent with the FATF standards. The Government's priority is to do what we think is right in the UK and what we think is necessary in the UK to tackle corruption and money-laundering here, but also to try to use that to bring others with us and to get that global best practice.

As I say, the Prime Minister pushed this very hard during the G8 presidency. We are now in discussions, as part of the Australian presidency of the G20, to try to get a broader agreement to a set of principles. The anti-money-laundering directive is currently being negotiated in Brussels, and we are pushing very hard to get similar standards adopted at a European level. On the one hand, yes, we are at the front of the pack on this, because the Government believe it is the right thing to do for the UK, but we are also working very hard to try to bring others along with us.

**Baroness Coussins:** Is everything being done that needs to be done in the EU context to align with what we are doing, or do further steps need to be taken or are there recommendations that it might be useful for this inquiry to make to give that a nudge?

**Shona Riach:** The key thing here is the anti-money-laundering directive, which is currently under negotiation, and getting the right language in that. That is currently under discussion between the Council and the Parliament. We are optimistic about where that is, but it is not a done deal yet.

**Lord Foulkes of Cumnoek:** Do these extend to the Channel Islands, the Isle of Man and our overseas territories?

**Shona Riach:** The regime that we have implemented in the UK is just for the UK, but our overseas territories and Crown dependencies are active members in the context of the FATF. We are working very closely with them to ensure that they implement similar systems. Bermuda already has a central registry of company ownerships. The other Administrations in question have had consultations about how they are going to do this domestically. UK Government Ministers are in very close discussion with them about that, but we are also working with them at a technical level to try to provide them with the help and support they need to get to a similar place.

**Q92 Lord Radice:** I have two questions, which are not related to each other but which are both about asset recovery. Since the collapse of the Yanukovich Government in Ukraine, there has been a lot of talk about and attention given to the alleged billions of dollars stolen by officials from state coffers, much of which has ended up in the West. Can the application of existing legislation and regulatory authority be strengthened, or can something be done in

order to prevent this kind of theft of state assets? I understand that the Ukraine Government have asked us to help anyway.

**Shona Riach:** The first wave of sanctions that we saw were targeted very specifically on freezing assets of individuals and trying to tackle exactly these issues, although I cannot comment on specific cases or specific individuals. In recent years, we have found that there are specific challenges associated with identifying assets held in the UK. This comes back to the previous question about beneficial ownership. One of the reasons why the Government decided to take such a forward-leaning position on beneficial ownership was that we find that the ownership of some of the assets held in the UK is deliberately disguised, and companies have been used as a way of doing that. We are taking steps to address the legislation domestically to be able to tackle that.

We are also learning the lessons that we found after the Arab Spring, when we dealt with a lot of similar issues. We have been working very closely at a practical level with the authorities in Ukraine, because we found that locating and recovering stolen assets that have been moved overseas requires close and effective co-operation between the countries requesting the assistance and the jurisdictions in which the assets are being placed. This has led the UK Government to providing capacity-building assistance in the jurisdictions concerned, including in Ukraine, where support provided to the Ukrainians has included record keeping and the preservation of exhibits and evidence, because in order to freeze those assets, and in particular to look at potentially returning assets under the Proceeds of Crime Act, they need to meet UK legislative standards and the burdens of proof required.

**Lord Radice:** The second question I wanted to ask you was on the so-called Yukos grab. As I am sure you know, the international arbitration award of \$50 billion has been made for former Yukos shareholders against the Russian Government. What levers can be used to enforce that settlement? Can you give us any help here?

**Shona Riach:** It is difficult to comment on a specific case.

**Lord Radice:** With great respect, it is a fairly large specific issue and has been a very big issue for a long time. I would have thought that the Treasury probably had a view of how an arbitration award of that magnitude is actually going to be enforced, because as you know it cannot be enforced by an international arbitration court. We are a major Government in the international global system.

**Shona Riach:** Recognising the importance of the issue, this is really a question that you would have to ask the Home Office rather than the Treasury.

**Lord Radice:** The Home Office? That seems a very strange answer to me.

**Lord Trimble:** On the specific point of the Yukos \$50 billion arbitration, it has been suggested to me that the Russians are trying to wrap that up together with the issue of the Malaysian airliner, with the existing sanctions regime that has been imposed upon it, presumably with the hope of getting them all lifted at the same time. As I say, it has been suggested to me; I do not know whether that is in fact the case or whether you have seen any sign of that happening.

**Shona Riach:** We are certainly not in discussions with the Russians about lifting the current sanctions regime.

**Q93 Earl of Sandwich:** I am afraid that my question is still to the Treasury; it remains on the international scene, and particularly Russia's compliance with conventions through the OECD and so forth. They have signed up to specific guidelines on corruption, bribery and

strengthening transparency, so how would you assess Russia's own commitment and enforcement of these guidelines?

**Shona Riach:** Under the Financial Action Task Force, there is a peer review system in place, which assesses countries' compliance with the guidelines. Each member undergoes a mutual evaluation to assess their compliance with the FATF recommendations. Russia was subject to mutual evaluation in 2008. At that time, it was placed in the regular follow-up processes, as a result of the fact that it had some non-compliant and some partially compliant ratings for certain core and key recommendations. Since then, in October 2013 the FATF recognised that the Russian Federation had made significant progress in addressing those deficiencies and could be removed from the regular follow-up process.

This is an ongoing system of evaluation, but one of the key things to note here is something that I mentioned in my first answer about the UK implementing a national impact assessment for the first time. As of 2014, for the first time in assessment against the FATF standards, countries will be assessed also on the effectiveness of their procedures to combat money-laundering, including against corruption. It is not enough simply to have the right law in place; you have to be implementing it in an effective way. This is something that the UK has pushed for very hard in FATF discussions and again during our G8 presidency, because we believe it will give a better real picture of what is going on. We believe that assessing through the FATF how effectively Russia is complying is the right way.

**Earl of Sandwich:** You do not mention the OECD. Russia only signed up two years ago to the convention there. Is that being monitored? Is that as relevant?

**Shona Riach:** Certainly for us, the key corruption and money-laundering issues on the financial side are very much assessed through the FATF. Equally, the OECD has peer review processes and will have to make its own judgment about whether Russia is meeting the necessary standards.

**The Chairman:** I did not hear you properly at the beginning. Is this a UK or an EU-wide impact assessment?

**Shona Riach:** It is under the Financial Action Task Force, and you have country-by-country mutual evaluation of the systems in place.

**The Chairman:** Will this be published?

**Shona Riach:** It is published on an ongoing basis. Sorry, I misunderstood your question. The national risk assessment will be published at the end of this year.

**Q94 Baroness Henig:** Can I return to the issue of sanctions and ask about the impact of Russian sanctions on the EU economy so far? In particular, what has been the impact on the UK economy and the City of London?

**Shona Riach:** We have covered this a bit in previous answers. The first round of sanctions that was put in place was targeted very specifically on individuals and was specific asset freezes of individuals. They were not intended to have a broader economic impact, so we have not seen a broader impact from them on the UK; nor would we have expected to.

**Baroness Henig:** Sorry, I am talking about Russian sanctions on the UK.

**Shona Riach:** The retaliatory sanctions? Sorry, I misunderstood.

**Baroness Henig:** Yes, sorry about that. It would be mainly the import of food and issues of that sort.

**Shona Riach:** This question comes back a bit to the point about whether you can have one-way sanctions or whether they have impacts on both sides. Our view is that the retaliatory measures that Russia has implemented are probably having more impact on the Russian economy than on other European economies. Certainly they have reduced imports into Russia and have reduced their access to high-quality low-cost food imports from the EU.

The UK does not have much in the way of direct trade of that sort with Russia, so it has probably been less impacted than some of the countries that are geographically closer. To the extent that there has been an impact, it has largely been on the Scottish mackerel industry, where there is a significant amount of impact. Obviously we have to mitigate that, and our approach would be to try to find other markets and to try to increase European support for finding new markets. There certainly has been some impact, but I think the impact has been limited and controllable.

**Baroness Henig:** Can I ask a supplementary about sanctions in general? All the experience of economic sanctions since the 1930s tells us that effective economic sanctions inevitably, to some extent, damage the economy of countries that impose them as well as the intended recipient. That being the case, economic sanctions actually require very strong political will. At the moment, we have three different sanctions. We have UK sanctions, we have EU sanctions, and we also have the United States sanctions of course. I was wondering how much co-ordination and how much political agreement there was between London, Washington, Brussels and other European capitals to try to co-ordinate these sanctions and ensure that the political will is there to make them effective.

**Shona Riach:** That is a really important point. I would slightly correct you in that the sanctions that have been imposed by the UK have all been done at the EU level. We have EU sanctions and we have US sanctions. The fact that the sanctions that have been imposed at the EU level have to be co-ordinated between all member states means that reaching agreement is not straightforward, but it does mean that when you do reach agreement you generally reach agreement on a robust and effective set of sanctions.

We have worked extremely closely with the US on this. The EU, but also the UK Government, has worked very closely with our US partners and our partners across the G7, notably in Canada and Japan, which have also imposed sanctions. On the financial sanctions in particular, you will never have identical sanctions because the countries involved have different legal systems and different systems, but we are now in a place where the package of financial sanctions between the EU and the US is as close as it could be. Certainly the policy intention behind the sanctions is extremely closely aligned.

**The Chairman:** It is an open secret that not all member states were equally enthusiastic about imposing sanctions. Is it your impression that, once they had been agreed, everybody is implementing them and that some of those countries that were less keen on introducing them in the first place are nonetheless implementing them? Then of course there are one or two places—one has to mention Cyprus in this respect—where, whatever its political views may be, it is not always able to attain quite the same standards as some other financial centres.

**Shona Riach:** Implementation is an enormously important part of the package of sanctions. As you say, we worked extremely hard at EU level to get a package that everybody could sign up to and we now continue to work very closely on the implementation. The European Commission is producing guidance on implementation of the financial sanctions. We are working closely with them on production of that in order to ensure that the sanctions are implemented consistently across the EU. Equally, we are in discussion with our other G7 partners about implementation of sanctions to make sure that it is done as consistently as

possible and that there is as much clarity as possible for financial institutions about exactly what is required from them.

**Q95 The Chairman:** So far we have been talking, on the way up, about introducing sanctions, tightening sanctions and so forth. Would you be able to enlighten the Committee at all as to the degree of consensus on what would need to happen for sanctions to be downgraded or even lifted? To what extent would that be a wholly governmental decision, and to what extent do you think that non-governmental organisations might be involved?

**Shona Riach:** The first thing I would say is that we are not at that stage yet. We have the Minsk agreement, which sets out a 12-point peace plan. That needs to be seriously worked on, and we need to see serious progress in that area before we are in a position to start thinking about removing sanctions.

Having said that, coming back to the previous points about the fact that sanctions have economic impacts on all parties involved, obviously the ideal would be to get to a situation where the situation in Ukraine allowed us to have those discussions about removing sanctions. The financial institutions in particular need us to be as clear as possible about what is expected of them. Therefore, any removal of sanctions would have to be done at a governmental level.

**The Chairman:** Lord Jopling has a supplementary, but let me ask one more before calling on him. If sanctions are to be effective, the people at the receiving end need to have some idea of what they should do in order for sanctions to be lifted or ratcheted down. Therefore, lying behind my question was not just whether we are all of one mind about what is wrong but whether we are of one mind or not too many minds about what would be required to start building bridges.

**Shona Riach:** I think that your point is a very important one, which is why I would come back to the Minsk agreement and the 12-point plan, which attempts to set out where progress is needed, but also the fact that we continue to have dialogue with the Russians at all levels, including head-of-government level, in order to keep those channels open and in order to retain the possibility of making progress.

**Q96 Lord Jopling:** Moving away from the possibility of winding sanctions down, let us look at the alternative of winding them up. As you know, some of the former Soviet Union countries are very apprehensive about what Mr Putin might be up to and what he might do in the future. I am not asking what advice you would give to Ministers, but if there was a ministerial decision by the EU to strengthen sanctions and to introduce new ones, what would the main options be?

**Shona Riach:** This is something that we have been thinking about, and work is going on within the UK and at a European level on this. As a first step—and I can only really talk about the financial sanctions here—we have a set of financial sanctions that have a number of exemptions within them. The first thing that we would do would be to look at tightening that up as far as possible. As we have touched on today, the package of sanctions that we have currently is very much targeted at a number of individuals and a number of individual entities. We do not currently have financial sanctions against Russia across the board. To move to something of that sort would be a very significant step up from where we are now.

**Earl of Sandwich:** Could you give us an idea of how high a priority all this is in both institutions: the FCA and the Treasury? What resources are you putting into this dual exercise, and is it taking away from other desks? Are you diverting from, as it were, Latin American desks?

**Tracey McDermott:** From an FCA perspective, as explained, our role here is around ensuring that institutions have systems and controls in place. That is an ongoing assessment, so firms have to have systems and controls in place to deal with sanctions, and new sanctions are imposed in different situations as the time arises. The main area of work for us at the moment is working with colleagues at the Treasury and with institutions to assist them in understanding how the sanctions work. We, for instance, host roundtables with the money-laundering reporting officers of all the major institutions, where we talk about what implementation issues they may have found and how they are working through those. Our role is very much a facilitative one at this stage. It involves devoting some resources, but not necessarily taking masses away.

We also have a role as the UK listing authority, where we are responsible for the listing of securities that are traded on the UK markets. There is clearly a sanctions impact there as well. There is some impact there in terms of people having to focus time and attention on sanctions, but it does not withdraw huge amounts of resource from other things. It involves people who are specialists in those areas spending some of their time on this specifically.

**Shona Riach:** The situation in some ways is similar in the Treasury. The Chancellor has been clear that this is a very important issue and that tackling this effectively is something that he personally puts priority on. Therefore, within the department we put priority on it.

Having said that, many of the issues at the heart of this problem are foreign policy rather than finance issues. The bulk of the work in responding to the crisis in Ukraine is led from other bits of government, but on design issues and the implementation of financial sanctions the expertise rests in the Treasury, and we have been playing a very effective role there. The Treasury, in government terms, is a relatively small department—and a small and nimble department, I would argue. Certainly in the way we are structured we move resources to where they are most needed. That is what we are doing on this.

**Earl of Sandwich:** In other words, you are not committing new resources; you are diverting.

**The Chairman:** That brings us to a close slightly earlier than we had expected, but could I thank you both very much for your evidence? I do not think we have anything outstanding at the moment, but we may come back to you.

### **Examination of Witness**

**Vladimir Kara-Murza**, Co-ordinator, Open Russia

**Q97 The Chairman:** Mr Kara-Murza, we are starting early. Thank you very much for being here and enabling us to do so. I do not know how much of the last evidence you heard, so I may be repeating myself, but this is a formal meeting of the Committee and therefore everything you say will be taken down. If at the end you feel there is something that you omitted to say or that on second thoughts you would like to say, please do write to us, and we may do the same to you. That is all by way of introduction.

I will start with the first question, if I may, and then my colleagues will ask theirs. Opinion polls suggest that over 80% of Russian citizens support the policies of President Putin, including the annexation of Crimea and Russia's intervention in eastern Ukraine on behalf of

the Russian-speaking populations. That is a very enviable score. Do you believe that it accurately reflects Russian public opinion, or do you think that there are now indeed signs that he may even be losing some support?

**Vladimir Kara-Murza:** My Lord Chairman, thank you very much for the invitation. It is an honour to appear before the Committee. As to your question, I do not think it is very meaningful to talk about opinion polls in a situation where every single nationwide television channel, for more than 10 years, has been monopolised by the regime in power. Year after year after year, people have been fed government-approved propaganda with no alternative opinions or, indeed, no alternative serious political leaders allowed on the air. If there were a restaurant that served only one dish, you could say that that dish is the most popular dish in that restaurant. It would be technically true, but I would also suggest that it is pretty meaningless.

I would, however, point to other evidence and other trends that we can see from what is happening in Russia today. Just over a month ago, on 21 September, more than 50,000 people marched through the streets and boulevards of central Moscow to protest against Mr Putin's war on Ukraine, the annexation of Crimea and the continuing political crackdown at home. The demonstrators marched from Pushkin Square, a historic place in Moscow, to Academician Sakharov Avenue. When those of us in front of the march had already reached the destination point, there were people still queuing up at the security gates to begin the route, more than an hour after the rally had started. This was the largest opposition demonstration in Russia, in Moscow, since the post-election protests against Mr Putin's rule in 2011-12, when more than 100,000 people came out to protest.

Just a few days later, there was an official rally organised with the authorities' support, a rally in support of Mr Putin's policies in Ukraine on Poklonnaya Gora. That attracted just 5,000 people, 10 times smaller than our demonstration against this current policy. As we speak about Russia and the Putin regime, and as we discuss the situation, it is very important to keep in mind that Russia, Russian society on the one hand, and the Putin regime on the other hand, are not one and the same thing. There are millions of people in Russia today who want a democratic European future for our country. It is very important for our friends and neighbours in Europe to hear their voices as well, and not just the voice of Mr Putin.

**The Chairman:** That leads very directly to Lord Foulkes' question.

**Q98 Lord Foulkes of Cumnock:** Are the ruling elite in Russia really being affected by the sanctions and the cost of sanctions? Are the liberals there getting fed up with what is happening? Are the Government and Putin under any kind of threat at all?

**Vladimir Kara-Murza:** There is nothing or very little that the Putin regime fears more than targeted personal sanctions imposed by the European Union and North America—by the West in general—on the people in Putin's inner circle. We talk a lot about the comparisons between the current regime in Russia and the Soviet times, and indeed it is not difficult to see the many similarities: we have political prisoners, as I mentioned we have a total monopoly of the media, we have meaningless elections that are a mere ritual for confirming incumbents, and we have a Parliament that has become a rubber stamp. To quote the unforgettable words of Boris Gryzlov, former Speaker of the Russian Parliament, "Parliament is not a place for discussion". In terms of foreign policy, we see the Kremlin once again trying to impose its will on neighbouring countries.

For all these similarities, there is one major difference. When members of the Soviet Politburo did all the same things, they did not at the same time hold bank accounts, buy real estate and send their children to study in the United Kingdom, France, America or other

countries of the western world. This double standard, at the very heart of the Putin regime, is to abuse the rights of Russian citizens at home, engage in mammoth corruption, attack other states and violate the territorial integrity of other states, but then prefer to enjoy the security, the rule of law and the comfort of the West and the European Union for themselves and for their families. There is nothing that these people fear more than to face a simple choice: behave according to European norms or lose European privileges. Therefore, I think, and many of my colleagues in the Russian opposition and Russian civil society think, that this is exactly the way forward.

**Lord Foulkes of Cumnock:** You mentioned the Russian opposition and civil society. What kinds of links are there between the opposition and civil society in Russia, and the European Union and particular countries within the European Union?

**Vladimir Kara-Murza:** It is still very important in the current situation for our partners and neighbours in Europe to engage with civil society in Russia through people-to-people exchanges, educational exchanges, joint conferences, forums, meetings and hearings such as yours in other parliaments of western Europe and North America, where not just the official representatives of the Putin regime are heard from, but also people from within Russia with alternative points of view. These are very important interactions. I think they should continue.

Also, as the targeted sanctions on regime figures and corrupt officials are expanding and increasing, maybe one of the ideas would be to think about easing the visa requirements for law-abiding Russian citizens and to increase and enhance the people-to-people contacts between Russia and the rest of Europe.

**Lord Foulkes of Cumnock:** Do opposition supporters in Russia keep in touch through social media a lot?

**Vladimir Kara-Murza:** Absolutely. Twitter and Facebook are very popular. This is one of the major reasons why the current regime wants to start limiting it. A law was passed recently in the Duma that would require all personal data from social media to be held physically inside the Russian Federation. That would basically mean that social media networks such as Facebook or Twitter, which connect millions of people inside Russia and allow them this free exchange of information, which is not possible in the official media channels, would have to cease operations. We will see how that goes.

The Chinese regime has been doing this by limiting the internet in parallel with the growth of the internet, and it started straightaway 10 to 15 years ago. In Russia, 60 or 70 million people are online every day. In the big cities, Moscow and St Petersburg, in excess of three-quarters of the population uses the internet on a daily basis. If the regime were suddenly to try to shut it all off in one instance, I think it would find the response from society very surprising.

**Lord Foulkes of Cumnock:** Finally, I heard at a meeting on Monday, from the Joint Committee on the National Security Strategy, that the Russian Government are placing people over here in academic and other positions who are also working for their intelligence agencies. Is that correct?

**Vladimir Kara-Murza:** Obviously I would not have any specific information on that, but given the history of Soviet intelligence practices, and given the backgrounds of the people who are currently in power in my country, I would not put it past them to do something like that, but again obviously I do not have any specific information.

**Lord Foulkes of Cumnock:** We should assume that some people who may be giving evidence might be agents of their intelligence services.

**Vladimir Kara-Murza:** There are many open political allies of Mr Putin's regime among the western political elite—maybe not so much in this country, thankfully, but certainly in many other European Union countries—from whom, I think, they have enough support. For instance in the European Parliament, they have public support from both the extreme right and the extreme left. The so-called referendum in Crimea earlier this year—the annexation referendum in March—was not recognised by any international organisations, but Russian television channels reported that there were “international monitors present” who approved the referendum as free and fair. If you look at the composition of that so-called international monitoring group, these are the neo-Nazis or the neo-Stalinists in the European Parliament, who have publicly come out in support of the Putin regime. There are enough of those in the European Union unfortunately that they have some political base of support in the power structures here.

**Q99 Lord Jopling:** Continuing to ask questions about the opposition elements within Russia, to what extent do you believe that the relationship between Russia and the EU should be structured in the eyes of the opposition groups? Do you think the opposition shares the Kremlin's evident belief that EU or NATO expansion poses significant security threats to Russia, which is what Putin has been basing a lot of his policies upon over the recent past?

**Vladimir Kara-Murza:** On your last point, the answer is a simple no. The Russian opposition, at least the Russian democratic opposition, has a very simple idea that Russia is an integral part of Europe. One of the biggest missed opportunities by the West in the 1990s—we had a lot of missed opportunities in Russia in the 1990s—was not to offer the Russian Federation the clear European and Euro-Atlantic path that was offered to other states in central and eastern Europe, and which served as a big impetus for reforms there.

I would remind you that in 1991, President Yeltsin officially sought membership of NATO for Russia in his letter to the North Atlantic Council on 21 December. There was never a serious response from Brussels. It is very important, going back to the points already raised here, that the leaders of the European Union not just keep in mind but publicly state, in the long term of course, that this goal of a Europe whole and free, as the phrase goes—if that goal is still being pursued—is impossible to achieve without Europe's two largest countries, Russia and Ukraine, inside a Europe whole and free. We see Russia as an integral part of Europe and certainly see no threats from that direction.

A much more real threat would come from an ambitious and potentially expanding China, with regard to our territories in Siberia and the Far East. As you know, the current regime is actually increasing our dependence on China, including in the energy sector, with this recent in-your-face deal signed with the Chinese Government to spite the West, as it were. Actually, in my view it goes against long-term Russian national interests.

**The Chairman:** Can I just ask a supplementary, and then Lord Lamont? You say Russia is an integral part of Europe, but is that not a historical fault line within Russia? I am no expert on Russia, but all that I have read of 19th-century Russian literature suggests to me that ever since Catherine the Great there has been one school of thought in Russia that sees Russia as an integral part of Europe, and another substantial body of opinion that sees Europe as the other and Russia as—I do not quite know the right word—a rival or alternative civilisation.

**Vladimir Kara-Murza:** Absolutely, my Lord Chairman. We can go into a long cultural historical debate here about the difference between the Slavophiles and the Westernisers. That is exactly what you are referring to. First of all, I represent the part of Russian civil society that clearly identifies itself as European Russian. Open Russia, which is a platform for civil society activists that I co-ordinate, has as its stated aim trying to consolidate and

unite people of pro-European views. I am not here pretending to speak on behalf of the entire Russian population. All I am saying is that the part of Russian society that is pro-European or westernising, if you use the 19th-century historical term, comprises millions of people, especially in cities like Moscow, St Petersburg and others. The current regime pretends that they do not exist and behaves as if they do not exist. There is nothing more insulting for Russian society and Russian people than when the leaders of the current regime—they like to accuse western politicians of Russophobia—state publicly that Russia is not Europe, which is what Mr Putin's Ministry of Culture stated; or when they state publicly that Russia cannot have parliamentary democracy and that it would be a disaster for Russia, as Mr Medvedev, the former President and current Prime Minister, has publicly stated. I think these statements are insulting for the Russian people.

If we talk certainly about cultural history, nobody would doubt, at least since the times you mentioned—of Catherine the Great and maybe even earlier, but definitely from the 18th century—that Russia has been an inseparable and integral part of Europe in most areas of development. However much the current regime of Mr Putin would like to negate that and go in a different direction, I frankly do not think they will be able to do that.

**Lord Lamont of Lerwick:** Thank you very much for your answers. What you said was very interesting about the early 1990s and President Yeltsin. Given where we are, which is a terrible situation, how do you think we could get back on a path that would open up some of those possibilities? We are so far away from what you were describing now. What would be a first modest step towards getting back on that path?

**Vladimir Kara-Murza:** The last three years have been surprising in many ways, both for outside observers and for the Putin regime. For instance, if somebody told me in December 2011, at the beginning, that two weeks from now there would be 120,000 people protesting on the streets of Moscow against election fraud, against the Putin regime, and in favour of democratic freedoms, I would say that that person is not being realistic, yet that is exactly what we had. A year ago, we had the Moscow election, in which Alexei Navalny, who is one of the opposition leaders, even according to the official results and despite the fact that he was basically banned from television, received nearly 30% of the vote. As I mentioned, we are having these mass protests in Moscow against Putin's policies in Ukraine and inside of Russia.

The situation is not as hopeless as it sometimes seems on the official level. Despite the fact that our Parliament is a rubber stamp, and the fact that if you looked at the mainstream television media you would think those voices do not exist, they do exist and there are millions of people like that. I think, as a historian by training, that it is basically inevitable. That is the path of development for Russia: towards Europe and towards freedom. Mr Putin may delay it. He has delayed it already. This December will mark the 15th anniversary of his coming to power. He has delayed it substantially, I could say, but I do not think there is any stopping of the development in that direction in the end.

If you are asking specifically about what our friends and neighbours in western Europe and the European Union can do about this, it is precisely what the subject of this hearing is. You should frankly stand by your own values, as the leaders of this country and America did, for instance, with regards to the Soviet regime in the 1980s.

**Lord Lamont of Lerwick:** Let us accept everything you say. Let us say that we stand firm, and let us say that some sort of perhaps imperfect solution is arrived at with regard to Ukraine and that a degree of stability is achieved. Given that we have to live with Russia in an imperfect world, institutionally what could be done to open Europe a bit more to

interconnectedness with Russia, even though we could not go back to the sorts of things that Yeltsin was discussing in the 1990s?

**Vladimir Kara-Murza:** When we speak about Russia, these are two different strategies: dealing with the Putin regime and dealing with Russian civil society. We have covered part of this in terms of how important it is for western democracies, first of all, to recognise that Russia is not limited to the Putin regime. By the way, wording is very important. When people in the West talk about “sanctions against Russia” when they actually mean targeted sanctions against corrupt individuals—people involved in the aggression against Ukraine, the crooks, the election fraudsters and so forth—this is very counterproductive language. It plays into the hands of Mr Putin’s propaganda, so even basic things such as wording are important here.

In terms of the actions, when I say stand by the values, I do not mean just rhetorically; I mean in effect not letting the people who steal the tax money from Russian citizens and abuse the rights of the Russian people come here and have comfortable lives, using their looted money. That would be a big step towards reaching out to Russian civil society and showing that you stand by the values, not just in words but in deeds. Again, as we mentioned in the European context, it is very important to state publicly the prospect of accepting Russia as a European country and that one day Russia will be a European country in every sense of the word. This prospect was lacking in the early 1990s, which was a big mistake.

Actually, I was going to mention that it was you, I believe, Lord Lamont, who in April 1992 introduced the new democratic Russia into the International Monetary Fund, when Deputy Prime Minister Gaidar was in Washington. Am I correct? I am not saying that there were no movements in this direction from the West. There were, but they were not enough; they were inconclusive. The next time we have political change in Russia, it is very important that our friends in Europe react accordingly. Ultimately, it is only for Russian citizens to effect democratic change in our country. This cannot be done by the outside world, but what the outside world can do is stand by its values, and tell the crooks, the abusers and the aggressors that they cannot come here and enjoy the fruits of their corruption.

**Q100 Baroness Henig:** Let me pursue this theme, also as a historian. In a way, I cannot help reflecting, perhaps being rather sceptical, that there have been a number of times in Russian history when there has been this prospect of liberal gain and so forth that has not materialised for various reasons, which I will not go into. A previous witness talked to us about Russian civil society, and estimated that around about 17% of the population—I think she said—would generally support the kinds of ideas that you are putting forward. I wonder whether you would corroborate that or what your estimate of the percentage of the population would be.

**Vladimir Kara-Murza:** As I said at the start of this hearing, it is difficult to talk about opinion polls in such repressive conditions. If we accept them, however, at least as a general measurement, there was an opinion poll by the Levada Centre, which is probably the last independent pollster organisation in Russia, on the march against the war with Ukraine that I mentioned earlier, which took place in Moscow. It showed that nearly one in three Russian citizens supported the goal of the protesters, which I would say is an astonishingly high figure, given the relentless regime propaganda on television, year after year after year. We see empirical results, such as Mr Navalny’s 30% in the election last year. At the time of the 2011-12 protests in Moscow against election fraud and against Vladimir Putin’s return to the Kremlin, polls consistently showed that more than 40% of the general Russian population—I am not talking about big cities—supported the goals of the protests: free elections, measures

to fight corruption and the regular change of power, as opposed to one person being in power for 15 years.

I do not know where this precise figure comes from. How do you measure civil society in the first place? We know that there are hundreds of independent civic groups across Russia, people who deal with such issues as election monitoring, anti-corruption measures, ecology, the environment, municipal self-government—all these things. There are hundreds and hundreds of groups around Russia like this. The main part of my job now, as the co-ordinator of Open Russia, is to travel around the country, so I do not spend most of my time in Moscow; I spend most of my time in the regions or in the big cities, at least. I see a lot of people, especially young people, who are fed up with this status quo. They want to change it. They want to do something to change it. Frankly, these are the people who I think will determine Russia's future. Even if the pro-democracy pro-European opinion is in a minority today, first of all it is a very significant minority even numerically. Also, it is a very significant minority in terms of the composition of people. These are the people who, in my view, are the driving force of any modern European society, and these are the people we saw protesting two years ago against Mr Putin.

**Baroness Henig:** Presumably it is the younger people mainly who are on Facebook and Twitter. Would that be a reasonable assumption?

**Vladimir Kara-Murza:** Generally. Going back to those protests in 2011-12, the vast majority of people were below the age of 35.

**The Chairman:** Lady Young has waited very patiently, but I have one more supplementary from Lord Trimble.

**Lord Trimble:** You were saying a few moments ago that we should remain true to our values and not let ourselves be a safe haven for those who have behaved badly in Russia, a view for which I have a considerable amount of sympathy. I just wonder about what that actually means in practice. At the moment, we have sanctions that can be specific to individuals, but because they are being imposed in the way that they are there is no normal due process of law with regard to this.

Of the sanctions that are designed to get a better result in the Ukrainian crisis, if some sort of arrangement eventually comes about to resolve that crisis, it is going to be rather difficult to maintain the present structures. I can understand quite easily if you are saying that these people who are corrupt have actually committed criminal offences and we should be looking at them more as persons who are criminals, who are trying to hide here from justice elsewhere, but that requires the sort of evidence that would be necessary in our normal processes. I am quite sympathetic to what you are saying, but I am not sure exactly how in practice we do it.

**Vladimir Kara-Murza:** Thank you very much. It is a very important question and I would answer it with two recent examples from the United States, because they face the same issues that you just raised. First of all, sometimes, or very often, these things can be done in the framework of the current anti-corruption and anti-money-laundering legislation. There is not even the need for new measures; it is just a question of implementing the law on the books.

Two months ago, a United States senator, Roger Wicker, sent a letter to the US Justice Department asking them to investigate the purchase of four palaces in the state of California for the total sum of \$28 million by the head of Gazprom Media, which is basically the biggest propaganda outlet in Mr Putin's regime. The guy's name is Mikhail Lesin. He was instrumental in shutting down independent television in Russia in the early 2000s. He was the Minister of Information in Putin's Government. Now he is the head of Gazprom Media.

Frankly, there is no better illustration of the hypocrisy of the current regime than the head of the biggest propaganda outlet, which disseminates anti-western, anti-democratic propaganda, who just went and bought four palaces in the state of California.

The senator's letter to the Justice Department asked a very simple question: how can a state official purchase something for \$28 million? This is a Russian state official; where would he get the money from? Of course, when this was published in Russia, everybody laughed, because we know where they get the money from, and for us it is not surprising, but for them it is. They are launching an official investigation. It is under-way. We will see what the results of that are. Such actions as this do not require any specific acts; they are just about implementing current legislation.

The second model, which I think is very important and was groundbreaking and precedent-making, was the Magnitsky Act, which was passed in the US two years ago. As you are all aware, it was a Russian lawyer, Sergei Magnitsky, who discovered a \$230 million tax-fraud scheme involving Russian security service officials. He was arrested after he discovered it. He was tortured in prison and he died in prison after nearly a year of imprisonment. In the United States, they passed this law to ban entry into the country and freeze the assets of the people involved in the Magnitsky case, but also those involved in other human rights abuses, when these are documented by relevant international organisations. It is one of the favourite gimmicks of Mr Lavrov and Putin's Foreign Ministry people when they say, "Don't interfere in our internal affairs". Russia is a member of both the Council of Europe and the Organization for Security and Co-operation in Europe, which states clearly that human rights, democracy and rule of law issues are not internal affairs; they are the concern of all the member states.

Of course, it is every country's privilege to let or not to let somebody on its territory. It does not even have to be explained. The United Kingdom does not have an obligation to let somebody who is involved in election fraud or corruption into its territory. That is not a privilege; that is a right. It is within your rights to deny that privilege to those corrupt foreign officials. From a legal point of view, this could be done without any problems in a perfectly legal and straightforward way, as the Americans are trying to do.

**Q101 Baroness Young of Hornsey:** Going back to this thing about European values and the consistency with which they are applied, if we look at this in the context of the issue of ethnic Russians, linguistic diversity and so on, do you feel that the EU has failed to live up to its values or its particular standards around the treatment of Russian minorities across EU countries, where they are sometimes denied full citizenship? Do you think that President Putin's concerns about the treatment of Russian "compatriots" in the Baltic states and fears for their safety are shared by the political elite and the Russian citizens? Perhaps you could segment people, as you have been doing today.

**Vladimir Kara-Murza:** Thank you very much for this question. This so-called concern about "compatriots" is merely a pretext, which the Putin regime uses as a political tool against Governments it deems unfriendly. The Baltic states are a particularly good example. When the rights of Russians are really being violated, the Kremlin usually remains indifferent and pays lip service to it. I will give you an example. In 2008, the dictatorship in Turkmenistan unilaterally announced that it would no longer recognise the Russian citizenship of more than 100,000 ethnic Russians who live in that country. The Kremlin did nothing. They just issued a statement and forgot about this. When they needed to annex Crimea, they talked about the so-called threats to Russian-speaking people in Crimea, which is of course nonsense, as everybody knows who knows the situation.

This is just a propaganda trick, a gimmick, but it is a very dangerous one, because it is used as a pretext for potential aggression, and it is very important for people in the West to recognise that and not to indulge in Mr Putin's propaganda ploy in this regard. What level of hypocrisy does this regime have? For years they deny Russian citizens in Russia the right to free elections, the right to freedom of speech, they beat up peaceful Russian demonstrators on the streets of Russian cities, and then they talk about the supposed abuses of the rights of Russians in other countries. You cannot get more hypocritical than this.

There is now a post that the Russian Foreign Ministry introduced a few years ago of a special representative at the Russian Foreign Ministry for democracy, human rights and the rule of law. It is a truly Orwellian post, I would suggest, given the context and the disastrous human rights situation inside our country. They publish annual Soviet-style reports about how the UK, Belgium, Norway and all these other gross human rights abusers behave in a bad way. This is just a propaganda ploy, frankly, and I would not indulge the Kremlin in this.

**Baroness Young of Hornsey:** It is an interesting argument though, is it not? Even though I might well accept what you have just said about that hypocrisy, nonetheless if the EU is not upholding those particular standards, that is still a problem, is it not? It then creates a problem that can be exploited by Mr Putin's Government. Does it still not need to be addressed, or are you saying that there is no kind of problem with non-citizenship and so on?

**Vladimir Kara-Murza:** Obviously nobody has a perfect human rights situation. That is just stating the facts, but I do not think it is for a regime that has not held a free election in 15 years and does not allow freedom of speech in the mainstream media to lecture countries of the European Union, which of course do have human rights problems, I would think, as any other country in the world does. "Hypocrisy" is not a strong enough word. I know that word is banned on the floor of this House. Am I correct? Is it okay to pronounce it here? That is not a strong enough word to describe this. Of course there are problems, and regimes like this will exploit them, but if you compare the situation in Turkmenistan and in, say, Lithuania, there would be no comparison at all.

**Baroness Young of Hornsey:** Just to be clear then, you are suggesting that the EU does not need to worry itself about ethnic Russians and their rights, because it is coming from a place that is deeply hypocritical, as you say. There is no point in trying to address that.

**Vladimir Kara-Murza:** I think the EU should see it for what it is. This is used mostly for domestic propaganda purposes and for in-your-face discussions in meetings. When western leaders talk about genuine human rights concerns with regard to what is happening in Russia, they have something to reply to this. Do not put it on a par with the real issues; that just dilutes the real problems that we have in Russia, which do not compare with the human rights problems that I am sure do exist in the European Union. There is simply no comparison.

**Lord Lamont of Lerwick:** Baroness Young's supplementary in a way anticipated mine. I strongly agree with what she was suggesting. I was just going to point out that of course I accept that there is hypocrisy and motive, but I suggest that there is motive in your description of it as well. There was a Council of Europe report, under the chairmanship of a Swedish diplomat, that looked at this. I do not have it here, but I have a copy; I can circulate it to the Committee. It did say that there was a problem, and that there have been improvements, but that there remain problems for Russian citizens in the Baltic states.

**Vladimir Kara-Murza:** I am not suggesting that there are not. As a very quick addition to this, the election rules differ as well. For instance, the non-citizens in Estonia can vote in local elections. In Latvia, they cannot. There are all these nuances. The situation is different. In Lithuania, everyone was granted automatic citizenship; it is not an issue there. It is also

important to say that in Russia, even officially—I am not talking about what is happening de facto—the Putin regime has “elections”, but even officially hundreds of thousands, if not millions, of Russian citizens have been officially barred from running for any elected office. These are the people who have either dual citizenship or permanent residence abroad.

**Lord Lamont of Lerwick:** I accept that. I think that is outrageous; it is wrong, but we are just trying to identify a different situation in different countries.

**Q102 Baroness Henig:** Can I turn now please to the sanctions that the EU countries are imposing? Arguably, the sanctions are in fact having a perverse effect, or so it has been suggested, of strengthening public support for the Government in Russia. I take your point about the strength of civil society, but nonetheless there seem to be large percentages of the population in Russia in favour of what Putin is doing. Even on your evidence, there is a strong majority in favour. I was wondering what your comment was on the effective sanctions and whether that strong support is coming from any areas you can identify. Is it from older people? Is it from rural rather than urban areas? Is it people on lower incomes? Can you perhaps quantify why there is this strong support and to what extent sanctions are fuelling it?

**Vladimir Kara-Murza:** Thank you for the question. On the supposed perverse effect of the sanctions and the strengthening of the support for the regime, this is where we go back to the language and the wording. When the Magnitsky Act was being passed in the US two years ago, the Kremlin’s propaganda machine tried its best to present that law as sanctions on Russia, on Russian society and on Russian citizens. They failed in doing that. An opinion poll, again with all the caveats that go with that, was conducted in December 2012 by the Levada Centre, which showed that a strong plurality of Russian citizens supported the aims of the Magnitsky law, which is for western democracies to bar those corrupt officials and human rights abusers in the Russian regime from entering their countries. Forty-four per cent were in favour, 21% were against, and the rest had no firm opinion. Again, this was despite the propaganda on television.

What we are seeing now, frankly, is leaders of the western countries doing the Kremlin’s propaganda job for it. When President Obama goes on the air and talks about “sanctions against Russia”, or when people in the European Union do this, Putin does not need to do anything else; he just needs to quote them. There may be a very subtle nuanced difference here, but as somebody who lives in Russia I can say that it makes a huge difference to people’s perception. It allows Mr Putin to portray these individual sanctions as being directed not against his oligarchs and his officials, but against the whole of Russian society.

In fact, the only ones who have been putting real sanctions on Russian society have been Mr Putin and his regime. First, as you will remember, in response to the Magnitsky Act, in probably one of the most cynical moves by any Government in the world, the Kremlin banned the adoption of orphaned Russian children by American citizens—in response to the US putting sanctions on corrupt crooks from the Kremlin. There is a prominent Russian journalist, Valery Panyushkin, who writes for *Vedomosti*, who said that there are only two organisations in the world that use their own children as human shields: one is Hamas and the other one is the United Russia Party, headed by Vladimir Putin. That is what he said back in 2012. It may be strong wording, but I think that it is essentially true.

Then, of course, there are what you discussed with the first panel: the food sanctions that Mr Putin has imposed on the Russian people, which are now leading to a significant inflation in prices, obviously, as people have to purchase goods that are more expensive, coming from

countries that are farther away. This food import ban on the European Union is not nearly as significant for the European Union as it is for the general Russian population.

Of course, another form of tax is now being introduced—an informal tax that is being imposed on the Russian people in connection with the targeted sanctions in the West. It has been dubbed “Rotenberg’s Law” after Arkady Rotenberg, who is one of Putin’s closest friends and one of the few people who mysteriously became billionaires during Mr Putin’s 15-year rule, and who was affected by sanctions in Italy. His villas were seized. Now there is this law going through the Duma that would allow any of those oligarchs and crooks, who have been affected by targeted western sanctions, to be compensated with Russian taxpayers’ money. Who is really putting sanctions on the Russian people here? It is Mr Putin. It is not the West.

Again, I know I have said this a few times already, but it is really crucial to choose the language carefully and to talk not about “sanctions on Russia,” but about sanctions on the regime, on the corrupt officials, on the human rights abusers, on the aggressors and so forth. I know “Russia” is shorthand; it is easier to say, but it is very important to say those few extra words and not play into Mr Putin’s propaganda.

**Baroness Henig:** Presumably your organisation, Open Russia, disseminates information on social media channels to this effect. Do you try to put that sort of view around?

**Vladimir Kara-Murza:** Absolutely. If you would allow me, I will briefly quote Mikhail Khodorkovsky, who is the founder of our organisation and who was Russia’s most prominent political prisoner.

**The Chairman:** Quite briefly, please, we still have a number of questions.

**Vladimir Kara-Murza:** Absolutely, just a phrase. He spoke at a big forum of Central European democrats in Prague last week and said, “The reaction of the international community should be targeted not against Russia but towards creating an atmosphere of moral alienation for the champions of the regime and the prevention of export of corruption and unprecedented laundering of money stolen from the Russian people”. It is very important to remember this.

**Q103 Lord Jopling:** You have been talking about the effect of sanctions on public support for the Russian Government. Can I move off tangentially slightly? Russia is now faced with the problems of oil prices below \$80 a barrel. If that persists over a reasonably long period of time, to what extent will that cause Putin serious problems, and conversely to what extent will that strengthen the views of people like you in opposing the regime?

**Vladimir Kara-Murza:** It is just stating the facts that when the oil prices go down—as you know, a large share of Russian federal budget revenues depends on oil prices—it will not be very good for the regime. It does not automatically mean that it will be good for the pro-European, pro-democracy forces in Russia. The people in our country who want this European democratic path do not just sit there and wait for oil prices to fall, and then everything automatically will fall into place—not at all. Again, as I already mentioned, it is only up to Russian society and Russian citizens to effect democratic change in our country. It is not for oil prices; it is not for western Governments.

Of course, we do take this into account, and so does the regime. That is why they have been trying to distract public opinion at home away from the stagnating economy, from the corruption, from middle-class fatigue with one-man authoritarian rule by a classic trick that all authoritarians have used over the centuries: find an external enemy—in this case Ukraine—annex Crimea, and all this pseudo-patriotic hysteria and all the rest of it. They

know the fall in oil prices is affecting them. We know this is affecting them, but we are not counting on it as the main factor in democratic change in Russia. It will not be the main factor.

The main factor in democratic change in Russia will be the organisation of civil society to continue to work even in these current difficult conditions, to continue to try to spread free information as much as possible, and to hold public discussions. As I mentioned, the former Speaker of the Duma, Mr Gryzlov, said that Parliament is not a place for discussion in Russia. It is not just Parliament; we have fewer and fewer places for discussion, frankly. One of the goals of our organisation, Open Russia, is to expand this space for public discussion and to return this habit of people discussing the problems of their country, discussing the way forward, growing this civic responsibility that will be necessary once the Putin regime goes, which it will inevitably do. It will then be up to that civil society in Russia to build a new democratic future. It is not going to happen automatically, because the oil prices fall. That is my personal view.

**Q104 Baroness Coussins:** One of our previous witnesses suggested to us that he could foresee a possible scenario developing in which Putin might indulge in what he called “more foreign adventures”, perhaps even involving an intervention into the Baltic states. This would be a strategy for Putin to reassert his authority in the face of external pressures from sanctions and internal pressures from diminishing popularity. What do you assess the likelihood of Putin’s future actions to be in response to these stresses, or does he genuinely believe he has 80% in the popularity polls?

**Vladimir Kara-Murza:** That is sometimes the trouble with authoritarian regimes: they start believing their own propaganda. That is when the biggest problems can start, as we know from history. I think you are absolutely right: it is the natural logic for any despotic regime, when it starts having problems at home, to try to distract people away to imagined foreign enemies.

I do not foresee an attack, for instance, on the Baltic states, as they are NATO members, but there are other means of destabilising countries. We are already seeing these things. Among the events in the past six weeks, we have seen: the kidnapping of an Estonian police officer, Eston Kohver, who is now held in Lefortovo, the FSB prison in Moscow; the arrest of a Lithuanian fishing vessel off the coast of Murmansk in international waters by the Russian coastguard; and in an absolutely astonishing example of trying to rewrite history, we have seen prosecutors in Moscow opening criminal cases against Lithuanian citizens who refused to serve in the Soviet armed forces in 1990 and 1991. This is really far-fetched, but they are doing this.

Of course, Mr Putin has many political allies inside the political elites of the Baltic states—public ones. I mentioned the bogus international monitoring group at the Crimean so-called referendum in March. One of its members was Tatyana Zhdanok, a Member of the European Parliament for Latvia and the founder of Interfront, an organisation campaigning to keep Soviet rule in Latvia back in 1990 and 1991. She has been outspoken in support of Putin. She joined this group and said that the Crimean referendum was fine, great and democratic. There are all these non-direct means that the Kremlin can use to destabilise the situation, so I think people should be careful and watch out for those.

Your fundamental point is the most important one: this crisis has domestic origins. Everything that has been happening in Ukraine since the start of Mr Putin’s aggression in February has had domestic origins and domestic motivations. It is not, I would suggest, primarily about restoring the so-called post-Soviet sphere of influence, although that would be

a nice added benefit for them. Primarily, it was because when Putin saw the victory of the Maidan in Kiev, he decided that he had to do everything to prevent a Maidan in Moscow. Frankly, the image of an authoritarian corrupt leader fleeing his country in a helicopter, amid mass popular protests in the capital, was too close to home. That is why the current Government of Ukraine is being presented to Russian TV viewers as a “fascist junta”. There are all these bogus stories about Ukrainian soldiers crucifying children—there was a story on Channel One in July. Even compared with the propaganda of the previous 10 years, the stuff we are seeing now on our television screens is completely mind-boggling. The origins are domestic. You are completely right, I think. That is why the fundamental solution in the end can only be domestic—when Mr Putin’s regime is replaced in the Kremlin by a democratic Russian Government that would respect both the rights of its own citizens and the rights of neighbouring countries.

**Q105 Baroness Bonham-Carter of Yarnbury:** My question comes from a rather different perspective. I have a feeling that you are probably not going to agree with it. Our former Chief of Defence Staff, David Richards, now Lord Richards, talked in a recent interview about the importance of bringing Russia back into the family of nations. He said, “I am not an apologist for Russian aggression, but I do understand Russia. You have to empathise with their position, which is very emotional, very patriotic, willing to put up with a lot of hardship for their kith and kin”. I understand your aspiration of a truly democratic Russia, but in order to rebuild the working relationship in the neighbourhood now—this comes back a bit to what Lord Lamont was saying earlier—should the EU take more steps to address some of Russia’s concerns? We have addressed the Baltic states and non-citizens. Again, I would rather endorse what I heard from Lord Lamont and Baroness Young: that is something that should be specifically addressed. The expansion of NATO is another, as well as the economic impact of EU agreements. There are three questions there.

**Vladimir Kara-Murza:** Thank you very much. Actually, I totally agree with the quotation that you started with: that we have to bring Russia into the family of nations. The question is whether you consider Russia to be only the Putin regime and nothing else. That is where the fundamental difference begins. Of course, as we already mentioned a few times here, unlike the Kremlin, we believe that Russia is an integral part of Europe. It should be an integral part of Europe and it will inevitably be an integral part of Europe. That is why it is important for our friends here to hold out for this long-term prospect. There is no other way; I do not think there is any other way for Russia to go, except as part of the European family.

Restoring relations with Russia as a society and bringing it into the family of nations, as you quoted, is one thing. It is another thing to indulge essentially a dictator—let us call people by the names they deserve—and to pretend that somehow the regime that exists now is a democratic and legitimate representative of the whole of Russian society. The modern world knows no other way of measuring support for and legitimacy of a Government than through free elections, like the ones you have in this country and like every single European Union country has.

We have not had a free election since 2000, according to the OSCE monitoring missions. Frankly, for many years Mr Putin was accepted by western democratic leaders, including here in the UK, as one of their own. I remember very well—I was a journalist at the time—in June 2003, here at the London Guildhall, Mr Putin being given a lavish reception by the Queen exactly three days after his Government shut down the last independent television channel in Russia, by a direct government order by the way. They did not even try to cloud it in economic problems and all the rest of it. He was given this lavish reception; he was accepted as a friend and a partner. Actions like this, as we saw from what happened afterwards, only

allow these dictatorial regimes to strengthen their positions inside the country and outside in the world. They allow them to consolidate their power to destroy what remains of independent forces in the country. Of course there should be means of communications to the regime. Nobody is saying that there should not be, but they should be honest.

**Baroness Bonham-Carter of Yarnbury:** What about the point that there have been things that could be seen as provocations? The expansion of NATO is one of them.

**Vladimir Kara-Murza:** As I already mentioned, the elected President of Russia, Boris Yeltsin, applied for membership of NATO. I do not see the expansion of NATO as any kind of threat to Russia. The most stable, secure and peaceful borders that our country has are the borders with NATO, which could not be said of the borders in the Far East, with China. It goes directly against Russian national interests to juxtapose ourselves and to call the Euro-Atlantic community the enemy. It is not.

That is one of the biggest fundamental differences between us and this current regime. The West should pursue what, back in the 1980s, was called “dual-track policy”, I believe. Of course you talk to the regime—you cannot avoid this—but you also recognise that the regime is not the same as the country, and you talk to opposition leaders, to civil society representatives and to people who frankly could be the face of the Russia of tomorrow. It is not very far-sighted to deal just with the group in power in the Kremlin now without regard for what happens next. I wholeheartedly agree with the goal: Russia should be brought back into the family of European nations, and I am sure it will be. There is no doubt about this.

**Lord Jopling:** A few minutes ago, you were very critical, after the collapse of the Soviet Union, of the way in which the EU and NATO embraced some of the former members and treated Russia at that time. Now you have been very critical again that Putin was given a royal reception in London. I am not quite clear where you are coming from here. Our former Prime Minister Jim Callaghan once said, “If you cannot ride two horses at once as a politician, you ought to keep out of the circus”. I am not quite clear where you are coming from. You are talking about two things that are quite different. It seems that you are in danger of having a rather nasty accident from riding two horses at once.

**Vladimir Kara-Murza:** Not at all, my Lord. I will just clarify, and this goes exactly to the point that we have been discussing here for the last few minutes. There is no such thing as one “Russia”. These are different things. In 1991, Russia was a democratic country with a democratically elected Government, the people of which just came to the streets of Moscow in August and overthrew the totalitarian Communist regime. It was in the same situation as our neighbours in central and eastern Europe. Of course, it was the natural thing to do to welcome this new democracy into the institutions of Europe and the Euro-Atlantic community, as was done partially. I mentioned already that Lord Lamont welcomed and introduced Russia officially into the IMF in April 1992. Russia was made a member of the Council of Europe in 1996, but there was never the prospect of a full-blown European/Euro-Atlantic path for Russia, as there was for Poland, Hungary, the Czech Republic, the Baltic states—all these other nations. In the 1990s, we were talking about a democratic Russia, which of course had to be welcomed with open arms into Europe.

Today, we are talking about an unelected authoritarian aggressive regime, and frankly I see no comparisons here. It is as if we are comparing the relations with today’s Germany and Adolf Hitler’s Germany. I am not comparing Putin to Hitler; I am just saying that these are two very different things. There is no comparison between my point that the West should have welcomed Russia with open arms back in the early 1990s and the point that it should not indulge an unelected dictator today. That is a pretty clear distinction.

**Q106 Baroness Billingham:** We are about to enter into a new chapter in the European Union, with new commissioners and new members. How do you think new commissioners and new members can most help the proposals that you are making? Where would you like their voices to be strengthened? How would you like to see them being more proactive? Do you think that all member states are prepared to be as upfront as you would have them be? Where do you think we could put pressure to ensure that we get a stronger view from the European Union than we have had in the past?

**Vladimir Kara-Murza:** Thank you very much. Your last point is very important: that it is crucial that the European community, the European Union, speaks as much as possible with one voice or, as you said, my Lord Chairman, at least not too many voices or not too many minds. That is another favourite tactic of the Kremlin regime: to try to split up and divide opponents and sew divisions among them to weaken their position. It is important to speak with one voice, at least on the basic questions that should not be put in doubt by anybody: that elections should be free, that people should have a right to peaceful protest, and that people should have a right to freedom of speech and free media. These are not controversial things in the European Union, as far as I understand. There should be no problem in presenting a united front to Mr Putin on this question.

It is very important that in every single meeting with the representatives of the Putin regime these questions are raised. As we mentioned, these are not internal affairs, as Mr Putin tries to present them; they are human rights, democracy and rule of law issues. It is important that the European Union leadership engages with civil society in Russia, at the same time as they engage with the regime in the Kremlin. This was done to a certain extent in previous years. For instance, in the European Parliament, it is their standard practice that when they have hearings in relation to Russia they have somebody from the official circles, as it were, but also somebody with an alternative point of view from civil society and the pro-democracy movement. It is very important to continue this and, frankly, to keep faithful to your own values: to the things that we have come to know as European values over the centuries. Representative democracy and freedom of speech are very basic things that, unfortunately for us, are not so basic at the moment because we do not have them.

**Lord Radice:** I may be rather more sympathetic to the position that you are putting over than one or two of my other colleagues. May I suggest, if I get your message right, that you are saying that Putin's behaviour in Ukraine has not been influenced by what the West has done? There seems to be the assumption behind some of the things that my colleagues have been saying that actually it has been caused partly by the West. You are saying that that is not the case: that it has come from within Russia, because Putin needs to prop up his position. Is that right? Is that what you are saying?

**Vladimir Kara-Murza:** Absolutely right, yes. What happened in Ukraine was an anti-criminal, anti-corruption revolution, and then the authoritarian leader fled in a helicopter as there were hundreds of thousands of people standing in central Kiev. Mr Putin did not like that image, and that was why he had to discredit it and the Ukrainian pro-democracy movement. Frankly, after the protests of 2011-12, when they saw 100,000 people from their windows in the Kremlin, standing on Bolotnaya Square, across the Moskva River, they started feeling really uncomfortable. Their aim for the past two and a half years has been to preserve their power basically with any means possible.

There were no threats to Russian speakers in Crimea. Most of the schools in Crimea were Russian. Everybody spoke Russian in Crimea while it was a part of Ukraine. This was absolutely bogus. If you look at the news stories coming out from Russia's Channel One, like the story about a child being crucified by Ukrainian soldiers in Slovyansk in July, like using

pictures from Syria to illustrate events that are supposedly happening in Ukraine, most of this stuff is just completely bogus.

I spoke to a former senior television journalist recently, who worked in Soviet television and then in Russian television in the 1990s. He is not working anymore because it is not possible, but he said that Putin's television today is worse than Soviet television ever was, because the Soviet TV took facts and twisted them to suit the Kremlin's goals. Current television in Russia just invents the facts. They just do not exist. They just make them up as they go along. You are absolutely right: it was not a provocation, it was not caused by anybody, it was Putin's nervous reaction to an anti-corruption popular uprising in Ukraine.

**Q107 Lord Radice:** I have a second point that I wanted to test. I said I was going to. Your second message is that we are not to reward Putin by offering him a special deal. Is that right? Is that what you are saying? I mean, we obviously do not want to go on with this crisis if we can possibly help it. How do we get out of it?

**Vladimir Kara-Murza:** What do you mean by "special deal"?

**Lord Radice:** I do not know. You were saying, or there is an implication, that Ukraine cannot become a member of NATO, like Georgia or wherever, or that Ukraine cannot have a special economic deal with the European Union. He might demand that, but you are saying that we should not reward him by giving him that. Is that what you are saying?

**Vladimir Kara-Murza:** This is just a simple point that every country should have the right to choose its own alliances and deals. On the question of a special deal, I understand what you mean. It is a very good phrase. If you look at Mr Putin's domestic political practices, which we talked about at length today, they are no different from the practices, say, of Mr Mugabe in Zimbabwe or Mr Lukashenko in Belarus. The regimes of Mr Mugabe and Mr Lukashenko have been under EU sanctions for years, and I mean targeted personal sanctions against the people in those regimes. They cannot visit here, for instance. Why should there be special treatment for the people in Putin's Kremlin, who behave in exactly the same way? No, I do not think there should be a special deal. People should stand by their values and treat everybody in the same way. That is the basic point.

**Lord Lamont of Lerwick:** If I were in your position and I lived in Russia, I am sure I would be saying what you are saying to us. I do not disagree with your characterisation of the Putin regime. For countries in the West, we have to live with many authoritarian regimes in the world. We have to live, sometimes, with problems that are unresolved. There are many very close, warm Middle Eastern allies of this country that are very undemocratic, which get put up in Buckingham Palace and given banquets in the City of London. We toast them and we think they are absolutely wonderful.

**The Chairman:** We do not necessarily think they are. We treat them wonderfully.

**Vladimir Kara-Murza:** That will be quoted in newspapers tomorrow.

**Lord Lamont of Lerwick:** Let me put it this way. The Foreign Office says very little that is ever critical of them, and Ministers say very little that is ever critical of them. The fact is that we cannot pursue regime change everywhere in the world. Of course, civil society has to respond to people like you and press for the things that you are pressing for as well, but Governments cannot do this all the time. If you cannot press for regime change all the time, you have in the end to resort to diplomacy, and sometimes diplomacy alters behaviour and brings about certain changes, as it did with Libya, I would argue. That was a diplomatic effort that was worth pursuing. I am not sure about the policies that subsequently followed.

**Vladimir Kara-Murza:** Thank you for the question. From the outset, I would state absolutely unequivocally that nobody is talking about regime change. As I mentioned several times—I will repeat it again—it is only for Russian society and Russian citizens to effect democratic change in our country. All we are asking our friends and neighbours in Europe to do is to have an honest position. Of course you have to deal with these regimes. There is no question about it, but do not pretend they are democratic. Do not pretend they are “one of us”, because they are not.

This dual-track diplomacy has been tried and tested, and it worked. In the 1980s, Margaret Thatcher and Ronald Reagan could, at the same time, negotiate with the Kremlin while beginning every meeting by putting a list of political prisoners on Mr Gorbachev’s desk, as Reagan did in Reykjavik in 1986, at the same time as achieving an arms control agreement. There is no contradiction between the two. You can still pursue diplomatic aims while remaining honest and faithful to the values.

There is this argument that has often been voiced that there are many countries that are even less free and democratic than Russia. Frankly, I want to hold my country up to higher standards. We are a European nation. We are a part of the European family. We are a member of the Council of Europe. We are a member of the OSCE. We have signed up to those human rights commitments, unlike, say, Saudi Arabia or China. We should be up to them and we should be fulfilling our own commitments and our own obligations.

Again, with this policy, there is no contradiction between talking to the regime on issues you need to talk about but also keeping channels of communication open to the millions of Russians and their representatives who want a different future and who will achieve that future. It is not a question of if but of when we have a democratic system again in Russia. Then, many people who have been the victims of this regime, who have suffered persecution from it, will have unpleasant questions for leaders in the West who closed their eyes to what has been happening.

The last point is that history has shown us very clearly that there is a direct connection between internal repression and outward aggression. There is no reason to expect a Government that abuses the rights of its own citizens and breaks its own constitution to somehow respect its neighbours and abide by the norms of international law. An uncharitable observer could even say that this aggression by Mr Putin in Ukraine is the price that many western leaders are paying for having turned a blind eye, year after year after year: when he shut down independent television, when he threw the opposition out of Parliament, when he beat up peaceful demonstrators on the streets of Moscow. There is a direct connection between those things—between domestic repression and outward aggression. It is in the interests of every democratic nation to understand this and to behave accordingly. That is my personal view.

**Lord Lamont of Lerwick:** That is a very good answer indeed. You describe the revolt in Ukraine as an anti-corruption revolt. Do you think there has been any non-corrupt regime ever in Ukraine in recent years?

**Vladimir Kara-Murza:** I think not, but Mr Yanukovych’s regime has broken a lot of records in this regard.

**Lord Radice:** They were number one.

**Q108 The Chairman:** We are almost at the end, and you have been extremely frank, clear and open. I do not think anybody can be in any doubt as to your position and your recommendations. You mentioned the Council of Europe en passant a moment ago. Do you

attach great weight to the European Convention on Human Rights in seeking to maintain freedom of the individual and respect for human rights in Russia?

**Vladimir Kara-Murza:** The last independent court that we have in Russia is the European Court of Human Rights in Strasbourg, which, as you know, we can appeal to as citizens of a country that is a member of the Council of Europe. I know there have been a few controversies involving this court here in this country, but of course you have a different tradition of common law, as opposed to our Roman law system in continental Europe, so there is no direct comparison here.

In any case, it was right for the Council of Europe Parliamentary Assembly to suspend Members of the Duma from its sessions. Frankly, they should have done it earlier, not because of the conflict in Ukraine but because we do not have free and democratic elections. Therefore, these are not legitimate Members of Parliament and representatives of Russian society. The biggest mistake would be to try—nobody is suggesting this, but if they did it would be the biggest mistake—to expel Russia from the Council of Europe, because the last resort that we have to independent justice is the European Court of Human Rights.

There is the recent example of Russian opposition leader Boris Nemtsov, who was arrested at the end of 2010 and thrown into prison for nothing except coming to a peaceful demonstration. He just won his case in the European Court of Human Rights. Now, that is not going to change anything substantially, but it is a very important symbolic judgment on the Putin regime and its anti-democratic nature. Yes, we put a lot of weight on our Council of Europe membership, in particular with regard to the European Court of Human Rights. We hope that continues.

**Q109 Earl of Sandwich:** Can I ask a very short final question? I was going to ask you what civil society is, because it is such a general term. I know it is largely middle-class, NGOs and city-based. You have never been able to get to the rural areas, I suspect, in spite of travelling, as you mentioned.

**Vladimir Kara-Murza:** It is mostly large cities, yes.

**Earl of Sandwich:** What about culture? We all share the great writers from Russia, and music. We have very strong cultural exchanges. The Bolshoi is still coming on tours here. Why do you not look for a Sakharov, a Solzhenitsyn, a leading ballerina who is going to represent civil society and take up some of these causes, as we have seen in the past?

**Vladimir Kara-Murza:** You are absolutely right. As well as a big cultural tradition, there is a big tradition in Russia of cultural figures being honest and outspoken and speaking truth to power. We have this today as well. For instance, during the mass protests in 2011-12, it was not just the political leaders and political activists leading the protests. There were a lot of cultural figures, like Yuri Shevchuk, the legendary Russian rock musician, or Boris Akunin, the popular novelist. Now the famous Russian musician Andrei Makarevich has been one of the most outspoken people to oppose Putin's policies in Ukraine. As a result, his concerts are being cancelled. There is pressure on people who produce his discs. His lectures and talks in various Russian cities are being annulled. He is not being allowed to speak. Nothing changes in this regard. We still have the authorities trying to repress independent-minded people among the cultural figures, but we still have and we will always have, I believe, honest, outspoken, moral people, leaders of Russian culture, who will always speak the truth, however inconvenient it is for the current regime in the Kremlin.

**Lord Foulkes of Cumnock:** When I was in St Petersburg in 1999 there was a street newspaper called *The Depths*. DFID gave it some money and it worked closely with the *Big Issue*. Are these types of street newspapers developing as alternative media in Russia?

**Vladimir Kara-Murza:** Most of the alternative media has gone online. First the television and then most of the print media has been either taken over or has had pressure from the Government to shut down. The freest space for discussions in the country is online. The online segment is growing. As I mentioned, in the big cities in excess of 70% of people have access to this information. That is basically one of the biggest hopes for transformation: that there is still a space where people can freely exchange views and discuss important issues, which you cannot do either in Parliament or in the mainstream media today.

**The Chairman:** Once again, thank you very much, Mr Kara-Murza. You have been extremely clear.

**Vladimir Kara-Murza:** I am happy to be here. Thank you.