

Written evidence submitted by Taras Kuzio (IEF0007)

About the Author

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Background

1. The USSR began laundering large amounts of cash in the West in the 1980s. Some of this was the proceeds of corruption and some for use in what the USSR called "active measures" (in today's parlance, hybrid warfare) against the West. This included paying intelligence agents, financing Communist Parties and Communist media, and funding terrorist groups such as the Red Army Faction (also known as the Baader–Meinhof Group) and the Red Brigades in Italy.
2. The USSR also financed terrorist activities and political subversion through its proxies and satellite states. Soviet satellite Libya, for example, provided arms for the IRA. Russia continues to use the same practice of financing active measures (hybrid warfare) through proxies and intermediary front companies.
3. As Catherine Bolton (*Putin's People. How the KGB Took Back Russia and Then Took on the West*) writes: "The smuggling schemes, the friendly firms and the trusted custodians became the model on which the Putin regime and its influence operations would be run." Furthermore, "Putin's people were replicating the KGB-run systems of the past in which oil exports had been a key source of black cash."

4. As with the USSR in the 1980s, Russia uses “friendly banks” for the laundering of ill-gotten funds and tax havens in Cyprus, Liechtenstein, Hong Kong, Guernsey, Panama, and the Caribbean.

Vladimir Putin’s Autocratic Regime and Foreign Policy

5. President Vladimir Putin has to be the wealthiest individual in Russia to be viewed by the elites as the first among equals. The amount you have stolen and control determines your place in the hierarchy. If you are valued at for example \$20 billion you will have greater access to Putin and be closer to the president.

6. Russian oligarchs and officials live in a political system described as a militocracy, a regime controlled at every level by the security services and military. The Russian security services – FSB (Russian internal affairs and in Eurasia), SVR (foreign intelligence) and GRU (military intelligence) – are imbued with Soviet nostalgia, mindsets, and operating methods.

7. Russian oligarchs and officials are allowed to plunder Russia’s wealth at home and deposit these illicitly acquired funds abroad. In return they are expected to toe the line on the Kremlin’s aggressive foreign and military policies towards Russia’s neighbours, NATO, the EU, UK and US. An important part of this relationship is that oligarchs and officials are expected to allocate some of their ill-gotten gains for active measures/hybrid warfare.

8. The Russian-German Nord Stream II gas pipeline will threaten Ukrainian and European security by generating additional income for the Russian budget. This will in turn increase Russia’s already bloated defence budget.

9. With Russian gas no longer transiting through Ukraine to Europe, the Nord Stream II gas pipeline unties Putin’s hands to escalate its military aggression against Ukraine. As Nord Stream II was being finalised in late 2021, Russia built up a large military deployment on Ukraine’s border and threatened to invade Ukraine. As the Chairman of Ukraine’s state gas company *Naftohaz Ukrayiny* Yuriy Vitrenko said: “[If] there will be no physical transit going through

Ukraine, it increases the chances of a full-scale war between Russia and Ukraine, with all the consequences of it.”

10. The building of a bridge linking Russia to occupied Crimea de facto closed for Ukrainian shipping the Azov Sea. Coupled with this has been a Russian blockade of coal and electricity supplies to Ukraine.¹ In February 2022, Russia held “naval exercises in the Black Sea Sea which *de facto* blockaded Ukrainian trade from Odesa and close by ports. Diverting the transit of gas away from Ukraine to Nord Stream II is an additional component of the Kremlin’s strategy to pressure Ukraine to capitulate to the Kremlin’s demands.

11. In the case of countries such as Ukraine, Russian dirty money is used to finance pro-Russian politicians and pro-Russian media and to interfere in elections. The goal is to thwart the country’s integration into the West (EU, NATO) and return it to Russia’s sphere of influence. In 2021-2022, Ukraine sanctioned five remaining pro-Russian television channels because they supported Russian information warfare, spread disinformation, and undermined Ukrainian sovereignty in the face of Russian military aggression.

12. Ukrainian politician and media tycoon Viktor Medvedchuk and gas oligarch Dmytro Firtash are Putin’s representatives in Ukraine. Medvedchuk financially controls and leads the pro-Russian Opposition Platform-For Life Party and owned three TV channels until they were sanctioned. Firtash financed the Party of Regions and is co-owner of Inter television channel.

Russia’s Weaponisation of Corruption

13. Russian dirty money deposited in London is used against British and Western interests. “Moscow’s Gold: Russian Corruption in the UK” wrote: “The assets stored and laundered in London both directly and indirectly support President Putin’s campaign to subvert the international rules-based system, undermine our allies, and erode the mutually-reinforcing

¹ Yevhen Solonya and Todd Prince, “Triple Threat? Russia Halts Coal Exports To Ukraine, Cancels Power Auction Amid Gas Crisis,” *RFE/RL*, 4 November 2021. <https://www.rferl.org/a/ukraine-russia-coal-electricity/31546121.html>

international networks that support UK foreign policy.” Meanwhile, “turning a blind eye to London’s role in hiding the proceeds of Kremlin-connected corruption risks signalling that the UK is no confronting the full spectrum of President Putin’s offensive measures.”

14. Russian dirty money deposited in the West continues to be used for active measures/hybrid warfare against the UK and its Western allies. As “Moscow’s Gold: Russian Corruption in the UK” wrote: “These assets, on which the Kremlin can call at any time, both directly and indirectly support President Putin’s campaign to subvert the international rules-based system, undermine our allies, and erode the mutually-reinforcing international networks that support UK foreign policy.”

15. As a former KGB officer, Putin has continued the Soviet policy of depositing money for the 2 purposes of illicit enrichment and use for active measures/hybrid warfare against the West.

16. Russia’s main export is corruption, not energy, which is weaponised to corrupt Western elites. The buying of Western political, legal, media, and other elites deepens cynicism in Russian elites about the West and a belief that they can be bought - its just a question of negotiating the price. Corruption of Western elites leads to public distrust in democratic institutions and feeds into election support for anti-establishment populists on the far right and far left.

17. The UK Government cannot continue to oppose Russian military aggression and support and defend democratic states while at the same time London providing a haven for the raising of capital. This approach reduces the impact of the threat of sanctions against Russia, emboldening the Kremlin to undertake military aggression without the fear of being severely hurt from Western sanctions.

18. The USSR financially supported, and contemporary Russia supports, the far right and far left in Europe and the US. In addition to finances, Russian support can also be by assisting in the spread of their ideas and programmes through Kremlin friendly media and social media and logistically through the organisation of conferences, seminars and public events.

19. Soviet and contemporary Russian goals in points 5 and 6 aim to sow divisions in Western democracies between elites and citizens, and within NATO and the EU. Russian support for extremist parties aims to promote political views that call upon European countries to follow the example of the UK and undertake Brexit-style withdrawals from the EU.
20. The UK is not the only country in Europe which is exposed to Russia's strategic use of corruption. Austria, Lichtenstein, Monaco, Switzerland, Malta, Montenegro, and especially Cyprus have large amounts of laundered funds from Russia and Eurasia.
21. The Nord Stream 2 gas pipeline increases Russia's ability to weaponise corruption by buying European elites. Former GDR Stasi security service officer Matthias Warnig is the Managing Director (CEO) of Nord Stream 2 while former German Chancellor and Social Democratic Party (SPD) leader Gerhard Schroder is Chairman of Nord Stream 1.
22. Nord Stream II will lose Ukraine \$3 billion in annual transit fees from Russian gas no longer transiting across Ukraine to Europe.
23. The UK's Global Britain foreign policy of supporting and helping to defend democracies around the world will be undermined by London as a "laundromat" and important destination for Russian oligarchs and Kremlin officials to the Kremlin to launder proceeds of corruption, hide their looted assets and provide some proportion of them for the Russian government's active measures hybrid warfare.
24. Double standards of preaching abroad about fighting corruption while allowing in billions of dirty money into London deepens existing cynicism among Russian and Eurasian leaders about the commitment of the UK and its Western allies to what they preach abroad.
25. Russian oligarchs, exiles, and diaspora are often actors willingly or through coercion working for the Russian government. The Coordinating Council of Russian Compatriots of the U.S. (KSORS) decided to close after the FBI questioned up to 300 of its members about potential violations of the U.S. law on foreign agents (FARA) and another criminal charge Section 951 ("espionage-lite")

aimed at foreign nationals who work for a foreign government without declaring it to the U.S. government.

26. An example of this is Ukrainian gas oligarch Dmytro Firtash who is a close ally of Putin. The US has been trying to extradite him to the US since March 2014 on corruption charges and Spain has been trying to extradite him since 2015 on links to organised crime. The Austrian court system has blocked this while former Austrian political leaders have acted as his paid lobbyists. 8 years on he is still “under house arrest” in Vienna.

27. Transparency International (a Corruption watchdog) claims London is the biggest money laundering centre in the world.

28. The entry of dirty money from Russia, Kazakhstan, and Ukraine and elsewhere in the former USSR began about 22 years ago under the Blair government and was continued by Cameron. Measures to deal with this were always half-hearted.

29. The US is not clean and cannot point fingers at the UK or Europe. The biggest destination for dirty money buying property is the US. The EU has been slow to do work against dirty money.

30. The UK’s proposed measures against dirty money (if Russia invades) is being coordinated with the US. An invasion would most likely push the UK and US to do more. But corrupt Russians, Kazakhs, etc in the UK – if targeted – would turn to the UK courts where cases would drag on for years (as we know from the Berezovsky vs Abramovich case). British lawyers would make a fortune!

31. The UK and US cases, just as those in the EU, are intimately tied to the international system of offshore tax havens. Biden’s home state of Delaware is the leading US state that sells companies based in these tax havens!

Weaponisation of Organised Crime

32. The US has sought Firtash's extradition on corruption charges since 2014 but this has been thwarted by the Austrian authorities. Spain has also sought to extradite Firtash on charges of ties to Russian organised crime.

33. In 2014, Firtash paid the highest bail in Austrian history with funds brought from Moscow.

34. In 2019-2020, Firtash was at the centre of a Kremlin project to thwart the election of Joe Biden as US president. Russian disinformation about Ukrainian President Petro Poroshenko was fed into the Ukrainian and Western media by Ukrainian operatives with links to Russian intelligence. Russian funds hired Ukrainian politicians and US consultants to spread disinformation about Joe Biden's term in office as Vice President in 2009-2017.

35. Putin sought to assist in the re-election of Donald Trump in return for cancelling the US extradition of Firtash. The Kremlin were concerned at Firtash agreeing an immunity deal with the FBI where he would provide an insight into the Kremlin's operations towards Russia's neighbours and the West.

Lawfare

36. Russian, Ukrainian and Eurasian oligarchs and officials use Britain's libel laws to dampen criticism of their illicit past and squash investigations of their corruption.

37. Journalists and academics have been hounded in the UK by Russian, Ukrainian and Eurasian oligarchs and officials, taken to court and threatened with massive court costs and fines. Books have had to be impounded and shredded.

38. This witness experienced the wrath of a Ukrainian oligarch in Canada which has similar libel laws to the UK. US lawyers (Akin Gump Strauss Hauer & Feld) were hired by Rinat Akhmetov to squash any media stories and academic studies into Donetsk oligarch Rinat Akhmetov's past. The University of Toronto Press was forced to renege on its book contract with this witness. In 2011, Akhmetov paid the highest price in UK history of \$200 million for a London property across from Harrods.

39. As in other cases that have fallen foul of English libel laws, my book was published in the US where libel laws protect authors and not accusers of libel.

40. In 2010, US Law firms Trout Cacheris & Solomon and Akin Gump Strauss Hauer & Feld accepted payment from the Ukrainian government to prepare a report on false claims against the Yulia Tymoshenko government. In 2011, the report was used by the Ukrainian authorities to imprison opposition politician Tymoshenko on trumped up charges

Sanctions against Russia Following its Invasion of Ukraine

41. The Conservative Party has received 2 million pounds from Russian donations over the last nine years. Russian donations to the Conservative Party are a security threat to the UK. They should be returned and donations should no longer be accepted.

42. Conservative Party Chairman Ben Elliot luxury concierge service should no longer assist Russian oligarchs and kleptocrats with services.

43. Russian officials and kleptocrats should no longer be allowed to use UK courts for “libel tourism” threatening to bankrupt critics. A new British Bill of Rights should safeguard freedom of speech against accusations of libel along the lines of legislation in place in the US where it is up to those accusing libel to prove their case.

44. Evgeny Lebedev’s peerage should be rescinded and he should no longer be allowed to sit in the House of Lords. Prime Minister Boris Johnson’s intervention to over-rule MI5’s objections to the peerage on national security grounds should be re-opened.

45. There are estimates of 500 oligarchs in the UK and 7,000 Russian companies, many of which owned or controlled by the Russian government. The Russian state gas company Gazprom owns six companies in London. Previous parliamentary reports have pointed to how Russian intelligence, big business and politics are thoroughly integrated in Russia. The UK government and NCA should draw up a list of Russian oligarchs and former Russian state officials and Russian companies in the UK with ties to the Kremlin. These lists should be used to determine whether

the oligarchs, former Russian state officials and Russian companies constitute a national security threat to the UK.

46. The Golden Visa Scheme was introduced under Prime Minister John Major in 1994 and expanded under Prime Minister Gordon Brown in 1998. 3,000 applications have been successful, the majority of who have been Russians of who only six were refused. A high number of 92 were issued after the 2018 chemical assassination attempt against Sergei Skripal. The Golden Visa Scheme was closed down as part of the sanctions package introduced in response to Russia's invasion of Ukraine. Those granted Golden Visas under the system should be investigated if they constitute a potential threat to UK national security.

47. Government spending on the NCA's International Corruption Unit (ICU) should be increased. With limited resources the ICU has been unable to compete with lawyers paid by Russian oligarchs. The ICU has only investigated 4 cases of unexplained wealth since 2018. Without adequate resources, the ICU/NCA are not going to be in a position to enforce existing legislation and rules.

48. The UK is in urgent need of a complete register of the real identities of property owners.

49. Assets of oligarchs should be seized quickly, and at the same time as the EU and US, before they are moved to a new location.

50. Family members should be also targeted as assets are often hidden with these members.

51. Tankers and other vessels should be permitted to import into the UK Russian commodities, including oil. Sanctions should block the entry of Russian vessels and commodities to UK ports.