



# Covert Foreign Money

Financial loopholes exploited by authoritarians to fund political interference in democracies

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## Alliance for Securing Democracy

The Alliance for Securing Democracy (ASD), a bipartisan initiative housed at the German Marshall Fund of the United States, develops comprehensive strategies to deter, defend against, and raise the costs on authoritarian efforts to undermine and interfere in democratic institutions. ASD brings together experts on disinformation, malign finance, emerging technologies, elections integrity, economic coercion, and cybersecurity, as well as regional experts, to collaborate across traditional stovepipes and develop cross-cutting frameworks.

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# Executive Summary

In addition to more widely studied tools like cyberattacks and disinformation, authoritarian regimes such as Russia and China have spent more than \$300 million interfering in democratic processes more than 100 times spanning 33 countries over the past decade. The frequency of these financial attacks has accelerated aggressively from two or three annually before 2014 to 15 to 30 in each year since 2016.

We call this tool of foreign interference “malign finance,” defined as “the funding of foreign political parties, candidates, campaigns, well-connected elites, or politically influential groups, often through non-transparent structures designed to obfuscate ties to a nation state or its proxies.” A typical case involves a regime-connected operative funneling \$1 million to a favored political party, although buying influence in a major national election costs more like \$3 million to \$15 million.

Rather than start our analysis by focusing on any given policy area, we review open-source reporting in 16 languages to identify malign finance cases credibly attributed to foreign governments. Finding that approximately 83 percent of the activity was enabled by legal loopholes, we catalogue the resulting caseload into the seven most exploited policy gaps.

Broader than just money flowing through straw donors, shell companies, non-profits, and other conduits, malign finance includes a range of support mechanisms innovated by authoritarian regimes to interfere in democracies, from intangible gifts to media assistance. As such, policy strategies to address these vulnerabilities are not limited to campaign finance reforms, but also include greater transparency requirements around media funding, corporate ownership, campaign contacts with foreign powers, and other issues.

In addition to identifying loopholes, our case study informs the scope of our recommended policy solutions, which are meant close off channels for foreign financial interference without infringing upon the speech rights of domestic political spenders or jeopardizing bipartisan support. Each of our recommendations balances these trade-offs differently based on empirical, legal, political, and administrative considerations vetted in consultation with more than 90 current and former executive branch officials, Congressional staffers from both parties, constitutional law scholars, and civil society experts.

This report is organized around each of the seven U.S. legal loopholes that need to be closed, starting with the most urgent priorities, plus an eighth chapter on the need for stronger governmental coordination.

## 1. Broaden the definition of in-kind contributions

Legal definitions of political donations are too narrowly scoped in many countries, effectively legalizing some foreign in-kind contributions. Examples include loans to Marine Le Pen’s party from banks controlled by Russian leader Vladimir Putin and his proxies, luxurious gifts and trips paid for by Russian oligarchs in Europe and Chinese United Front operatives in Australia, and black-market services provided by Kremlin instrumentalities.<sup>1</sup> U.S. President Donald Trump invited foreign support in two consecutive presidential elections, enabled by a narrow reading of the U.S. prohibition against foreign nationals contributing anything of value.<sup>2</sup>

The term “thing of value” should be more broadly defined, interpreted, and enforced, such that it unambiguously includes intangible, difficult-to-value, uncertain, or perceived benefits. The most robust form this change could take would be new legislation, although a similar result could be achieved by the Department of Justice (DOJ) and Federal Election Commission (FEC) enforcing existing law more broadly.

## 2. Report campaign contacts with agents of foreign powers

Authoritarian regimes send intermediaries on secret missions to enrich favored donors, politicians, or parties, as demonstrated by operations on four different continents. Nine elite Russian expatriates who donated to the U.K. Tories are named in the classified annex of a parliamentary report on Russian threats to British democracy.<sup>3</sup> Zhang Yikun, a leader in China’s United Front work, is implicated in multiple cases of funneling money to New Zealand political parties and candidates.<sup>4</sup> Yevgeny Prigozhin,

<sup>1</sup> See The Alliance for Securing Democracy and C4ADS, *Illicit Influence—Part One—A Case Study of the First Czech Russian Bank*, Washington, December 28, 2018; Anton Rouget et al., “*La vraie histoire du financement russe de Le Pen*,” Mediapart, May 2, 2017; Fabrice Arfi, et al., “*La Russie au secours du FN : deux millions d'euros aussi pour Jean-Marie Le Pen*,” Mediapart, November 29, 2014; Anton Shekhovtsov, *Russia and the Western Far Right*, 1st ed., London: Routledge, 2017, pp. 196-197; Anna Henderson and Stephanie Anderson, “*Sam Dastyeri's Chinese donations: What are the accusations and is the criticism warranted?*” ABC, September 5, 2016; Damien Cave, “*Australia Cancels Residency for Wealthy Chinese Donor Linked to Communist Party*,” *The New York Times*, February 5, 2019; Sam Jones, “*Russia case causes headache for Swiss law enforcement*,” *Financial Times*, June 5, 2020; Samer al-Atrash, “*How a Russian Plan to Restore Qaddafi's Regime Backfired*,” Bloomberg, March 20, 2020; Roman Badanin, et al., “*Coca & Co: How Russia secretly helps Evo Morales to win the fourth election*,” Proekt, October 23, 2019; Gabriel Gatehouse, “*German far-right MP 'could be absolutely controlled by Russia'*,” BBC, April 5, 2019; Special Counsel Robert S. Mueller, *Report on the Investigation into Russian Interference in the 2016 Presidential Election*, U.S. Department of Justice, March 2019, Vol. I, pp. 44-57 (“Mueller Report”). The United Front is the arm of the Chinese Communist Party that co-opts and neutralizes sources of potential opposition through subversion of Chinese organizations and personages around the world. See Alexander Bowe, *China's Overseas United Front Work: Background and Implications for the United States*, Washington: U.S.-China Economic and Security Review Commission, August 24, 2018, pp. 3-4.

<sup>2</sup> See *Mueller Report*, Vol. I, pp. 49, 185-188, 188-191; United States House of Representatives, Permanent Select Committee on Intelligence, *The Trump-Ukraine Impeachment Inquiry Report*, Washington, December 2019, pp. 98-103 (“Trump-Ukraine Report”); Devlin Barrett, et al., “*Trump offered Ukrainian president Justice Dept. help in an investigation of Biden, memo shows*,” *Washington Post*, September 26, 2019; Josh Dawsey, “*Trump asked China's Xi to help him win reelection, according to Bolton book*,” *Washington Post*, June 17, 2020.

<sup>3</sup> Tom Harper and Caroline Wheeler, “*Russian Tory donors named in secret report*,” *The Times*, November 10, 2019.

<sup>4</sup> Sam Hurley, “*National Party donations case: SFO alleges 'trick or stratagem' over two \$100k contributions*,” *NZ Herald*, February 18, 2020; John Anthony et al., “*Chinese businessman Yikun Zhang's donations go beyond Simon Bridges*,” *Stuff*, October 17, 2018; Anne-Marie Brady, “*Magic Weapons: China's political influence activities under Xi Jinping*,” 2017, Paper presented at *The corrosion of democracy under China's global influence*, Arlington, VA, September 16-17, 2017, Washington: Wilson Center, 2017.

Putin's go-to oligarch for deniable hybrid warfare operations, offers package deals—including backpacks of cash, tailor-made news outlets, troll farms, and armed forces—to help the Kremlin's preferred African leaders and presidential candidates obtain and hold on to power.<sup>5</sup> The U.S. Department of Justice indicted George Nader, an American advisor to the ruler of the United Arab Emirates, for allegedly funneling more than \$3.5 million to the 2016 campaign of Hillary Clinton in order to gain access to and influence with the candidate and then use that to gain favor with, and potential financial support from, the U.A.E.<sup>6</sup>

U.S. campaigns should have to report to law enforcement offers of assistance from foreign powers. Legislation like the *SHIELD Act* would require that type of reporting, although Congress should consider removing the exemption for contacts with foreign election observers, clarifying a broad definition of agents, covering big donors, and more narrowly scoping it toward non-allied countries to avoid closing off space for benign foreign relations.<sup>7</sup>

### 3. Outlaw anonymous shell companies and restrict subsidiaries of foreign parent companies

Foreign governments and their operatives use corporate entities, similar to their usage of human straw donors, as footholds to establish a legal presence—and thus the ability to donate—within target countries. This problem is most pervasive in the Anglo-American financial system, which offers deep asset markets, secure property rights, and the ability to incorporate without identifying owners. For example, Lev Parnas and Igor Fruman used an anonymous Delaware shell company to hide contributions funded by elite Russian businessmen, while a web of London-based entities tied to Kremlin-connected oligarch Dmytro Firtash have donated to numerous British politicians.<sup>8</sup>

Legislation like the *Anti-Money Laundering Act of 2020* would outlaw anonymous shell companies by forcing U.S. firms to report their true (beneficial) owners to the Treasury Department.<sup>9</sup> This information would be held securely and confidentially, disclosed only to support law enforcement investigations. While shell companies are by far the most important corporate vulnerability, Congress should also take targeted steps to tighten

restrictions on political activity by U.S. subsidiaries of foreign parent companies, such as making CEOs certify compliance or blocking donations by firms substantially owned by nationals of adversarial countries. However, this subsidiary loophole has mostly been exploited for corrupt commercial motives rather than geopolitical operations meant to weaken target societies.

### 4. Disclose foreign donors to non-profits

Foundations, associations, charities, religious organizations, and other non-profits are handy vehicles for malign finance because Western legal systems treat them as third parties permitted to spend on politics without meaningfully disclosing the identities of their donors. For example, far-right parties in Europe such as Alternative for Germany, the Freedom Party in Austria, and the League in Italy each have non-profit conduits that can channel foreign money into elections.<sup>10</sup> Russia secretly funds non-profits serving as bespoke fronts to execute specific mandates, like a Dutch think tank campaigning against a Ukrainian trade deal with the European Union, a Delaware “adoptions” foundation lobbying against sanctions on Russia, environmental groups opposing U.S. hydraulic fracking, and a Ghanaian nonprofit employing trolls pretending to be African Americans.<sup>11</sup> Lastly, non-profits have been used as vehicles for elite capture, such as bribery run through CEFC China Energy, Firtash’s use of his British Ukrainian Society to influence elites in London, and Russian secret agents and money launderers working to cultivate top U.S. politicians through the National Rifle Association.<sup>12</sup>

Legislation like the *DISCLOSE Act* would require U.S. non-profits that advocate for a clearly identified political candidate to publicly disclose the identities of their donors, whether they are foreign or domestic.<sup>13</sup> We also propose legislation more targeted toward malign finance, avoiding public disclosure requirements for domestic “dark money” groups. It would require all U.S. non-profits—whether they spend on politics or not—to report the identities of all their funders to law enforcement, while only having to publicly reveal their foreign funders. Compared to the *DISCLOSE Act*, this proposal would include 501(c)(3) charitable organizations, exclude corporations, identify beneficial owners, include forms of income beyond just donations, and require reporting of financial audits.

<sup>5</sup> See Neil MacFarquhar, “*Yevgeny Prigozhin, Russian Oligarch Indicted by U.S., Is Known as Putin's Cook*,” *The New York Times*, February 16, 2018; Ilya Rozhdestvensky, et al., “*Master and Chef: How Russia interfered in elections in twenty countries*,” Proekt, April 11, 2019; Ilya Rozhdestvensky and Roman Badanin, “*Master and Chef: How Evgeny Prigozhin led the Russian offensive in Africa*,” Proekt, March 14, 2019; Bellingeat, “*Putin Chef's Kisses of Death: Russia's Shadow Army's State-Run Structure Exposed*,” August 14, 2020.

<sup>6</sup> Indictment, *United States v. Andy Khawaja, George Nader, et al.*, No. 1:19-cr-00374 (D.D.C., November 7, 2019), Doc. 1, pp. 6, (“Khawaja–Nader Indictment”); David D. Kirkpatrick and Kenneth P. Vogel, “*Indictment Details How Emirates Sought Influence in 2016 Campaign*,” *The New York Times*, December 5, 2019. Nader and his straw donors conspired to cause four political committees supporting Clinton “to unwittingly file false campaign finance reports concealing these unlawful campaign contributions from the FEC and the public by falsely stating that the contributions were made by [the straw donors] when in reality they were funded by Nader.”

<sup>7</sup> United States Congress, H.R.4617 - *SHIELD Act*, introduced October 8, 2019.

<sup>8</sup> See Indictment, *United States v. Lev Parnas, Igor Fruman, et al.*, No. 1:19-cr-725 (S.D.N.Y. October 9, 2019), Doc. 1, pp. 5-10 (“Parnas–Fruman Indictment”); Greg Farrell, et al., “*Rudy Giuliani Sidekick Lev Parnas Traces Part of Money Trail to Ukraine*,” Bloomberg, January 23, 2020; Benoît Facon and James Marson, “*Ukrainian Billionaire, Wanted by U.S., Builds Ties in Britain*,” *The Wall Street Journal*, December 2, 2014.

<sup>9</sup> United States Congress, S.Amdt.2198 to S.4049 - *AML Act*, submitted June 25, 2020. An earlier version of this legislation was called the *ILLICIT CASH Act*.

<sup>10</sup> See Organization for Security and Co-operation in Europe (OSCE), *Germany, Parliamentary Elections, 24 September 2017: Final Report*, November 27, 2017, pp. 6; Lobby Control, *Geheime Millionen und der Verdacht illegaler Parteidienstleistungen*, 10 Fakten zur intransparenten Wahlkampfhilfe für die AfD, Cologne, September 2017; Süddeutsche Zeitung, “*Strache-Video*,” 2019-2020; Oliver Das Gupta, et al., “*Was außer Spesen noch gewesen ist*,” Süddeutsche Zeitung, May 16, 2020; Thomas Morley and Étienne Soula, “*Caught Red Handed: Russian Financing Scheme in Italy Highlights Europe's Vulnerabilities*,” The Alliance for Securing Democracy, July 12, 2019.

<sup>11</sup> See Zembla and De Nieuws BV, “*Baudet and the Kremlin*,” YouTube video, 48:41, April 25, 2020; Clarissa Ward, et al., “*Russian election meddling is back -- via Ghana and Nigeria -- and in your feeds*,” CNN, April 11, 2020; Emma Loop, et al., “*A Lobbyist At The Trump Tower Meeting Received Half A Million Dollars In Suspicious Payments*,” Buzzfeed, February 4, 2019; James Freeman, “*What Did Hillary Know about Russian Interference?*” *The Wall Street Journal*, July 10, 2017.

<sup>12</sup> See United States Attorney for the Southern District of New York, “*Patrick Ho, Former Head Of Organization Backed By Chinese Energy Conglomerate, Sentenced To 3 Years In Prison For International Bribery And Money Laundering Offenses*,” Press Release, March 25, 2019; Sergii Leshchenko, *The Firtash octopus: Agents of influence in the West*, Vienna: Eurozine, September 25, 2015; Statement of Offense, Plea Agreement, *United States v. Maria Butina*, No. 1:18-cr-218 (D.D.C. December 13, 2018), Doc. 67, pp. 1-5 (“Butina Plea Agreement”).

<sup>13</sup> United States Congress, S.1147 - *DISCLOSE Act*, introduced April 11, 2019. The *DISCLOSE Act* would apply to corporations, LLCs, labor unions, 527 organizations, and tax-exempt entities organized under section 501(c) of the tax code, except for 501(c)(3) charities because they are prohibited from spending on elections.

## 5. Disclose online political ad buyers and ban foreign purchases

Russia, China, Iran, and other foreign powers continue to buy political ads on social media platforms in order to covertly influence elections and public opinion in democratic societies.<sup>14</sup> These secret ad campaigns are often legal because online ads are not subject to the same disclosure rules and foreign restrictions applicable to print and broadcast media.

A bill like the *Honest Ads Act* would require public disclosure of the sources of payment for online political ads, similar to rules that have long applied to traditional ad mediums.<sup>15</sup> Legislation like the *PAID AD Act* would expand the foreign source ban to apply to ad purchases at any time, not just the period when U.S. buyers are regulated a month or two before elections.<sup>16</sup> It would further prohibit foreign governments from buying issue ads in election years to influence the election. Those types of rules around ad purchases should extend to beneficial owners, while prohibitions like the *PAID AD Act* could be limited to adversarial countries.

## 6. Disclose foreign funding of media outlets

The cutting edge of Russian interference appears to be the intersection of malign finance and information manipulation, including covert funding of online media outlets. European intelligence services see the Kremlin's hand behind financial and content support for at least six far-right news websites in Sweden, thousands of short-lived "junk websites" in Ukraine, and purportedly independent local news outlets based in Berlin and the Baltics.<sup>17</sup> Investigative journalists have scrutinized U.S.-based fringe internet news sites suspected of receiving foreign funding, but have not found definitive answers because their finances are well-kept secrets and no disclosure is required.<sup>18</sup>

U.S. technology companies should have to maintain publicly accessible "outlet libraries," similar to the "ad libraries" required by *Honest Ads* except that they would mandate disclosure of the beneficial owners who fund online media outlets using internet services provided by U.S. technology companies. Similar to how U.S. banks are employed to enforce sanctions and are responsible for collecting and verifying beneficial ownership information, the legal obligation to operate these proposed outlet libraries should fall to U.S. web hosting providers, domain registrars, search engines, advertising technology firms, and social network platforms. Online media outlets wanting to use these services

would need to provide tech companies with the identities of their funders—including equity owners, advertisers, and donors—for inclusion in the library. Covered outlets should include news organizations whose websites receive more than 100,000 unique monthly visitors or social media engagements while excluding publicly traded companies and other outlets already required to disclose ownership. The scope could be further limited to outlets receiving at least 10 percent of their financial support from abroad and require disclosure only of those foreign funders.

For traditional media outlets, Congress should require the FCC to again prohibit foreign-owned companies from acquiring more than 25 percent of U.S. broadcast licenses or at least give Congress a chance to overrule allowances. Lawmakers should require public disclosure when foreign agents like Sputnik and RT seek time on U.S. airwaves and clarify on-air disclaimers so that listeners know when they are hearing propaganda sponsored by the Russian government rather than just receiving an hourly attribution to some parent corporation that most Americans have never heard of.

## 7. Ban crypto-donations and report small donor identities to the FEC

In order to conceal financial flows into Western politics, authoritarian regimes have shown an intent to exploit two emerging technologies offering anonymity. First is the threat of political spending in the form of cryptocurrencies, a medium of exchange that Russian military intelligence mined, acquired, laundered, and spent on its 2016 hack-and-dump infrastructure because it is easier to keep off the radar of U.S. authorities.<sup>19</sup> Second is the risk of donor bots capable of automating thousands of political contributions in the names of stolen identities, keeping such operations under wraps by capping donations at the \$200 disclosure threshold.<sup>20</sup>

Donations and political ad purchases in the form of cryptocurrencies should be completely prohibited. Small donor disclosures require more nuanced handling. Campaigns, parties, and super PACs should have to report small donor identities to the FEC, which should make the information publicly accessible through a secure, limited, and conditional gating process. Any member of the public requesting access to the data should have to complete a security check and commit to not publicly disseminate or misuse personal information. This would deter stalkers, snoops, and other bad actors from abusing the data while enabling investigative journalists, watchdogs, and academics to analyze it for patterns of possible straw donor schemes.

## 8. Coordinate across the executive branch and reform the FEC and Treasury

A particularly aggressive 17 percent of malign finance cases do not operate primarily through legal loopholes. Examples include Russian oil profits earmarked to fund the League in Italy and

<sup>14</sup> See, e.g., Ward, 2020; Facebook, "Taking Down More Coordinated Inauthentic Behavior," August 21, 2018; David Gilbert, "China's Been Flooding Facebook With Shady Ads Blaming Trump for the Coronavirus Crisis," Vice, April 6, 2020.

<sup>15</sup> United States Congress, S.1356 - *Honest Ads Act*, introduced May 7, 2019.

<sup>16</sup> United States Congress, H.R.2135 - *PAID AD Act*, introduced April 8, 2019.

<sup>17</sup> See Jo Becker, "The Global Machine Behind the Rise of Far-Right Nationalism," *The New York Times*, August 10, 2019; Anatoliy Bondarenko, et al., "We've got bad news," Texty, November 28, 2018; Bradley Hanlon and Thomas Morley, "Russia's Network of Millennial Media," The Alliance for Securing Democracy, February 15, 2019; Holger Roonemaa and Inga Sprinđe, "This Is How Russian Propaganda Actually Works In The 21<sup>st</sup> Century," Buzzfeed, August 29, 2018.

<sup>18</sup> See, e.g., Brian Lambert, "The mystery of MintPress News," MinnPost, November 11, 2015; Luke O'Brien, "Who Gave Neo-Nazi Publisher Andrew Anglin A Large Bitcoin Donation After Charlottesville?" *Huff Post*, June 12, 2019.

<sup>19</sup> Indictment, *United States v. Netyskho*, No. 1:18-cr-215 (D.D.C. July 13, 2018), Doc. 1, pp. 21-24 ("Netyskho Indictment").

<sup>20</sup> See, e.g., Paul Wood, "Andy Khawaja: 'the whistleblower,'" *The Spectator*, February 24, 2020.

various United Front bribery and straw donor schemes.<sup>21</sup> When authoritarian regimes are caught breaking the law in ways that involve large sums of money, that boldness is often reflective of broader regional strategic influence campaigns authorized at the highest levels. One reason we are confident that malign financial activity has truly accelerated since 2014 rather than the West simply paying more attention is detailed reporting on multi-vector regional campaigns approved by heads of state. Putin authorized campaigns against Europe in 2014, the United States in 2016, and Africa in 2018.<sup>22</sup> Chinese leader Xi Jinping elevated United Front work in 2014 and 2015, which has primarily targeted the Asia-Pacific but also extended to support the Belt and Road Initiative as far west as the Czech Republic and Africa.<sup>23</sup>

## ***“The United States has failed to fortify its financial defenses since malign finance and other tools of election interference became top national security threats in 2016.***

U.S. administrative responses to foreign interference campaigns need to be similarly supported by the president and coordinated “in a sweeping and systematic fashion.”<sup>24</sup> The Alliance for Securing Democracy has recommended appointing a foreign interference coordinator at the National Security Council, creating a Hybrid Threat Center at the Office of the Director of National Intelligence, and establishing other avenues for coordination.<sup>25</sup> We explain how economic departments and agencies should feed into these coordinating bodies, how the FEC needs structural reform to overcome partisan gridlock, and how Treasury should reorganize to dedicate as much administrative priority to fighting authoritarian influence as it does to combatting terrorist financing.

## **Groundwork for sweeping policy overhaul**

The last time the United States faced an emerging threat of civil infrastructure converted into asymmetric weaponry, the adversary’s arsenal did not include dirt on opponents, straw donors, shell companies, non-profits, ads, media outlets, or emerging technologies. Rather, it was airplanes flying into buildings.

Over the seven weeks following the Sept. 11, 2001 attacks, among other responses, the U.S. government enacted the most sweeping overhaul in a generation to its anti-money laundering laws, started reorganizing executive branch agencies and functions around combatting terrorist financing, and persuaded 30

countries to impose similar financial security protections.<sup>26</sup> One reason why U.S. policymakers were ready to hit the ground running was that Congress—having seen the Russia mafia laundering billions through New York—spent the previous two years investigating how foreign financial institutions were exploiting loopholes in the U.S. financial security architecture in order to formulate bipartisan policy solutions.<sup>27</sup>

The United States has failed to similarly fortify its financial defenses since malign finance and other tools of election interference became top national security threats in 2016, although some preliminary policy development work has begun. About half of the reforms we recommend mirror or build upon legislation already introduced in Congress, like the *SHIELD Act*, *AML Act*, *DISCLOSE Act*, *Honest Ads Act*, *PAID AD Act*, and FEC structural reforms in H.R. 1, even if in some cases we propose modifications to bills like these to ensure their scope targets the malign activity observed in our survey.<sup>28</sup> The other half of our recommendations are split among executive branch coordination, some straightforward statutory amendments, and five newly developed proposals: broadening the definition of a “thing of value,” requiring all non-profits to publicly disclose foreign funders, creating “outlet libraries” to identify beneficial owners, improving rules for traditional media, and mandating small donor reporting. These proposals would require some public debate and drafting work that should begin now in order to be ready when a political window opens. At the same time as we work to put our own financial security house in order, the United States should lead the democracies of the world to promote an open, transparent, and secure arena for political finance.

Our hope is that the comprehensive empirical research provided in this report on financial loopholes exploited by authoritarian regimes to fund political interference in democracies will jump-start a policy reform initiative to build resilience against this threat. There is no time to lose. Just like airplanes in the summer of 2001 and cyberattacks in the summer of 2016, the system is currently blinking red about incoming rubles and yuan.

<sup>26</sup> See Juan Zarate, *Treasury’s War: The Unleashing of a New Era of Financial Warfare*, New York: PublicAffairs, 2013, ch. 1-4.

<sup>27</sup> See Elise J. Bean, *Financial Exposure: Carl Levin’s Senate Investigations Into Finance and Tax Abuse*, New York: Springer, 2018, pp. 66-80.

<sup>28</sup> *SHIELD Act*; *AML Act*; *DISCLOSE Act*; *Honest Ads Act*; *PAID AD Act*; United States Congress, H.R.1 - *For the People Act of 2019*, passed March 14, 2019.

<sup>21</sup> See Alberto Nardelli, “*Revealed: The Explosive Secret Recording That Shows How Russia Tried To Funnel Millions To The ‘European Trump’*,” Buzzfeed, July 10, 2019; SDNY, 2019; Angus Grigg, “*Huang Xiangmo’s big night of gambling*,” *Financial Review*, December 12, 2019; *Hurley*, 2020.

<sup>22</sup> See Fiona Hill and Clifford G. Gaddy, *Mr. Putin: Operative in the Kremlin*, 2nd ed., Washington: Brookings, 2015, pp. 303-311; *Shekhovtsov*, Chapters 6-7; U.S. Office of the Director of National Intelligence, *Background to ‘Assessing Russian Activities and Intentions in Recent US Election’: The Analytic Process and Cyber Incident Attribution*, Washington, January 6, 2017; *Rozhdestvensky and Badanin*, 2019; *Rozhdestvensky, et al.*, 2019.

<sup>23</sup> See *Bowe*, pp. 3-6; *Brady*, pp. 7.

<sup>24</sup> See *Mueller Report*, Vol. I, pp. 1.

<sup>25</sup> Laura Rosenberger et al., *The ASD Policy Blueprint for Countering Authoritarian Interference in Democracies*, Washington: The Alliance for Securing Democracy, June 26, 2018, pp. 22-23.

# Introduction and Methodology

U.S. public awareness of the tools deployed by Russia and other authoritarian regimes to undermine Western democracies has evolved in recent years.

In 2016 the primary focus was on cyberattacks: hack-and-dump campaigns and the probing of U.S. state election systems during the 2016 election season. More details came out in the years after, but by late 2016 the perception was that Russia “hacked” the U.S. election.<sup>29</sup>

During the 18 months that followed the 2016 election, the U.S. government and American public learned more about information manipulation on social media run in large part out of a troll farm based in St. Petersburg.<sup>30</sup>

The sense that foreign interference is mainly just an online activity was reinforced in 2019, when the Mueller investigation concluded that Russia’s two principal operations against the United States involved disinformation and cyberattacks, with the investigation not seeming to have exhaustively followed the money.<sup>31</sup> Similarly, just a couple years ago, the U.S. intelligence community still viewed covert Russian funding of political parties as mainly a danger for Europe, not the United States.<sup>32</sup>

U.S. officials appear to have changed their view by 2020, now seeing malign finance as another leading tool used by foreign powers to undermine U.S. democracy. In February 2020, U.S. intelligence officials warned Congress that the Russian government is interfering in the 2020 election and knows it needs a new playbook of as-yet-undetectable methods.<sup>33</sup> At the time, public reports did not reveal what those new methods might be. But it turned out that one week before that briefing, U.S. officials warned states of three offline methods not seen in 2016—tactics we broadly include within malign finance: funding support to candidates or parties, covert advice to political candidates and campaigns, and the usage of economic or business levers to influence a campaign or administration.<sup>34</sup> U.S. officials warned that “Russia has sought to take advantage of countries that have perceived loopholes in laws preventing foreign campaign assistance.”<sup>35</sup> They pointed to specific cases that will be discussed at

length in this report.<sup>36</sup>

Authoritarian governments and their proxies find it relatively cheap, easy, and oftentimes legal to spend money tilting democratic institutions or processes—starting with but not limited to elections—in favor of perceived agents of chaos and division in democracies.

As with online and information-based tools of authoritarian interference, malign finance undermines democracies by manipulating the freedoms of open societies into vulnerabilities. It exploits rights to immigrate, conduct international business, fund independent media, donate to and interact with political campaigns, and otherwise move about and participate in the private sector and civil society. It is vitally important that efforts to build resilience do not sacrifice these values.

Sustainable reforms require a bipartisan focus on the national security threat associated with foreign efforts to undermine democracy. This will be particularly challenging for a tool like malign finance that operates through political actors and touches upon controversial policy areas such as campaign finance, counterespionage, financial transparency, and media funding.

Recognizing the political sensitivities surrounding some of the issues our recommendations address, we have chosen to begin our investigation into malign finance with an evaluation of the evidence and let that be the basis for our proposed policy reforms. This paper will carefully define malign finance, survey the cases, classify them into the top policy loopholes, and recommend targeted reforms. We commence with a brief review of some relevant literature.

## Policy-driven literature

Most comparative studies of national legal frameworks around foreign political spending begin with a survey of existing campaign finance laws and regulations, noting policy gaps that could allow foreign donations.

The most widely cited study of this kind is a database compiled by International IDEA.<sup>37</sup> The first question they ask—whether foreign donations are outlawed—finds that they are indeed prohibited in two thirds of the 180 countries surveyed.<sup>38</sup> Our colleagues have referenced this data to warn that roughly half of E.U. member states do not fully ban foreign donations.<sup>39</sup>

A similar approach was taken by the U.S. Law Library of Congress in its 2019 comparative study of the laws and policies in

<sup>29</sup> See CBS News, “*How Russia hacked the election*,” YouTube video, 2:49, December 29, 2016.

<sup>30</sup> See Polina Rusayeva and Andrey Zakharov, “*Расследование РБК: как «фабрика троллей» поработала на выборах в США [Rassledovaniye RBK: kak “fabrika trolley” porabotala na vyborakh v SSHA]*,” RBK, October 17, 2017; Indictment, *United States v. Internet Research Agency*, No. 1:18-cr-32 (D.D.C. February 16, 2018), Doc. 1 (“Internet Research Agency Indictment”).

<sup>31</sup> See *Mueller Report, Vol. I*, pp. 1; Josh Rudolph, “*Congress Should Follow the Money Like the British Parliament*,” The German Marshall Fund of the United States, July 31, 2020.

<sup>32</sup> See Peter Foster and Matthew Holthouse, “*Russia accused of clandestine funding of European parties as US conducts major review of Vladimir Putin’s strategy*,” The Telegraph, January 16, 2016.

<sup>33</sup> See Adam Goldman et al., “*Lawmakers Are Warned That Russia Is Meddling to Re-elect Trump*,” The New York Times, February 20, 2020.

<sup>34</sup> See Eric Tucker, “*US: Russia could try to covertly advise candidates in 2020*,” AP News, May 4, 2020. This categorization into three tactics that we would include within “malign finance” seems to be an evolution in the DOJ’s framework since July 2018, when the DOJ identified two types of cyber operations, covert and overt information operations, and a fifth tactic called “covert influence operations to assist or harm political organizations, campaigns, and public officials,” which includes violations of the foreign-source ban and “might involve covert offers of financial, logistical, or other campaign support to, or covert attempts to influence the policies or positions of, unwitting politicians, party leaders, campaign officials, or even the public.” U.S. Department of Justice, *Report of the Attorney General’s Cyber Digital Task Force*, Washington, July 2, 2018, pp. 4-5.

<sup>35</sup> Tucker, AP News, 2020.

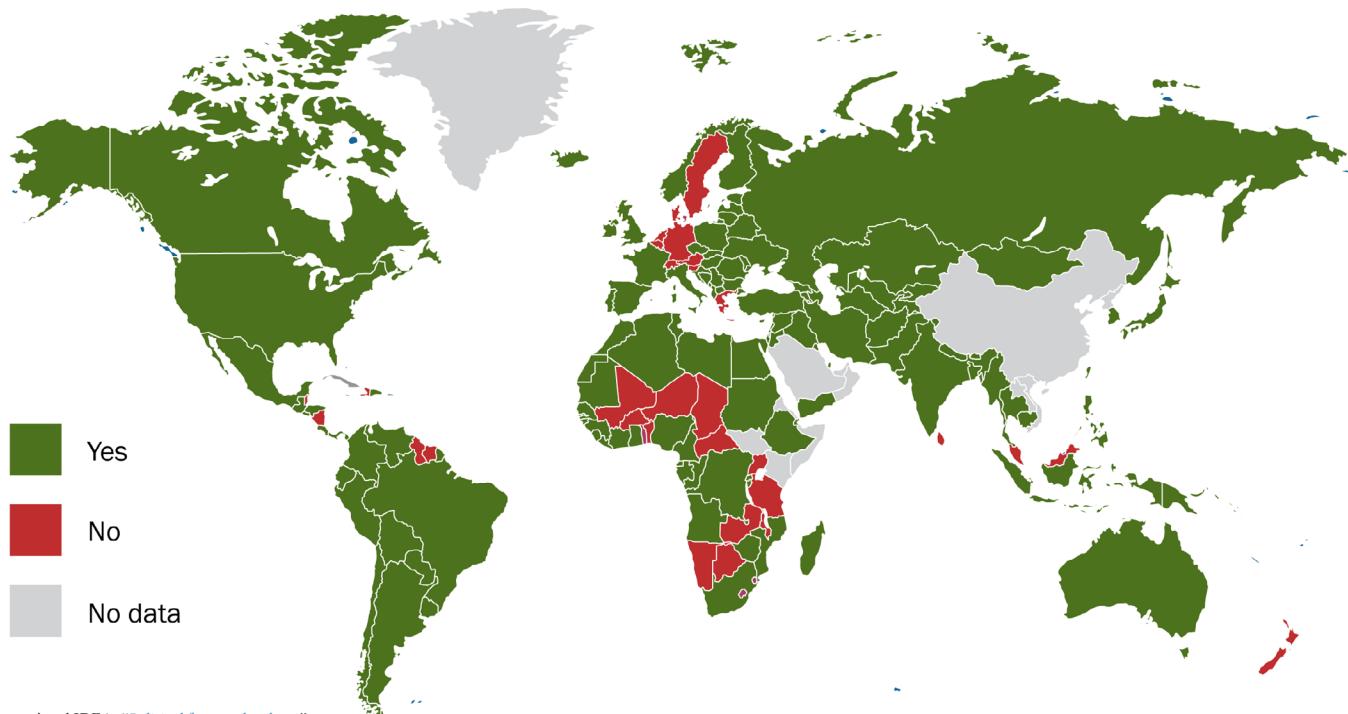
<sup>36</sup> See excerpt from the memo from the FBI and DHS to the states about how Russian strategists believed to be working for Prigozhin “were involved in political campaigning in approximately twenty African countries during 2019.” Tucker, AP News, 2020.

<sup>37</sup> International IDEA, “*Political finance database*,” accessed June 15, 2020.

<sup>38</sup> Ibid.

<sup>39</sup> Kristine Berzina, “*Foreign Funding Threats to the EU’s 2019 Elections*,” The Alliance for Securing Democracy, October 9, 2018.

# Is there a ban on donations from foreign interests to political parties?



See International IDEA, “[Political finance database](#).”

13 major democracies.<sup>40</sup> They came to the reassuring conclusion that “most … countries surveyed in this report … have laws prohibiting foreign donations … defined broadly to include all forms of support having monetary value.”<sup>41</sup>

While these legal surveys provide a valuable starting point for analysis, they do not always focus on the gaps being exploited by foreign powers. This leads to results that we find problematic in both directions.

On the one hand, the reason why the International IDEA survey finds that several countries only partially restrict or do not ban foreign donations is that their foreign-source rules have explicit carve-outs. For example, in Germany and Austria, foreign nationals may make small donations, while Finland allows parties to take money from international groups that share its ideology.<sup>42</sup> While these loopholes should be closed, we could not find major cases of them being used by foreign regimes.

At the same time, two major countries classified as fully banning foreign donations are the United States and the United Kingdom.<sup>43</sup> While statutorily true, our research finds that one of these two countries is targeted in about a quarter of all the cases of foreign powers and their proxies funneling money into democratic politics through the seven loopholes, especially companies and individuals serving as straw donors or foreign agents.

Similar surveys of legal gaps within the United States draw attention to the fact that only three states—North Dakota, New Hampshire, and Montana—have statutes outlawing foreign campaign contributions.<sup>44</sup> These state laws merely replicate the federal foreign-source ban, which already covers federal, state, and local elections throughout the United States.<sup>45</sup> The reason these states copied the federal law into their own books is because first-time candidates sometimes do not check FEC requirements, instead relying solely on state statutes for guidance.<sup>46</sup>

One genuine sub-national gap in the federal foreign-source law is that it covers “elections” but not state and local ballot initiatives or referendums.<sup>47</sup> As with the partial restrictions in several European countries, closing this loophole would be a simple and worthy endeavor and indeed this reform is included in many recent election integrity bills such as the *SHIELD Act*.<sup>48</sup> Russia has targeted local referendums like the Catalan and Scottish independence votes through information manipulation campaigns,

<sup>44</sup> Germany allows foreign nationals to donate up to €1,000. Austria allows up to €2,500. Finland allows parties to receive foreign contributions from individuals and international associations and foundations that represent the party’s ideological attitude. See National Conference of State Legislatures, “[State Limits on Contributions to Candidates, 2019-2020 Election Cycle](#),” June 2019.

<sup>45</sup> [52 U.S.C. § 30121](#).

<sup>46</sup> See Amanda Zoch, “[States and the Prohibition of Foreign Contributions](#),” National Conference of State Legislatures, October 22, 2019.

<sup>47</sup> No court has definitively ruled on the issue since the foreign-source ban was amended in 2002, but the FEC has only treated ballot measures as elections in cases when they are linked with the election of a candidate. In all other cases, enforcement of the foreign-source ban around ballot measures has been precluded by FEC gridlock (coming to a split 3-3 vote on MUR 6678 in 2015). The FEC has the legal authority to change this with a rulemaking, but it seems more likely and more permanent to enact the reform through legislation, as the *SHIELD Act* would do. See Statement of Reasons of Commissioner Ellen L. Weintraub before the Federal Election Commission, *In the matter of Mindgeek USA, Inc., et al.*, MUR 6678, April 23, 2015; Statement of Reasons of Vice Chairman Matthew S. Petersen and Commissioners Caroline C. Hunter and Lee E. Goodman before the Federal Election Commission, *In the matter of Mindgeek USA, Inc., et al.*, MUR 6678, April 30, 2015.

<sup>48</sup> [SHIELD Act](#).

<sup>40</sup> [Regulation of Foreign Involvement in Elections](#), ed. Luis Acosta, Washington: Library of Congress, May 2019.

<sup>41</sup> Ibid.

<sup>42</sup> See International IDEA, “[Political finance database](#).”

<sup>43</sup> Ibid.

as well as a Dutch referendum via malign finance.<sup>49</sup> However, we did not uncover examples of foreign government interference in the United States through this gap in the federal foreign-source law.<sup>50</sup>

A more politicized manifestation of this policy-driven approach involves focusing on the risk of foreign money flowing through domestically controversial legal channels, such as corporate political spending. When the U.S. Supreme Court decided in *Citizens United vs. FEC* that companies can make unlimited political donations, then-U.S. President Barack Obama warned that this would include spending by foreign-owned corporations.<sup>51</sup> A decade later, this is still the most hotly debated policy issue on the topic of foreign financial influence, despite the absence of evidence that foreign powers have used donations by corporate subsidiaries to harm the United States.<sup>52</sup>

## Case-driven analysis starts by defining malign finance

Our evidence-based investigation will start by defining the foreign activity about which we are concerned: malign financial influence operations conducted by authoritarian states and their proxies to undermine Western democracies.

Because research around the malign finance threat is still developing, there has yet to emerge a clear and broadly agreed academic or professional consensus around its definition. However, our own thought process has been helpfully influenced by seven key concepts framed in recent literature.

First, the FBI defines “malign foreign influence” as “subversive, undeclared, criminal, or coercive attempts to sway our government’s policies, distort our country’s public discourse, and undermine confidence in our democratic processes and values.”<sup>53</sup>

49 See Marco Giannangeli, “Russia’s meddling in Scottish politics ‘discovered by accident’,” *The Express*, November 5, 2017; *Zembla and De Nieuws BV*, 2020.

50 The closest example we could find appears to be driven solely by profit motives, which as we will discuss in the next section, is not included in our review of operations meant to weaken target societies. The case involves a real estate firm owned by the richest person in Asia (a Chinese national closely linked to Xi Jinping and other Beijing elites) funding a Beverly Hills ballot initiative to oppose the building of Hilton Hotel across the street from (and thus competing with) a hotel the Chinese national owns. See Mark Shonkwiler to The Wanda Group, “RE: MUR 7141, The Wanda Group,” MUR 7141, Federal Election Commission, November 9, 2017 (“Shonkwiler/Wanda Group Correspondence”).

51 See White House Office of the Press Secretary, “Remarks by the President in State of the Union Address,” U.S. National Archives, January 27, 2010.

52 See Karl Evers-Hillstrom and Raymond Arke, “Following *Citizens United*, foreign-owned corporations funnel millions into US elections,” Center for Responsive Politics, March 22, 2019.

53 Christopher Wray, “The Threat Posed by the Chinese Government and the Chinese Communist Party to the Economic and National Security of the United States,” remarks given at the Hudson Institute, Video Event: *China’s Attempt to Influence U.S. Institutions*, Federal Bureau of Investigation, July 7, 2020. In a speech about the Chinese threat, FBI director Christopher Wray added that “China is engaged in a highly sophisticated malign foreign influence campaign, and its methods include bribery, blackmail, and covert deals.” Wray, 2020. The DOJ similarly defined the same term in 2019 as “covert actions by foreign governments intended to affect U.S. political sentiment and public discourse, sow divisions in our society, or undermine confidence in our democratic institutions to achieve strategic objectives.” United States House of Representatives, Committee on the Judiciary, *Securing America’s Elections Part II: Oversight of Government Agencies*, *Testimony of Deputy Assistant Attorney General Adam S. Hickey*, October 22, 2019 (“Hickey Testimony”). In addition to cyber and information operations, the DOJ warns of “covert influence operations to assist or harm political organizations, campaigns, and public officials.” *Hickey Testimony*.

Second, the U.S. intelligence community defines Russian “malign influence” as “a myriad of … covert, coercive, corrupting, or counterfactual activities that typically exceed the limits of normal statecraft and diplomacy [and] typically involve covertly funding and manipulating foreign organizations and using agents of influence, propaganda, disinformation, and cyber influence activities.”<sup>54</sup>

Third, in *The Kremlin Playbook*, the Center for Strategic and International Studies and Center for the Study of Democracy describe an “unvirtuous cycle” of Russian malign influence that begins with either political or economic penetration, expands and evolves through corrupt patronage networks, and sometimes develops into state capture.<sup>55</sup> *The Kremlin Playbook 2* detailed enabling hubs in six European financial centers.<sup>56</sup>

Fourth, the Center for International Private Enterprise uses the term “corrosive capital” to describe financing that lacks transparency, accountability, and market orientation flowing from authoritarian regimes into new and transitioning democracies.<sup>57</sup> Unlike pure corruption, corrosive capital is backed by governments with goals that are political rather than economic or with an authoritarian agenda that is inseparably political and economic.

Fifth, in *Democracy in the Crosshairs*, Neil Barnett and Alastair Sloan coin the term “political money laundering.”<sup>58</sup> Whereas traditional

money laundering conceals ties to criminal origins, political money laundering hides links to a hostile state.<sup>59</sup> In *Collapsing the Russian Tripod*, Barnett and Andrew Foxall build on this by framing “finance” as one of three legs of Russia’s political warfare weaponry, which typically involves covert and deniable funding of large-scale international political influence operations.<sup>60</sup>

Sixth, an Atlantic Council series called *The Kremlin’s Trojan Horses* describes Russian networks of political influence spanning ten European countries.<sup>61</sup> It explains how Moscow cultivates relationships with political parties, individuals, and other

54 National Intelligence Council, *Lexicon for Russian Influence Efforts*, June 15, 2017.

55 Heather A. Conley, Ruslan Stefanov, et al., *The Kremlin Playbook: Understanding Russian Influence in Central and Eastern Europe*, New York: Rowman & Littlefield, 2016.

56 Heather A. Conley, Ruslan Stefanov, et al., *The Kremlin Playbook 2: The Enablers*, New York: Rowman & Littlefield, 2019.

57 John Morrell, et al., *Channeling the Tide: Protecting Democracies Amid a Flood of Corrosive Capital*, Washington: CIPE, September 18, 2018, pp. 5.

58 Neil Barnett and Alastair Sloan, *Democracy in the crosshairs: how political money laundering threatens the democratic process*, Washington: The Atlantic Council, October 2, 2018.

59 Barnett and Sloan suggest that political money laundering uses similar illicit methods of layering to obscure the source of funds. That is true in some cases, when malign finance flows through the traditional banking system, such as the Russian loan to Marine Le Pen’s party. But as we will see as we evaluate the evidence, malign finance also includes an important final step of getting the money into the accounts of a political party or campaign, which usually involves illicit activities enabled by legal loopholes in campaign finance (e.g., France defines in-kind contributions so narrowly that Le Pen was allowed to borrow from a foreign bank), corporate ownership, media funding, or counter-espionage laws. See *Barnett and Sloan*, 2018.

60 Neil Barnett and Andrew Foxall, “*Collapsing the Russian Tripod*,” *The American Interest*, February 6, 2020.

61 Alina Polyakova, et al., *The Kremlin’s Trojan Horses*, Washington: Atlantic Council, November 15, 2016; Alina Polyakova, et al., *The Kremlin’s Trojan Horses 2.0*, Washington: Atlantic Council, November 15, 2017; Alina Polyakova, et al., *The Kremlin’s Trojan Horses 3.0*, Washington: Atlantic Council, December 4, 2018.

groups in order to infiltrate politics and influence policy. To stay powerful, these financial networks often remain hidden.<sup>62</sup>

Seventh, a seminal piece on Chinese malign influence is *Magic Weapons* by Professor Anne-Marie Brady at the University of Canterbury in New Zealand.<sup>63</sup> Alongside interference through hacking and social media, Brady highlights “donations to political parties from foreign governments or entities.”<sup>64</sup>

We drew upon these perspectives when developing our own definition shown in the box on the previous page.

Similar to the U.S. intelligence community, we use the term “malign” to underscore the nefarious intent to weaken democracies by undermining political processes and institutions. As with other tools of foreign interference, this is a form of geopolitical hostility that involves surreptitiously influencing political debate, decision-making, electoral outcomes, and societal cohesion in order to harm a country.

Whereas existing comparative studies of foreign political spending focus legally on donations by any foreign national, our definition takes a geopolitical dimension by limiting its scope to “a nation state or its proxies.” At the same time, the scope is broad in that our cases studies will examine the wide range of intermediaries and methods of moving money from authoritarian regimes to democratic “political parties, candidates, campaigns, well-connected elites, or politically influential groups.”

Malign finance “often” includes “non-transparent structures,” but it is not a necessary condition. Similarly, we intentionally do not limit the definition to either legal or illegal cases alone, as our evidence reveals that foreign actors take advantage of both licit and illicit means.

Finally, it is important to distinguish malign finance from the closely related challenge of international corruption, which has a different motive. Whereas malign finance involves government-linked operations meant to weaken target societies, corruption is driven by personal or commercial profits. Politics is closer to the *means* of corruption and the *ends* of malign finance, with the ultimate aim to inflict societal damage as a form of political warfare.

As such, we will not automatically include every case of foreign-funded political donations, money laundering, and bribery. Even though corruption leads to collateral damage that hurts societies by undermining essential institutions of democracy, capitalism, and the rule of law, we use “malign” to refer to operations designed with an objective of directly weakening societies.

This is not to say that corruption is an unrelated or lesser evil. In addition to societal and equity considerations, corruption has replaced ideology as the glue that holds together kleptocratic authoritarian regimes, making it an important tool for deterring aggression.<sup>65</sup> Corruption also paves the road for (and is worsened by) “corrosive capital,” lubricates the “unvirtuous cycle” of malign Russian influence, and intersects with many cases of malign interference analyzed in this report.<sup>66</sup> For these reasons, anti-corruption will play an essential role in ending foreign interference.

However, we think those reasons for tackling corruption stand strongly on their own without also equating it –always and everywhere without proof—to foreign interference as a form of geopolitical hostility. We have seen that form of argumentation too often, particularly since foreign interference became a clear and present danger in 2016. This is not the case with research cited in our literature review, but rather with some advocates for repealing *Citizens United* or regulating gun control implying that Beijing or Moscow is pulling the strings behind every foreign-entangled business or dark money group when in fact they appear to be driven by private interests. Using the apparent corruption of opposing political interests to casually suggest they are funded by foreign adversaries inadvertently does those adversaries’ work for them by sowing distrust and otherwise muddying the democratic process. We only catalogue cases when authoritarian regimes are credibly shown to be funding political elements in order to weaken the target country.

## Identifying and categorizing the cases

The work of identifying cases started in mid-2017 and was initially released by the Alliance for Securing Democracy (ASD) in late 2018 as the *Authoritarian Interference Tracker*.<sup>67</sup> This proprietary database exposes the Russian government’s foreign interference activities in more than 40 transatlantic countries from 2000 to the present.<sup>68</sup> ASD culled data from open-source reporting, research, and legal documents in 16 languages to document activity across five tools, including malign finance, cyber operations, information manipulation, civil society subversion, and economic coercion.<sup>69</sup>

The often-covert nature of authoritarian interference activities complicates the process of identifying clear and direct evidence of malign activity attributable to authoritarian regimes. Our data set and Appendix A only include incidents where there has been credible public evidence, assessed on the extent and reliability of the sources and outlets. In a few instances, we explicitly highlight cases that have been publicly reported but do not fully meet our standard for proven attribution (e.g. Andy Khawaja’s allegations of Saudi Arabia and the U.A.E. funneling hundreds of millions of dollars into the 2016 election through anonymous small donors), not to imply wrongdoing but instead to draw pol-

<sup>62</sup> Lead author Alina Polyakova notes that “[t]raceable financial links would inevitably make Moscow’s enterprise less effective: when ostensibly independent political figures call for closer relations with Russia, the removal of sanctions, or criticize the E.U. and NATO, it legitimizes the Kremlin’s worldview. It is far less effective, from the Kremlin’s point of view, to have such statements come from individuals or organizations known to be on the Kremlin’s payroll.” Polyakova, et al., *Trojan Horses*, pp. 4.

<sup>63</sup> Brady, 2017. The term “magic weapons” was used by Xi Jinping in 2014 when he gave a speech about the importance of the United Front Work Department, the wing of the Chinese Communist Party that promotes its interests through subversive means.

<sup>64</sup> Anne-Marie Brady, “*Chinese interference: Anne-Marie Brady’s full submission*,” Newsroom, May 8, 2019.

<sup>65</sup> See Brian Whitmore, “*Corruption Is The New Communism*,” RFE/RL, April 12, 2016.

<sup>66</sup> See Morrell, et al., pp. 5, 9; Conley, et al., *The Kremlin Playbook*, 2016.

<sup>67</sup> The Alliance for Securing Democracy, “*Authoritarian Interference Tracker*,” accessed June 12, 2020.

<sup>68</sup> Ibid.

<sup>69</sup> Ibid.

icy lessons from clear loopholes revealed by the reporting.<sup>70</sup>

While the ASD Tracker provides an essential base of activity to begin our analysis, its caseload does not match one-for-one with the cases tallied and described in this paper, all of which are included in Appendix A. This is for a couple reasons.

First, tracking all five tools enables ASD to highlight the inter-connectivity between different parts of the asymmetric toolkit, such as cases that are primarily information operations but secondarily involve covert foreign government funding. As this paper focuses on the financial tool, we removed most cases for which money only plays a secondary or supporting role.

Second, the initial iteration of the ASD Tracker only included incidents perpetrated by actors linked to the Russian government. As ASD is in the process of adding Chinese government operations to the ASD Tracker, we determined that including cases of Chinese activity in this paper strengthens our ability to identify loopholes and derive policy recommendations from them.

However, we maintained the same threshold for inclusion, which is that the activity fits the definition of the tool along with credible public attribution to an authoritarian regime. Our intention was to provide a sample of cases illustrating the methods used by these foreign powers, not to catalog every allegation of malign finance.

Therefore, we compiled a list of 115 of the most relevant malign finance cases, assessed the main financial channel in each instance, and categorized them by the legal loophole that was exploited, if any.

We tabulated the amount of money flowing in each case, if known, finding that the median value is about \$1 million. Major national elections cost considerably more, such as the \$3.5 million U.A.E. operates spent trying to buy influence with the 2016 campaign of Hillary Clinton, €11 million Marine Le Pen's party borrowed from Russian banks in 2014, or roughly €16 million Montenegrin prosecutors believe Oleg Deripaska and another Russian oligarch spent bankrolling the anti-NATO bloc in 2016.<sup>71</sup> The total value of known malign financial activity over the past decade adds up to more than \$300 million.<sup>72</sup>

<sup>70</sup> See *Wood*, 2020.

<sup>71</sup> See *Khawaja-Nader Indictment*, pp. 6; *Duparc, et al.*, 2015; Valerie Hopkins, “*Indictment tells murky Montenegrin coup tale*,” Politico EU, May 23, 2017; Simon Schuster, “*Exclusive: Russian Ex-Spy Pressured Manafort Over Debts to an Oligarch*,” TIME, December 29, 2018.

<sup>72</sup> Since the collapse of the Soviet Union, rich Russians have stashed \$800 billion offshore, including \$195 billion to \$325 billion owned by Kremlin cronies, with half that presumably belonging to Putin. See Thomas Piketty, et al., “*From Soviets to Oligarchs: Inequality and Property in Russia, 1905–2016*,” NBER Working Paper No. 23712, The National Bureau of Economic Research, August 2017, pp. 23, figure 5c; Anders Aslund, *Russia’s Crony Capitalism: The Path from Market Economy to Kleptocracy*, New Haven, CT: Yale UP, 2019, pp. 174. The Russian government and Putin’s custodians launder money to offshore pools partly to create parallel black-cash budgets for the Kremlin’s strategic purposes. See Catherine Belton, *Putin’s People: How the KGB Took Back Russia and Then Took On the West*, New York: Farrar, Straus and Giroux, 2020, pp. 404, 418. However, our estimate of more than \$300 million spent carrying out political interference only includes flows from authoritarian regimes that have been specifically shown to have ended up in the coffers of political actors within our definition of malign finance. For example, out of the tens or even hundreds of billions of dollars that flowed through the Danske Bank, Moldovan, Azerbaijani, Deutsche Bank (mirror trades), and Magnitsky money laundering schemes, most of the ultimate destinations remain unknown. The only Laundromat transactions proven to have reached political actors are €270,000 for a top donor to Latvia’s pro-Russian political party and €21,000 for a Polish think tank associated with pro-Kremlin political activity in Europe. See Harry Holmes, “*Donor to Latvia’s Biggest Party Linked to Laundromat*,” OCCRP, March 21, 2019; OCCRP, “*European Center for Geopolitical Analysis (ECAG)*,” August 22, 2014. We could only identify quantifiable values—either financial or in-kind benefits—for about half of the 115 cases in our dataset, with the other half involving substantial credibly reported details but no publicly known monetary values. Our \$300 million esti-

Another notable finding is that many cases span multiple financial channels and exploit various legal loopholes while also breaking some laws. We describe different strands of those multifaceted cases at various points throughout this paper.

For example, the primary reason why Lev Parnas and Igor Fruman were able to use political donations to buy potential influence with President Donald Trump and those in his orbit is that it is their legal right to do so as American citizens.<sup>73</sup> They were indicted because they illegally named fictitious straw donors on FEC forms and because the money ultimately came from a Russian national.<sup>74</sup> They also used a Delaware-incorporated anonymous shell company to obscure their own role while they received financial support from an infamous Ukrainian oligarch named Dmytro Firtash and the family of Yandex CFO Greg Abovsky.<sup>75</sup> That operation also intersected with the case of Trump soliciting interference in the 2020 election by pressuring Ukraine to announce investigations of his opponent, which the DOJ treated as falling within a campaign finance loophole concerning in-kind contributions.<sup>76</sup> Because that story exploits four different loopholes, it is interspersed throughout the paper, although it is mainly told in the context of citizen straw donors.

Similarly, the extent to which oligarchs in the upper echelon of the Russian and the Chinese power structures wield the full range of malign financial tools to undermine democracies can be seen from the United Kingdom to Australia. Separately from his dealings with Parnas and Ukraine, Firtash has spent at least 15 years trying to launder his reputation and buy political power in London through donations made through his British employees, shell companies, and charitable foundations.<sup>77</sup> Chinese billionaire Huang Xiangmo funded an influence operation in Australia involving in-kind gifts, straw donor schemes, casinos and real estate companies, and non-profits tied to Beijing.<sup>78</sup> While their malign financial tactics are largely legal, the two men are being pursued by authorities on charges of bribery and unpaid taxes, respectively.<sup>79</sup> While Australia has taken the national security threat seriously, the United Kingdom has not, as will be discussed in the chapter on straw donors and agents supported by foreign powers.

mate relies upon the assumption that the unquantified half of cases involves similar values, scaling up the total amount accordingly. This figure excludes the most sizable but difficult-to-value cases, such as Russian government illicit financial and fiscal support for breakaway regions in Ukraine and Georgia. It excludes the case with the single highest value—\$130 million worth of oil profits Matteo Salvini and his associates reportedly negotiated for with Russian government officials—because it seems the deal became public before it was completed. For all these reasons, we believe our \$300 million estimate is conservative and the true amount of malign financial flows is considerably larger, an assessment shared by illicit finance experts we have consulted.

<sup>73</sup> See *Parnas–Fruman Indictment*, pp. 1-5.

<sup>74</sup> See *Parnas–Fruman Indictment*, pp. 5-14.

<sup>75</sup> See *Parnas–Fruman Indictment*, pp. 5-10; Filing, *United States v. Lev Parnas*, No. 1:19-cr-725 (S.D.N.Y. December 11, 2019), Doc. 44, pp. 5-7 (“Parnas Filing”); Farrell, et al., 2020.

<sup>76</sup> See *Barrett, et al.*, 2019.

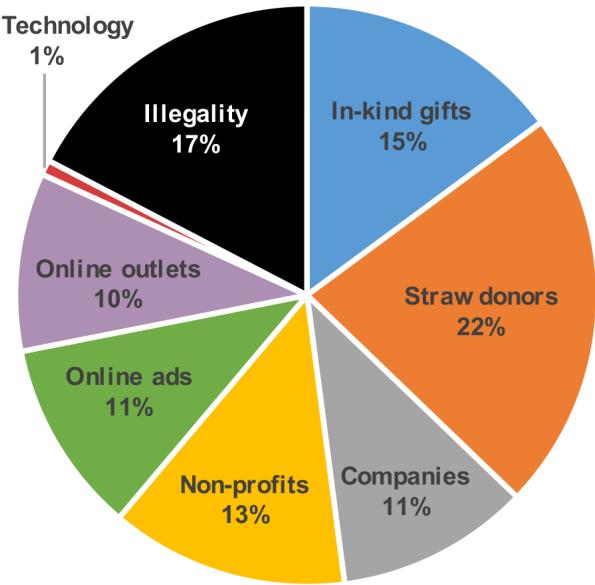
<sup>77</sup> See *Faucon and Marson*, 2014.

<sup>78</sup> See Nick McKenzie, “*ICAC revelations against an infamous Chinese donor are a small part of the story*,” The Sydney Morning Herald, October 13, 2019.

<sup>79</sup> See U.S. Department of Justice, “*Six Defendants Indicted in Alleged Conspiracy to Bribe Government Officials in India to Mine Titanium Minerals*,” Press Release, April 2, 2014; Ben Doherty, “*Chinese billionaire Huang Xiangmo ordered to declare worldwide assets by Australian court*,” The Guardian, October 24, 2019.

Notably, the main thrust of these financial operations appears to be legal in 83 percent of cases (including those in which laws were broken in some incidental activity connected to the scheme). This underscores the amount of policy reform that needs to be implemented, which we organize around the top seven loopholes (each a slice in the pie chart):

#### **Breakdown of loopholes through which authoritarian regimes secretly funnel money into democratic politics**



1. **In-kind contributions from foreign nationals:** Foreign governments and their proxies have been able to provide—and in some cases politicians able to solicit or accept—intangible or difficult-to-value benefits for political campaigns.
2. **Straw donors and agents supported by foreign powers:** Proxies holding citizenship in target countries and undeclared foreign agents have been used by governments aiming to curry favor with or funnel money to political campaigns and candidates.
3. **Companies with foreign funders:** Shell companies and businesses with foreign funding are used as hidden channels for illegal foreign donations.
4. **Non-profits with foreign donors:** Non-profits are not required to publicly disclose the identities of their donors or their accounting and control systems, leading them to be used as conduits to funnel foreign money into politics.
5. **Online political ads bought by foreign nationals:** Political advertisements that appear online are not subject to the same disclosure rules and foreign restrictions which print and broadcast media must comply with, enabling foreign powers to secretly buy online political ads.

6. **Media outlets with foreign funding:** Foreign powers and their proxies sometimes fund or otherwise support ostensibly domestic media enterprises, making them potential tools for subversive foreign influence and information operations.

7. **Emerging technologies offering anonymity:** Cryptocurrencies and cashless payment cards offer donors anonymity, while autocrats toy with the idea of funneling covert support through small donors whose identities go undisclosed.

Coordination between government agencies and improvements in enforcement are also vital for stopping both legal and illegal activities.

#### **Developing targeted U.S. policy solutions**

While the cases and loopholes describe activity targeting 33 democracies, our policy recommendations are tailored specifically to the American legal and political context.

About half of the loopholes involve campaign finance rules. The other half could be addressed with greater transparency around media funding, corporate ownership, campaign contacts with proxies of foreign powers, or other policy areas.

Separately, about half already have legislative solutions drafted in Congress, including the *SHIELD Act* for foreign powers and their proxies interacting with political campaigns, the *AML Act* and certain provisions in *H.R. 1* and other bills for FEC structural reforms and foreign-owned companies, the *DISCLOSE Act* for non-profit disclosures, and the *Honest Ads* and *PAID AD* acts for online political ads.<sup>80</sup>

But while most of these bills have attracted bipartisan sponsorship, none have yet been passed by the Senate. In some cases (*AML* and *Honest Ads*), we see no defensible reason for this. For others (*SHIELD* and *PAID AD*), while the bills as drafted would be very important improvements, this report proposes minor modifications that could make them more politically palatable or substantively focused.

Our evaluation of how 115 malign finance cases operated provides critical information about how reform proposals should be scoped.

In some cases, policy changes should be narrowly focused on ways that target foreign interference without getting crosswise with powerful domestic political spenders. With roughly half of our proposals (e.g., a new complement to *DISCLOSE*), we recommend limiting the new requirements to dealings with *foreign* money or nationals. In some cases, we would suggest further narrowing the scope to countries that are not NATO members or major non-NATO allies to avoid closing off space for benign commercial and diplomatic ties with friendly countries. In other

<sup>80</sup> *SHIELD Act*; *AML Act*; *H.R.1*; *DISCLOSE Act*; *Honest Ads Act*; *PAID AD Act*.

cases (such as *AML* and *Honest Ads*), foreign powers can be seen exploiting domestic U.S. financial infrastructure to conduct foreign interference, so we recommend sticking with a broader (including domestic) scope.

We also found it notable how varied and creative Russia and other authoritarian regimes are in finding new and different financial channels through which to funnel money. As such, the disclosure requirements we recommend often involve expanding existing reform proposals to include a broader sweep of potential flows. As one example, disclosures of foreign funding should apply to all forms of foreign remuneration (e.g., not only charitable contributions to non-profits and equity ownership of media outlets, but also those entities' membership fees, sponsorships, advertising revenues, and any other forms of foreign payments). As another example, reporting should not be limited to the immediate person who sent the money but should look through to the ultimate beneficial owner and any intermediaries who may have touched the flow of funds.

We also applied these same principles of proper targeting to new proposals we recommend for the five loopholes unaddressed by draft legislation: broadening the definition of a "thing of value," requiring all non-profits to publicly disclose foreign funders, creating "outlet libraries" to identify beneficial owners, improving rules for traditional media, and mandating small donor reporting.

Altogether, our empirical analysis informs our policy recommendations in ways that give them a surgical focus on malign financial activity. We consulted more than 90 current and former executive branch officials, Congressional staffers from both parties, political party and campaign staffers, national security law specialists, media and campaign finance lawyers, constitutional scholars, policy researchers, transparency advocates, and various other experts. We incorporated their substantial input to craft our policy recommendations to be achievable from political, administrative, and legal perspectives.

This paper will proceed with a chapter discussing each of the seven loopholes, starting with the most urgent challenges. In each case, we will describe the activity identified in our survey of cases before outlining our policy proposals. We will end with a chapter on enforcement and coordination priorities and then a conclusion.

# 1. In-kind Contributions from Foreign Nationals

We broadly found three different sub-categories of foreign in-kind contributions to campaigns, candidates, and elected officials: (1) tangible benefits such as financial loans or expensive gifts, (2) media services like tailor-made social media manipulation, and (3) valuable information like opposition research.

## Loans and gifts

This problem is as old, basic, and obvious as bribery itself. Unfortunately, several countries fail to broadly regulate the provision of tangible contributions, let alone intangibles.

The leading example involves €11 million of loans that French politician Marine Le Pen's National Front party and its fundraising association borrowed from Russian banks tied to the Kremlin, which wanted to "thank" Le Pen for recognizing Russia's annexation of Crimea.<sup>81</sup> The payments took advantage of a loophole in French electoral law that allows foreign entities to provide loans—just not donations *per se*—to political parties.<sup>82</sup> While the Russian loan was controversial when it was first uncovered and President Emmanuel Macron called for a ban on all foreign funding of European political parties, the loophole persists to this day.<sup>83</sup>

Another major example is Australian then-Senator Sam Dastyari, who accepted gifts from entities and individuals linked to the Chinese Communist Party (CCP).<sup>84</sup> The in-kind contributions included repayment of debt incurred by the senator's office, donated bottles of wine, fancy tea catering, and full funding of a 15-day trip to China.<sup>85</sup> While these in-kind contributions were legal and publicly reported, Dastyari was evasive about what the foreign supporters got in return.<sup>86</sup> He resigned after revelations that he stood next to one of the CCP-linked donors and took China's side in a dispute with Australia about the South China Sea.<sup>87</sup>

Appendix A includes other cases of tangible gifts such as a Russian state-owned enterprise paying the debts of a top adviser to Czech President Miloš Zeman, a Russian convict with ties to the Kremlin selling a house at half price to a Sweden Democrats party official, and a Russian oligarch funding lavish trips for a top Swiss law enforcement official to lobby against corruption and money-laundering prosecutions.<sup>88</sup> As with the

Le Pen and Dastyari cases, we only include cases in which we have some credible reporting around the ties to a foreign power and what they might be seeking in return. We have not included cases that have not been similarly established, such as alleged violations of the foreign emoluments clause or seemingly favorable real estate transactions involving U.S. politicians.<sup>89</sup>

## Media services

An increasingly common form of in-kind foreign support for political campaigns involves black-market media services. These are closely related to friendly political ads or media outlets (loopholes #5 and #6) or non-financial information operations (such as the Internet Research Agency run by Russian oligarch Yevgeny Prigozhin). In these cases, the media support is not just paid for and run by a foreign power, but it is also offered to the campaign as a service. In that sense, it is not just an unrelated third party but more like an unpaid foreign vendor providing an in-kind contribution that would be prohibited under a comprehensive campaign finance legal system.

Four cases demonstrate how political campaigns on different continents have received Russian media support from four very different components of the Kremlin's decentralized state apparatus.

First is Putin's preferred oligarch for plausibly deniable hybrid warfare missions of a sensitive and unsavory nature, whose operations are closely coordinated with top Kremlin officials and tightly integrated within the Russian military.<sup>90</sup> Yevgeny Prigozhin offers African leaders and presidential candidates a full suite of services to hold on to power, enrich themselves, and repress civil society.<sup>91</sup> In Madagascar, Prigozhin's operatives skirted electoral laws by presenting themselves as merely interested individuals buying billboards and airtime on television stations.<sup>92</sup> They also produce and distribute the island's biggest newspaper to advocate for Kremlin-funded candidates (including the current president of Madagascar).<sup>93</sup> In the Central African Republic, Prigozhin launched a radio station, owns a free newspaper, and bribes media figures to write favorable stories.<sup>94</sup> In Libya, Russia

Neil MacFarquhar, "[How Russians Pay to Play in Other Countries](#)," *The New York Times*, December 30, 2016; [Jones](#), June 2020.

<sup>89</sup> See, e.g., Andrew Harris, "[What You Need to Know About the Emoluments Clause](#)," *Washington Post*, May 14, 2020; Craig Unger, "[Trump's Russian Laundromat](#)," *The New Republic*, July 13, 2017.

<sup>90</sup> See [MacFarquhar](#), 2018. While Mueller's findings on Prigozhin's ties to the Russian government remain redacted, Bellingcat has documented the connection by revealing hundreds of phone calls between Prigozhin and top Kremlin officials, while also showing Wagner mercenaries to be tightly integrated with the Russian Defense Ministry and its intelligence arm, the GRU, operating in a chain of command under central Kremlin control. See [Bellingcat](#), 2020. Bellingcat concludes, "Prigozhin's private infrastructure—along with that of other government-dependent entrepreneurs, like Kostantin Malofeev—it appears serves as a deniable veneer and a round-tripping money laundering channel for government-mandated overseas operations." [Bellingcat](#), 2020.

<sup>91</sup> See [Rozhestvensky, et al.](#), 2019.

<sup>92</sup> See Michael Schwirtz and Gaelle Borgia, "[How Russia Meddles Abroad for Profit: Cash, Trolls and a Cult Leader](#)," *The New York Times*, November 11, 2019.

<sup>93</sup> See Luke Harding and Jason Burke, "[Leaked documents reveal Russian effort to exert influence in Africa](#)," *The Guardian*, June 11, 2019.

<sup>94</sup> See Estonian Foreign Intelligence Service, *International Security and Estonia 2020*, Tallinn, 2020,

<sup>81</sup> See [The Alliance for Securing Democracy and C4ADS](#), 2018; [Arfi, et al.](#), 2014; Agathe Duparc, et al., "[Crimea, Russian loans and the Le Pens: the Kremlin's intriguing SMS messages](#)," *Mediapart*, April 4, 2015.

<sup>82</sup> See International IDEA, "[France country profile](#)," accessed June 15, 2020.

<sup>83</sup> Emmanuel Macron, "[Emmanuel Macron's 3 ways to renew Europe](#)," World Economic Forum, May 10, 2019.

<sup>84</sup> See ABC, "[Sam Dastyari resignation: How we got here](#)," December 11, 2017; [Cave](#), 2019.

<sup>85</sup> See [Henderson and Anderson](#), 2016.

<sup>86</sup> See Quentin McDermott, "[Sam Dastyari defended China's policy in South China Sea in defiance of Labor policy, secret recording reveals](#)," ABC, November 29, 2017.

<sup>87</sup> Ibid.

<sup>88</sup> See The Local.se, "[Russian Sweden Democrat aide resigns over suspect deal](#)," September 24, 2016;

supports both militia commander Khalifa Haftar and his opponent Saif Gaddafi (son of the late dictator), both of whom plan to run in the next presidential election.<sup>95</sup> In one case, Prigozhin's men pitched their services in a professional format, with a slide show entitled "Saif Gaddafi. Revival of Libya. Strategy."<sup>96</sup> Prigozhin's company has supported both candidates by recapitalizing the old pro-Gaddafi propaganda channel, creating a new pro-Haftar newspaper, and consulting for a pro-Haftar TV station.<sup>97</sup> Alongside the valuable content and perceived credibility of local media services, information manipulation for these regimes and five others in Africa is also supported by Prigozhin's troll farms, which Facebook executives warn have taken to joining forces with local actors.<sup>98</sup>

## **"Political campaigns on different continents have received Russian media services from four very different components of the Kremlin's decentralized state apparatus.**

Second, Russian state-owned enterprises have implemented election interference. Rosatom learned the hard way that it needs to create what they call "a favorable information field" in foreign countries.<sup>99</sup> Rosatom got caught up in a corruption scandal that would have enriched the son and financial backers of South African President Jacob Zuma to entice him to let Rosatom build a very expensive power plant, only to see the revelations take down Zuma in 2018, along with Russia's image and Rosatom's contract in the country.<sup>100</sup> As a result, in 2019, Rosatom took a broader political approach to similarly support a favored incumbent in Bolivia, sending La Paz 10 social media spin doctors to support the incumbent's messaging platform and run "black PR campaigns" against his critics.<sup>101</sup> Scandal also brought down then-President Evo Morales, but it was because he also rigged the actual vote count, separate from Russia's covert media services.<sup>102</sup> If anything, the domestic electoral fraud created so much public furor that the public did not even notice the credible reports of Russian interference.

Third, some operations—such as the election of a useful idiot to the German parliament—are initiated and run by various and sundry chaos agents formally positioned as Russian spies, diplomats, criminals, lawmakers, consultants, and commentators.<sup>103</sup> Opportunities that look promising and may be sensitive

or cross-cutting are pitched Putin's presidential administration for approval.<sup>104</sup> Five months before the German election in 2017, the Kremlin received such a proposal to support Markus Frohnmaier from the far-right Alternative for Germany (AfD) party. An internal Russian strategy memo said Frohnmaier's chances of winning were "high" and the result would be that "we will have our own absolutely controlled MP in the Bundestag."<sup>105</sup> A week later, Frohnmaier's campaign appears to have followed up through a chain of journalists and PR consultants, advising the Kremlin: "Besides material support we would need media support as well [...] any type of interviews, reports and opportunities to appear in the Russian media is helpful for us."<sup>106</sup> Frohnmaier promised to advocate for Russian interests and "immediately start operating in the foreign policy field" after being elected, which he continues to do today.<sup>107</sup>

Fourth, another tool used by Russian military intelligence (GRU) is WikiLeaks. Over the past decade, the Russian government has repeatedly supported WikiLeaks (with funding, a visa for Julian Assange, and a supply of hacked materials) while uniquely benefiting from the timing and content of the organization's revelations, as well as its public positions.<sup>108</sup> In order to coordinate a more impactful distribution of hacked emails ahead of the 2016 U.S. presidential election, GRU officers contacted WikiLeaks in June of that year and transferred files in July and September that were then released by WikiLeaks to denigrate Trump's opponent, Hillary Clinton.<sup>109</sup> Trump received regular updates about upcoming WikiLeaks releases from Roger Stone (who claimed to be in contact with Assange through intermediaries in London) and the Trump campaign planned a press strategy, communications campaign, and messaging based on possible releases.<sup>110</sup> Treating Stone as their connection to WikiLeaks, senior campaign officials pressed Stone for explanations when expected releases were apparently delayed and congratulated him after releases were timed in ways apparently sought by the campaign.<sup>111</sup>

<sup>104</sup> See Mark Galeotti, *Controlling Chaos: How Russia manages its political war in Europe*, Berlin: European Council on Foreign Relations, September 1, 2017.

<sup>105</sup> See Gatehouse, 2019; Amann, et al., 2019; Frontal 21, "Der Fall Frohnmaier: Wie russische Strategen einen AfD-Politiker lenken wollten," ZDF, April 4, 2019.

<sup>106</sup> See Gatehouse, 2019; Amann, et al., 2019; Frontal 21, 2019.

<sup>107</sup> See Gatehouse, 2019; Amann, et al., 2019; Frontal 21, 2019.

<sup>108</sup> When Julian Assange started WikiLeaks in 2006, he wrote, "Our primary targets are those highly oppressive regimes in China, Russia and Central Eurasia." In 2010, as he became famous for publishing U.S. war logs and diplomatic cables, Assange claimed to have negative information about Russia's government and businesses. But he never made good on the promise to hold Russia accountable, potentially because of his escalating legal battle with the United States and need for external support. In late 2010, Assange was arrested by London police for questioning by Sweden about sexual assault allegations while the United States opened an investigation into WikiLeaks. In January 2011, the Russian government issued him a visa and suggested he deserved a Nobel Peace Prize. The U.S. government pressured Visa and MasterCard to stop processing donations to WikiLeaks and the non-profit's funding started drying up. In April 2012, *Russia Today* threw WikiLeaks a financial lifeline by paying an undisclosed amount of money for Assange to host a show. In the years since, WikiLeaks has taken public positions that support Russian interests (against NATO and Western support for Ukraine, support for Trump and Brexit, whataboutism around creeping authoritarianism in Russia, even questioning the integrity of the Panama Papers—to the dismay of transparency and anti-corruption advocates—and giving Putin a talking point about it being a U.S. plot) while also selecting and timing leaks that benefit Russian interests (scrutinizing Saudi Arabia and Turkey during moments of tensions between those countries and Russia, detailing corruption by Rosatom's competitors in the Central African Republic, etc.). And even before 2016, there were questions about whether WikiLeaks' revelations of anti-Western material (such as leaks about the United States bugging allies in Europe and Japan, including a release timed to interfere in negotiations over the Trans-Pacific Partnership) were sourced from Russian state-sponsored hackers (Assange said they were from the Snowden files, which Glenn Greenwald denied). See Jo Becker, et al., "How Russia Often Benefits When Julian Assange Reveals the West's Secrets," *The New York Times*, August 31, 2016.

<sup>109</sup> See Mueller Report, Vol. I, pp. 44-57.

<sup>110</sup> See Mueller Report, Vol. I, pp. 51-54.

<sup>111</sup> See Mueller Report, Vol. I, pp. 51-53; Indictment, *United States v. Robert Jason Stone, Jr.*, No. 1:19-cr-18 (D.C. January 24, 2019), Doc. 1, pp. 3-9 ("Stone Indictment"); Mueller Report, Vol. I, pp. 54; Spencer S. Hsu, et al., "Roger Stone trial: Former top Trump official details campaign's dealings on WikiLeaks, and suggests Trump was in the know," *Washington Post*, November 12, 2019.

<sup>95</sup> See Michael Weiss and Pierre Vaux, "Russia's Wagner Mercenaries Have Moved Into Libya. Good Luck With That," *The Daily Beast*, September 28, 2019; Roman Badanin and Olga Churakova, "Илleg и повар: Часть четвертая, Расследование о том, как Россия участвует в гражданской войне в Ливии [Shefi povar: Chast' chetyortaya, Rassledovaniye o tom, kak Rossiya uchastvuyet v grazhdanskoy voyne v Livii]," Part 4, Proekt, September 12, 2019.

<sup>96</sup> See Al-Atrash, 2020.

<sup>97</sup> See Shelby Grossman, et al., "Blurring the lines of media authenticity: Prigozhin-linked group funding Libyan broadcast media," Freeman Spogli Institute, March 20, 2020.

<sup>98</sup> See Luke Harding, "Facebook removes Africa accounts linked to Russian troll factory," *The Guardian*, October 30, 2019.

<sup>99</sup> See Badanin, et al., 2019.

<sup>100</sup> See Andrew S. Weiss and Eugene Rumer, "Nuclear Enrichment: Russia's Ill-Fated Influence Campaign in South Africa," Carnegie Endowment for International Peace, December 16, 2019.

<sup>101</sup> See Badanin, et al., 2019.

<sup>102</sup> See Warsaw Institute, "The Fall of Morales: Russia Loses Bolivian Ally," November 12, 2019.

<sup>103</sup> See Melanie Amann, et al., "Documents Link AfD Parliamentarian To Moscow," *Der Spiegel*, April 12, 2019.

As will be discussed in the next chapter, this intangible form of assistance may have exploited the same legal loophole as the June 2016 “first Trump Tower meeting.”<sup>112</sup>

Of course, countries other than Russia also appear to have offered media services to campaigns. At the “second Trump Tower meeting,” George Nader told senior Trump campaign officials that the crown princes of Saudi Arabia and the U.A.E. wanted to help Trump win in 2016.<sup>113</sup> Also in attendance was Joel Zamel, the head of an Israeli private security company called Psy-Group that employed several former Mossad officers.<sup>114</sup> Zamel had drawn up a multimillion-dollar proposal to deploy social media manipulation to shape U.S. public opinion in favor of Trump.<sup>115</sup> While the Trump campaign officials insist they turned down the offer, Zamel later provided a presentation about how social media helped Trump win and Nader paid Zamel up to \$2 million.<sup>116</sup>

## Thing of value

The Mueller report made this loophole apparent in April 2019. The report included a three-part section covering foreign “efforts or offers” to “provide” (Trump Tower meeting) or “distribute” (WikiLeaks) negative information about Hillary Clinton in order to help Trump.<sup>117</sup> In both cases, Mueller determined that the evidence was not sufficient to press charges.<sup>118</sup>

Mueller first introduced the governing law by citing the constitutional grounding described by then-Judge Brett Kavanaugh in *Bluman v. FEC* (2011): “[T]he United States has a compelling interest … in limiting the participation of foreign citizens in activities of American democratic self-government, and in thereby preventing foreign influence over the U.S. political process.”<sup>119</sup> Mueller explains that “federal campaign-finance law broadly prohibits foreign nationals from making … ‘a contribution or donation of money or other *thing of value*’ … and prohibits anyone from soliciting, accepting, or receiving such contributions … [which] ‘includes’ ‘any gift, subscription, loan, advance, or deposit of money or *anything of value* made by any person for the purpose of influencing any election’ …”<sup>120</sup>

Within days of the Mueller report becoming public, lawyers for Trump started arguing that it says dirt on an opponent cannot be a “thing of value.”<sup>121</sup> In reality, Mueller says the law supports the view that information could be a thing of value before going on to note some possible constitutional issues and cautioning

that “it is uncertain how courts would resolve those issues.”<sup>122</sup> Mueller concludes “There are reasonable arguments that the offered information would constitute a ‘thing of value’ within the meaning of these provisions, but the Office determined that the government would not be likely to obtain and sustain a conviction for two other reasons …”<sup>123</sup> Those two seemingly more prohibitive reasons involve empirical facts of knowledge and valuation: that Mueller could not prove beyond a reasonable doubt both that campaign officials acted willfully and that the value of the information exceeded the statutory maximum.<sup>124</sup>

Unfortunately, even though Mueller’s hesitation had more to do with how much these particular individuals knew about campaign finance law and the specific words used to present the information to them, the impression that information cannot be a thing of value has taken on a life of its own over the past year, fueled by personal and political motives.

When asked in a Senate Judiciary Committee hearing whether a president should report foreign information to law enforcement, Attorney General Bill Barr hesitated before seeming to say yes but only if it comes from a foreign intelligence service.<sup>125</sup> When asked the same question in an interview, Trump said “I think I’d take it.”<sup>126</sup>

The Democratic FEC chair publicly rebuked Trump, saying the FEC “has recognized the ‘broad scope’ of the foreign national contribution prohibition and found that even where the value of a good or service ‘may be nominal or difficult to ascertain,’ such contributions are nevertheless banned.”<sup>127</sup> Unfortunately though, as will be discussed in the chapter on enforcement weaknesses, partisan division makes the views of individual FEC commissioners toothless.

On July 25, 2019, Trump asked Ukrainian President Volodymyr Zelensky for a “favor” of two investigations that might influence

<sup>112</sup> See *Mueller Report*, Vol. I, pp. 191-199.

<sup>113</sup> See Mark Mazzetti et al., “*Trump Jr. and Other Aides Met With Gulf Emissary Offering Help to Win Election*,” *The New York Times*, May 19, 2018.

<sup>114</sup> Ibid.

<sup>115</sup> Ibid.

<sup>116</sup> Ibid.

<sup>117</sup> Unlike the considerations around the Trump Tower meeting, the facts and analysis about the declination to prosecute the U.S. side of the WikiLeaks case are redacted in the Mueller report, so we do not know the extent to which that case involves the thing-of-value issue. *Mueller Report*, Vol. I, pp. 183-191.

<sup>118</sup> *Mueller Report*, Vol. I, pp. 183-191.

<sup>119</sup> *Mueller Report*, Vol. I, pp. 184.

<sup>120</sup> Ibid.

<sup>121</sup> See, e.g., Eli Watkins, “*Giuliani: ‘There’s nothing wrong with taking information from Russians’*,” CNN, April 21, 2019.

<sup>122</sup> *Mueller Report*, Vol. I, pp. 187. Mueller presents both sides of the issue: “[The governing law and FEC regulations] support the view that candidate-related opposition research given to a campaign for the purpose of influencing an election could constitute a contribution to which the foreign-source ban could apply. A campaign can be assisted not only by the provision of funds, but also by the provision of derogatory information about an opponent. Political campaigns frequently conduct and pay for opposition research. A foreign entity that engaged in such research and provided resulting information to a campaign could exert a greater effect on an election, and a greater tendency to ingratiate the donor to the candidate, than a gift of money or tangible things of value. At the same time, no judicial decision has treated the voluntary provision of uncompensated opposition research or similar information as a thing of value that could amount to a contribution under campaign-finance law. Such an interpretation could have implications beyond the foreign-source ban … and raise First Amendment questions. Those questions could be especially difficult where the information consisted simply of the recounting of historically accurate facts.” *Mueller Report*, Vol. I, pp. 187.

<sup>123</sup> *Mueller Report*, Vol. I, pp. 186.

<sup>124</sup> *Mueller Report*, Vol. I, pp. 187-188. On the question of whether the meeting participants knew they were breaking the law, Mueller cautioned that “Trump Jr. could mount a factual defense that he did not believe his response to the offer and the June 9 meeting itself violated the law. Given his less direct involvement in arranging the June 9 meeting, Kushner could likely mount a similar defense. And, while Manafort is experienced with political campaigns, the Office has not developed evidence showing that he had relevant knowledge of these legal issues.” As for proof that the value of the information exceeded \$2,000 to be a misdemeanor or \$25,000 for a felony, Mueller said market pricing “would likely be unavailable or ineffective in this factual setting. Although damaging opposition research is surely valuable to a campaign, it appears that the information ultimately delivered in the meeting was not valuable. And while value in a conspiracy may well be measured by what the participants expected to receive at the time of the agreement, … Goldstone’s description of the offered material here was quite general. His suggestion of the information’s value—i.e., that it would ‘incriminate Hillary’ and ‘would be very useful to [Trump Jr.’s] father’—was non-specific and may have been understood as being of uncertain worth or reliability, given Goldstone’s lack of direct access to the original source. The uncertainty over what would be delivered could be reflected in Trump Jr.’s response (“if it’s what you say I love it”) (emphasis added).” *Mueller Report*, Vol. I, pp. 187-188.

<sup>125</sup> See Li Zhou, “*William Barr’s pause on a question about 2020 and foreign adversaries is incredibly telling*,” *Vox*, May 1, 2019.

<sup>126</sup> Lucien Bruggeman, “*I think I’d take it’: In exclusive interview, Trump says he would listen if foreigners offered dirt on opponents*,” ABC News, June 13, 2019.

<sup>127</sup> Ellen Weintraub, *Twitter post*, September 26, 2019, 5:32 PM.

voter perceptions in the 2020 election.<sup>128</sup> The DOJ subsequently determined that the request did not constitute a campaign finance violation because “help with a government investigation could not be quantified as a ‘thing of value’ under the law.”<sup>129</sup> At the Senate impeachment trial, Trump’s lawyers said, “It’s not campaign interference for credible information about wrongdoing to be brought to light.”<sup>130</sup>

## U.S. Recommendation:

**“Thing of value” should be broadly defined, interpreted, and enforced to unambiguously include intangible, difficult-to-value, uncertain, or perceived benefits.**

Correcting this notion that hostile foreign powers can legally give U.S. campaigns dirt on their opponents or other intangible assistance is the single most urgent reform that we recommend, as this vulnerability has been exploited in two consecutive presidential elections. Loans and gifts have not been a major problem in the United States because they are unambiguously covered by statute. Media services have been used to interfere in U.S. politics without major consequences, as U.S. prosecutors have not yet pressed charges in either the cases of WikiLeaks or the second Trump Tower meeting. Broadening the definition of a thing of value should help deter both that type of activity and any other forms of intangible assistance, so that will be our focus.

At least three governmental actors could help broaden the definition or clarify the scope of a “thing of value.” Congress, the DOJ, and the FEC. The fact that the legal scope of a “thing of value” is debatable on the margin opens up opportunities for various governmental actors to move the needle toward a broader definition. That is, whichever branch of government manages to overcome partisanship and act assertively will have authorities to move the goalposts in a stricter direction through legislation, rulemaking, or prosecutorial discretion.

Some reform advocates argue that the statutory definition is already broad enough, so all that is needed is stronger interpretation and enforcement by the FEC and the DOJ.<sup>131</sup> While this

point may be legally correct and morally compelling, in our view it is politically insufficient. We agree that administrative authorities should act regardless of what Congress does, but that does not mean lawmakers should wait for them.

In fact, legislation would be the single most preferred course of action (which is why we order it first in the discussion below), because legal statutes are harder than some other authorities to reverse or ignore. The next-most effective response would be more aggressive DOJ enforcement, followed by FEC issuance of additional regulations.

## Congress

The legal hurdles cited by Mueller can be a helpful guide to legislation, not to re-litigate the 2016 election but to prevent foreign assistance from being similarly welcomed and used in the future. Lawmakers should clarify campaign finance law in accordance with the three specific elements described in Mueller’s declination to prosecute the Trump Tower meeting.<sup>132</sup>

First, a “thing of value” should include intangible, difficult-to-value, uncertain, or merely perceived benefits, including but not limited to any form of opposition research, politically motivated investigations (or assistance with such investigations), or any other type of negative information about perceived political opponents.<sup>133</sup>

Second, all campaign workers should receive a brief web-based training on these rules and have to certify their understanding, which would both build resilience and limit the extent to which any transgressions can be defended later as not having been knowing and willing.

Third, legislation should clarify that the statutory thresholds of prosecution ( $\geq \$2,000$  for a misdemeanor;  $\geq \$25,000$  for a felony) can be met not only by the value of goods or services offered (e.g., dirt on a rival) but also the costs of transmission incurred by any foreign national (e.g., travel, accommodations, stipends, etc.).<sup>134</sup>

<sup>128</sup> President Donald Trump to President Volodymyr Zelensky, Memorandum Of Telephone Conversation, The White House, “*Telephone Conversation with President Zelensky of Ukraine*,” July 25, 2019 (“Trump-Zelensky Memo”); *Trump–Ukraine Report*, pp. 98–103.

<sup>129</sup> *Barrett, et al.*, 2019.

<sup>130</sup> Bobby Allyn and Brian Naylor, “*Democrats Decry ‘Dangerous’ Foreign Interference Argument Made By Trump Lawyers*,” NPR, January 29, 2020; CNN Live Event, “*The Impeachment Trial of Donald Trump Continues: A Day Full Of Questions From The Senate*,” CNN, January 30, 2020, 5:00pm. This comment was widely condemned as condoning foreign interference. The next day, the same lawyer clarified in a way that echoed a point Mueller made about difficult “First Amendment questions” regarding “historically accurate facts” (even though Mueller only cited that as one consideration leading to judicial uncertainty, not as one of his two reasons not to prosecute, supporting our point that this conflation has been advanced by lawyers defending Trump over the past year and taken on a life of its own unintended by Mueller). Specifically, Trump’s lawyer said: “If it comes from overseas, a thing of value is a prohibited campaign contribution, it’s not allowed. If it comes from within the country it has to be reported. So that would mean that anytime a campaign got information from within the country about an opponent or about something else that maybe would be useful in the campaign, they’d have to report the received information as a thing of value under the campaign finance laws. That is not how the laws work and there would be tremendous First Amendment implications if someone attempted to enforce the laws that way. So that is simply the point that I wanted to make. Here information that is credible information is not something that is prohibited from being received under the campaign finance laws.” *CNN Live Event*, 2020.

<sup>131</sup> See, e.g., Adav Noti to Esther Gyory, August 5, 2019, Federal Election Commission, “*Re: REG*

<sup>132</sup> See *Mueller Report*, Vol. I, pp. 186–187.

<sup>133</sup> Some worry that this might too broadly prohibit foreign nationals from voluntarily sharing information with campaigns. For example, it might prohibit campaigns from speaking to undocumented workers employed by a rival candidate. In our view, that is a risk worth taking to prohibit malign foreign interference in U.S. political campaigns.

<sup>134</sup> Transmission costs are arguably already covered under the law, but enforcement has been mixed. On the one hand, the DOJ declined to include the value of air travel and hotel expenses paid for by the Russian delegation to the June 2016 Trump Tower meeting. On the other hand, the FEC deemed it a violation when the 2016 campaign of Bernie Sanders campaign knowingly allowed the Australian Labor Party to pay for the airfare and daily stipends of its delegates volunteering on the campaign trail. Legislative clarity could encourage consistently strong enforcement. See Bob Bauer, “*The Failures of the Mueller Report’s Campaign Finance Analysis*,” Just Security, May 3, 2019; Elena Paoli to Brad Deutsch, “*RE: MUR 7035, Bernie 2016 and Susan Jackson in her official capacity as treasurer*,” MUR 7035, Federal Election Commission, February 15, 2018.

## **Department of Justice**

The repeated failure to enforce the law banning the solicitation or receipt of foreign intangible contributions should be corrected by a deliberate and unmistakable reversal toward more aggressive prosecutorial discretion. The DOJ should update its guidance for the prosecution of election offenses to underscore the broad scope of a “thing of value,” and the Attorney General should distribute a memorandum to all U.S. attorneys underscoring this broad interpretation and strongly encouraging them to prosecute violations of the foreign-source ban.<sup>135</sup>

## **Federal Election Commission**

The FEC should adopt an interpretive rule, such as the September 2019 draft prepared by then-Chair Ellen Weintraub, summarizing the foreign-source ban with recognition of the “broad scope” of a “thing of value” to include goods or services even when their value “may be nominal or difficult to ascertain.”<sup>136</sup>

Again, all of these laws, regulations, and enforcement priorities should be undertaken as soon as possible, without waiting for the other authorities to act.

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135 See *Federal Prosecution of Election Offenses*, 8th ed., Richard C. Pilger, ed., U.S. Department of Justice, December 2017.

136 Ellen L. Weintraub to the Federal Election Commission, “*Draft Interpretive Rule Concerning Prohibited Activities Involving Foreign Nationals*,” Agenda Document No. 19-41-A, Federal Election Commission, September 26, 2019.

## 2. Straw Donors and Agents Supported by Foreign Powers

Authoritarian regimes have a track record of subverting target societies through covert human and financial ties to politicians and their backers.<sup>137</sup> More than any other aspect of malign finance, it is essential that Western countries address this vulnerability in ways that stay true to the values of an open society governed by the rule of law. That precludes guilt by association, ethnicity, wealth, or accusation.

For the purpose of our review, that means strictly limiting our focus here to cases that are the subject of public concern expressed by Western law enforcement or intelligence services. We deliberately exclude cases that do not meet this threshold, even if they have been the subject of some public debate.

For example, some analysts speculate that the biggest Russian businesses and oligarchs (including some billionaires who got rich in Russia in the 1990s and maintain tight operational security) are required by the Kremlin to set aside a portion of their wealth for “patriotic” activities abroad.<sup>138</sup>

Similarly on the alleged receiving end of Russian money, Western leaders who consistently act obsequiously toward Putin—from Czech President Miloš Zeman to U.S. President Trump—draw scrutiny and suspicion around their obscure history of financial dealings with Russian mobsters and shell companies.<sup>139</sup> Others are more open about their business with Moscow, like former German Chancellor Gerhard Schröder, who advances Russia interests even though it is unclear how much financial incentives influence his behavior.<sup>140</sup>

We do *not* include those instances in our analysis. Accusing a duly elected national leader of secretly being on the payroll of a hostile foreign power would be, in the words of Anton Shekhovtsov, “a very strong accusation, for which really strong evidence is needed.”<sup>141</sup> Journalists *have* found sufficiently strong evidence in some leader-level cases, like Russia’s attempts to fund the political party of Matteo Salvini (who reportedly negotiated for oil money to fund his political party while serving as Deputy Prime Minister of Italy) and the financial backers of Jacob Zuma (who pushed South Africa into a nuclear deal it could not afford after Zuma’s son and the family who funds him secretly bought the uranium mine that would profit from supplying the plant).<sup>142</sup> On the Russian side, the U.S. government has similarly

shown interference to have been funded and controlled by major oligarchs like Yevgeny Prigozhin and Oleg Deripaska.<sup>143</sup> But we exclude unsubstantiated instances for reasons of fairness and because we view the high standard of evidence as vital to the health of democracy.

### A national security state of mind

Stopping foreign efforts to undermine democracy will require balancing civil liberties against threats to national security. When it comes to citizens and residents that government agencies have warned are funneling covert foreign money from authoritarian regimes, the best and worst responses by national governments are illustrated by Australia and the United Kingdom, respectively.<sup>144</sup>

In 2015 the Australian national security intelligence service (ASIO) quietly warned the heads of the major political parties about taking donations from two billionaire property developers because they may have been conduits for Chinese Communist Party interference in Australian politics: Chau Chak Wing, a Chinese-born Australian citizen, and Huang Xiangmo, a Chinese national who was then a permanent resident of Australia and a leading promoter of Chinese foreign policy.<sup>145</sup>

When the Liberal and Labor parties were still accepting the donations 18 months later, “senior official sources” told the Australian press about the briefings, creating public pressure that finally forced the parties to stop taking the money.<sup>146</sup>

Over the year that followed, the Australian government—led in clear and decisive terms at the highest level by Prime Minister Malcolm Turnbull—explained the threat of foreign interference to the public, reviewed its national security laws for gaps, designed the most sweeping counterintelligence overhaul in decades, took on board some public feedback, and enacted

<sup>143</sup> See *Internet Research Agency Indictment*; U.S. Department of the Treasury, “Treasury Designates Russian Oligarchs, Officials, and Entities in Response to Worldwide Malign Activity,” Press Release, April 6, 2018; U.S. Department of the Treasury, “Treasury Targets Russian Operatives over Election Interference, World Anti-Doping Agency Hacking, and Other Malign Activities,” Press Release, December 19, 2018.

<sup>144</sup> Australia and the United Kingdom represent two ends of the spectrum as to how seriously targeted countries have taken these issues as national security challenges. For comparison, the United States has generally performed well in terms of investigating cases (e.g., the Mueller report and the House investigation into Ukraine in 2019) but poorly in terms of taking actions and enacting reforms to build resilience and credible deterrence. Whereas New Zealand appears to be following the strong Australian model, many E.U. member states are closer to the British end of the spectrum in that they have not even investigated or prosecuted well-established cases, let alone enacted sweeping reforms. For example, there is no sign that Germany is taking any steps to investigate multiple reports of internal Russian documents discussing AfD Bundestag member Markus Frohnaier as being “completely controlled” by the Kremlin after receiving “material support” and “media support” in his 2017 election, which he won and remains in office to this day. Italian prosecutors at least took the step of opening an international corruption investigation after the publication last year of an audio recording of Matteo Salvini’s far-right party seeking funding through an oil deal with Russia, but there have been no public signs investigators are making progress. See Anne Applebaum, “Russia is cultivating Germany’s far right. Germans don’t seem to care,” *Washington Post*, April 12, 2019; Lorenzo Tondo, “Italian prosecutors investigate League over alleged Russian oil deal claims,” *The Guardian*, July 11, 2019.

<sup>145</sup> See Nick McKenzie, et al., “ASIO warns political parties over foreign donations,” ABC, June 5, 2017; Nick McKenzie and Chris Uhlmann, “ASIO warned politicians about taking cash from Huang Xiangmo, Chau Chak Wing,” *Financial Review*, June 5, 2017.

<sup>146</sup> See McKenzie, et al., June 2017; McKenzie and Uhlmann, 2017.

<sup>137</sup> See, e.g., Shekhovtsov, pp. 203-206; Polyakova, et al., *Trojan Horses*, 2016; Polyakova, et al., *Trojan Horses 2.0*, 2017; Polyakova, et al., *Trojan Horses 3.0*, 2018.

<sup>138</sup> See, e.g., Barnett and Foxall, 2020.

<sup>139</sup> See Belton, pp. 399, 448-488; Unger, 2017; Kseniya Kirillova, “Poison and Dark Money: Putin’s Strategy Extends Further Across Europe,” *Byline Times*, May 19, 2020.

<sup>140</sup> See Rick Noack, “He used to rule Germany. Now, he oversees Russian energy companies and lashes out at the U.S.,” *Washington Post*, August 12, 2017; Raphael S. Cohen and Andrew Radin, *Russia’s Hostile Measures in Europe Understanding the Threat*, Los Angeles: RAND Corporation, 2019, pp. 126-130.

<sup>141</sup> See Andrew Rettman, “Illicit Russian billions pose threat to EU democracy,” *EuObserver*, April 21, 2017; Kirillova, 2020.

<sup>142</sup> See Nardelli, July 10, 2019; Lynsey Chutel, “How two South African women stopped Zuma and Putin’s \$76 billion Russian nuclear deal,” *Quartz Africa*, April 25, 2018.

the legislative package with bipartisan support.<sup>147</sup> In addition to catching up with international best-practices by banning foreign political donations and requiring foreign agent registration, the laws went further by making it illegal for Australians to participate in foreign political influence operations (with prison sentences up to 25 years).<sup>148</sup>

## ***“The report is strikingly clear about the role some elements of the British immigration system have played in opening this vulnerability to malign financial influence.***

Moreover, Huang was exiled from Australia on national security grounds based on the advice of ASIO, revoking both his permanent residency and his application for citizenship.<sup>149</sup> Sam Dastyari, the Australian senator who accepted gifts from Huang and lobbied for his citizenship application, resigned in disgrace after leaked audio proved that he took China's side in a dispute over the South China Sea while standing next to Huang.<sup>150</sup>

Some countries are following the strong example set by Australia. In New Zealand, proxies of the Chinese Communist Party's United Front have allegedly funneled secret donations to parties and candidates on at least four occasions.<sup>151</sup> Taking inspiration from Australia, New Zealand is responding by investigating and prosecuting both straw donors and recipients, kicking bad actors out of the party or the country, using public hearings and official studies to educate the public about foreign interference, and now considering a comprehensive slate of 55 potential reforms.<sup>152</sup>

But not all countries are learning the lesson. The most lax model is "Londongrad."<sup>153</sup> More than a physical place for Russian oligarchs and their ill-gotten money, the nickname describes the situation in the United Kingdom, whereby many members of the British elite are ignoring the national security threat posed by Russian malign financial activity in the British political system.<sup>154</sup>

A landmark report on the Russia threat to British democracy completed in 2019 by the U.K. Parliament's Intelligence and Se-

curity Committee (ISC) warned that "the U.K. now faces a threat from Russia within its own borders" in the form of "Russian oligarchs and their money."<sup>155</sup>

The ISC report helpfully avoids overly broad language that could be picked up by xenophobic voices. The broad term "Russians" is most prominently used in the context of critics of Vladimir Putin who have sought sanctuary in Britain and need better protection.<sup>156</sup> Threat actors can be either Russian expatriates in London who remain "members of the Russian elite who are closely linked to Putin" or their Western enablers who manage and lobby for the Russian elite and government.<sup>157</sup>

Yet the report is strikingly clear about the role some elements of the British immigration system have played in opening this vulnerability to malign financial influence. It concludes that "[t]he key to London's appeal was the exploitation of the U.K.'s investor visa scheme, introduced in 1994," allowing a holder investing £2 million to smoothly turn the visa into a British passport, which comes with important legal rights such as the ability to donate to political parties.<sup>158</sup> About 60 percent of these "golden visas" went to Russian and Chinese nationals in a process that involves minimal anti-money laundering scrutiny.<sup>159</sup>

The Kremlin's cultivation of influence in the U.K. made a stride forward in 2003 with an audacious move that three sources claim was conceived and ordered by Putin himself: Send to London on a golden visa a Russian oligarch who is thoroughly controlled by Putin but sufficiently distant from Putin's long-time St. Petersburg friends and KGB cronies as to be a publicly acceptable face in the West of Russian business—Roman Abramovich—and have him win over the British people by investing heavily in their beloved Chelsea Football Club, which would also help buy clout with FIFA and use it to lobby for Russia to host the World Cup.<sup>160</sup>

As Abramovich established Moscow's beachhead on the Thames, more Russian billionaires followed, along with their money in the form of unscrutinized IPOs and cash infusions from offshore financial centers.<sup>161</sup> Alisher Usmanov, a formerly imprisoned Kremlin-friendly metals tycoon, bought a London home in 2008 and has made sizable Western investments, although he has had to reduce stakes and has struggled to take control over English soccer clubs as U.S. senators call for him to be sanctioned for corruption.<sup>162</sup> In 2009 and 2010, former KGB spy Alexander Leb-

<sup>147</sup> See Rob Taylor, "[Australia Takes Aim at Chinese Political Influence](#)," *The Wall Street Journal*, September 22, 2017; James Massola, "[Foreign spies, lobbyists and donations targeted in new interference laws](#)," *The Sydney Morning Herald*, November 14, 2017; Henry Belot, "[Malcolm Turnbull announces biggest overhaul of espionage, intelligence laws in decades](#)," ABC, December 5, 2017.

<sup>148</sup> See Evelyn Douek, "[What's in Australia's New Laws on Foreign Interference in Domestic Politics](#)," *Lawfare*, July 11, 2018; Kelly Buchanan, "[Australia: Bills Containing New Espionage, Foreign Interference Offenses, and Establishing Foreign Agent Registry Enacted](#)," Library of Congress, August 21, 2018.

<sup>149</sup> See Dan Conifer and Stephanie Borys, "[Australia denies citizenship to Chinese political donor Huang Xiangmo and strips his permanent residency](#)," ABC, February 5, 2019.

<sup>150</sup> See [McDermott](#), 2017.

<sup>151</sup> See [Hurley](#), 2020; [Anthony et al.](#), 2018; [Brady](#), 2017.

<sup>152</sup> The government already banned most foreign donations, and is now also considering proposals such as establishing a foreign agent registration scheme (modeled after Australia, which was itself modeled after the U.S. FARA, including recent FARA reform proposals), nationalizing control over elections, enhancing the campaign finance regulator's powers to investigate and enforce, banning foreign government ownership of New Zealand media organizations, changing advertising laws, and tightening requirements that parties check the source of donations. See House of Representatives of New Zealand, Justice Committee, *Inquiry into the 2017 General Election and 2016 Local Elections*, December 2019.

<sup>153</sup> See Anne Applebaum, "[Why does Putin treat Britain with disdain? He thinks he's bought it](#)," *Washington Post*, March 16, 2018.

<sup>154</sup> Ibid.

<sup>155</sup> House of Commons of the United Kingdom, Intelligence and Security Committee of Parliament, *Russia*, HC 632, July 21, 2020, pp. 15, 22 ("ISC Russia Report").

<sup>156</sup> See [ISC Russia Report](#), pp. 16-17.

<sup>157</sup> See [ISC Russia Report](#), pp. 16.

<sup>158</sup> [ISC Russia Report](#), pp. 15; Edward Lucas, "[Scalding rebuke for years of naivety](#)," *The Daily Mail*, July 21, 2020.

<sup>159</sup> Kevin Bridgewater, *Gold Rush: Investment Visas And Corrupt Capital Flows Into The UK*, London: Transparency International UK, 2015, pp. 3, 15-18.

<sup>160</sup> [Belton](#), pp. 352-353. After the 2018 poisoning of Sergei Skripal, the British government did not renew Abramovich's golden visa, but two months later Abramovich gained Israeli citizenship, which he automatically qualifies for because he is Jewish. His Israeli passport allows Abramovich to visit the U.K. visa-free for up to six months at a time. See Peter Walker, "[Abramovich cannot work in UK if he arrives on Israeli passport, No 10 says](#)," *The Guardian*, May 29, 2018. At the same time, Abramovich abruptly canceled a long-planned 60,000-seat new stadium for Chelsea, although he continues to own the team. See David Conn, "[Chelsea are back in fashion—but Roman Abramovich is out in the cold](#)," *The Guardian*, November 24, 2019.

<sup>161</sup> [Belton](#), pp. 357-365.

<sup>162</sup> Henry Foy, "[Alisher Usmanov: I was never what you could call an oligarch](#)," *Financial Times*,

edev bought the loss-making *Evening Standard* and *The Independent*, bringing into the London media business his son Evgeny, whose parties are attended by Boris Johnson (who made him a British lord).<sup>163</sup> These and other Soviet-born billionaires access the upper echelons of public life in London through investments in sports, media, energy, mansions, and most importantly for purposes of malign finance: political donations.<sup>164</sup> A section of the ISC report titled “trying to shut the stable door” warns that these business and investment links between the Russian elite and London “cannot be untangled and the priority now must be to mitigate the risk.”<sup>165</sup>

## **“The classified annex of the ISC report on Russian threats to U.K. democracy reportedly names nine elite Russian expatriates who donated to the Conservative Party.”**

The U.K. has an immigration tribunal system that makes it difficult for the domestic intelligence agency (MI5) to deport foreign citizens on national security grounds.<sup>166</sup> In 2011, MI5 tried and failed to expel a 25-year-old Russian woman who worked as a researcher for (and had an affair with) a member of parliament on the Defense Select Committee.<sup>167</sup> This daughter of a well-connected Russian businessman had drawn scrutiny from MI5 for some time, raising further suspicions when she asked for an inventory of Britain’s nuclear arsenal and locations of international submarine bases, both of which are Russian military intelligence collection priorities.<sup>168</sup> MI5 has had some occasional successes, like when it vetoed the appointment of Pauline Neville-Jones to serve as David Cameron’s National Security Advisor because of her financial ties to Ukrainian oligarch Dmytro Firtash.<sup>169</sup> However, Firtash’s influence machine in London remains intact.<sup>170</sup>

In some cases, elite Russian expatriates connected to Moscow embed deeper into British society by becoming U.K. citizens and even develop “a public profile which positions them to assist Russian influence operations.”<sup>171</sup> This could be viewed as a more public, political, and offensive version of the so-called illegals blending into civilian life, a tactic that Russian intelligence ser-

vices and other Kremlin proxies have continued to use over the past decade (with sleeper cells caught as recently as 2010 in the United States and 2011 in Germany, and the case of Maria Butina from 2015 to 2018).<sup>172</sup>

As an example involving citizenship, the classified annex of the ISC report on Russian threats to U.K. democracy reportedly names nine elite Russian expatriates who donated to the Conservative Party.<sup>173</sup> First, Alexander Temerko is a former Russian arms tycoon who speaks proudly of his past work with Russia’s defense ministry and current leadership of Russian intelligence, has donated over £1.3 million to the Tories since becoming a British citizen in 2011, and supported his “friend” Boris Johnson’s campaign to take Britain out of the E.U.<sup>174</sup> Second, Lubov Chernukhin is married to a former Putin ally and Russian deputy finance minister, became a U.K. citizen around 2009, and since then has given over £1.7 million to become the Conservative Party’s biggest donor.<sup>175</sup> After Reuters reported on Temerko’s influence in the Tory Party, both he and his ally Chernukhin began making donations to members of the ISC as they were completing their report on Russian interference in British democracy.<sup>176</sup> Temerko and Firtash have also paid John Whittingdale, who is Boris Johnson’s minister responsible for defending Britain from disinformation.<sup>177</sup>

In other cases, Russian spies, diplomats, oligarchs, and state-owned enterprises have reportedly cultivated British business people engaged in politics by dangling lucrative business deals. Arron Banks gave Leave.EU the largest contribution in British political history around the same time as an undercover Russian spy and Moscow’s ambassador to the U.K. connected Banks with a Russian oligarch, who in turn offered exclusive opportunities to make highly profitable investments in Russian gold and diamond firms.<sup>178</sup> There is no sign that Banks took the sweetheart deals, although a company partly owned by his closest business partner, Jim Mellon, did invest in one of the offerings, which was completed at a discounted price and at lightning speed just three weeks after the 2016 U.K. referendum.<sup>179</sup>

172 See Hill and Gaddy, pp. 344; *Butina Plea Agreement*, pp. 2; *ISC Russia Report*, pp. 16.

173 See Harper and Wheeler, 2019.

174 See Harper and Wheeler, 2019; Belton, 2019; Harding and Davies, 2020.

175 See Harper and Wheeler, 2019; Harding and Davies, 2020.

176 See Catherine Belton, *Twitter post*, July 23, 2020, 4:43 AM; George Greenwood, et al., “Conservative Party ministers bankrolled by donors linked to Russia,” *The Times*, July 23, 2020.

177 See Sweeney, 2020.

178 See Carole Cadwalladr and Peter Jukes, “Arron Banks ‘met Russian officials multiple times before Brexit vote’,” *The Guardian*, June 9, 2018.

179 See David D. Kirkpatrick and Matthew Rosenberg, “Russians Offered Business Deals to Brexit’s Biggest Backer,” *The New York Times*, June 29, 2018; Rudolph, 2019; Belton, pp. 440, 585. The U.K. Electoral Commission developed reasonable grounds to suspect that Banks knowingly concealed the truth and was not the “true source” of the money, but then the National Crime Agency found—defining its investigation narrowly—that Banks was legally entitled to take a loan from his Isle of Man company (through which Banks co-owns Manx Financial Group together with Mellon) and pass it on to Leave.EU. See Luke Harding, *Shadow State: Murder, Mayhem, and Russia’s Remaking of the West*, New York: HarperCollins, 2020, pp. 211–212; U.K. Electoral Commission, “Investigation into payments made to Better for the Country and Leave.EU,” April 29, 2020; U.K. National Crime Agency, “Public statement on NCA investigation into suspected EU referendum offences,” September 24, 2019. Separately, Charlemagne Capital is an investment company co-founded by Mellon, who served as a non-executive director and held a 19.4 percent equity share at the time of the deal (a share that declined later in 2016). Iain Campbell, “Revealed: How Arron Banks’s campaign ‘ambassador’ made his millions in Russia,” Open Democracy, November 10, 2018. Three weeks after the E.U. referendum, Charlemagne Capital participated in a private placement of shares issued at a discount to the market price by the Russian state-owned diamond company, the lucrative deal that had been offered to Banks. See Kirkpatrick and Rosenberg, 2018. Mellon’s representative said that Mellon had stepped out of day-to-day management of Charlemagne Capital and any investment decisions were made by a formal committee. See Kirkpatrick and Rosenberg, 2018. There is no allegation that Banks or Mellon broke the law.

164 See Max de Haldevang, “US senators are lobbying to sanction Putin’s top cop and Arsenal FC’s co-owner,” Quartz, January 20, 2018.

165 See Harper and Wheeler, 2019; Luke Harding and Rob Davies, “Moscow-on-Thames: Soviet-born billionaires and their ties to UK’s political elite,” *The Guardian*, July 25, 2020; Eleni Courea, et al., “Evgeny Lebedev: Son of KGB agent handed a seat in the Lords,” *The Times*, July 31, 2020.

166 Harding and Davies, 2020.

167 ISC Russia Report, pp. 15–16.

168 See James Blitz, “Russian espionage case reveals MI5 fears,” *Financial Times*, November 29, 2011.

169 See Nick Fielding, “The men who knew too little: reflections on the Zatuliveter case,” Open Democracy, December 9, 2011.

170 See Duncan Gardham, et al., “Russian ‘spy’ tried to access details of Britain’s nuclear arsenal, say MI5,” *The Telegraph*, December 5, 2010.

171 See Christopher Leake and Mark Hollingsworth, “MI5 ‘vetoed’ Security Minister over links to Ukrainian oligarchs,” *The Daily Mail*, August 14, 2010.

172 The legal action against Firtash has been led by the United States, not Britain. In February 2014, while the Viktor Yanukovich (the pro-Russian president of Ukraine bankrolled by Firtash) was fleeing to Russia and the U.S. Department of Justice was preparing to have him arrested before returning to Ukraine (at which point he would have probably followed his patron to Russia), the U.K. Foreign Office invited Firtash into their London headquarters to share advice about Ukrainian politics and economics. The meeting was set up by Richard Spring, a Conservative MP who chairs Firtash’s British Ukrainian Society and is paid advisory fees from a chain of shell companies with ties back to Firtash. See Faucon and Marson, 2014.

173 See ISC Russia Report, pp. 16.

Without clear direction from Number 10, British law enforcement agencies have repeatedly stalled, declined to investigate, defined their remits narrowly, and passed around investigations like hot potatoes.<sup>180</sup> None of the elite Russian expatriates in London or their Western enablers and business partners have faced a Mueller-style probe, which in less than two years included more than 2,800 subpoenas, 500 warrants, 280 email and phone records, 13 collaborations with foreign governments, and interviews of some 500 witnesses (many of whom were pressured into cooperation).<sup>181</sup>

For a moment after the 2018 poisoning of Sergei Skripal by Russian military intelligence, it looked like London was about to get serious about defending against Russian malign financial activity. When former Prime Minister Theresa May called Moscow's aggression an "unlawful use of force by the Russian State against the United Kingdom" and expelled 23 Russian diplomats from the country, she also announced that the NCA would bring all its capabilities to bear against Russian corruption.<sup>182</sup> May seemed to be launching a public campaign against the Russian oligarchs when she said, "There is no place for these people—or their money—in our country."<sup>183</sup>

But as May's political clout faded, her focus narrowed to getting Brexit done and she was unwilling to order an investigation of Russian interference in the 2016 referendum.<sup>184</sup> In 2019, when Boris Johnson took over as prime minister, a National Crime Agency officer reportedly lamented that investigating dirty Russian money was no longer a priority, and instead of kicking the Russian oligarchs out, Britain would once again lay down the red carpet.<sup>185</sup> That gloomy prediction was born by Johnson suppressing of ISC Russia report for as long as possible, a process that represented the height of Russian malign financial activity being treated as a political matter rather than a national security threat.

## Commodity enrichment

Shifting gears from the response of target countries to the tactics of adversaries, the Russian government often employs international business dealings to enrich and develop leverage over political contributors abroad.<sup>186</sup> In emerging markets, a common method involves exclusively granting favored donors lucrative positions in the corrupt, obscure, and byzantine markets for raw materials.<sup>187</sup> Energy and other commodities are particularly well-suited for malign Russian activity because they are often either difficult to trace or uniquely controlled by the Russian gov-

ernment through state-owned enterprises and loyal organized crime groups.<sup>188</sup> This can be seen in three different examples across Europe: alleged illicit diamond smuggling from Africa, discounted oil exports to Italy, and gas transit through Ukraine.

First, the central allegation about Brexit donor Arron Banks is that he secretly sourced black-market diamonds from Zimbabwe (where sales are strictly controlled due to corruption and human rights abuses, which leads Zimbabwe to sell them to smugglers at deeply discounted prices).<sup>189</sup> According to his former business partner, Banks pretends that illegal diamonds he really obtains from Zimbabwe are discovered in his South African mines so he can sell the laundered gems on the open market.<sup>190</sup> Both South African and Zimbabwean officials believe the Russian intelligence services have indirectly controlled the underground diamond trade in Harare for more than a decade, so anyone reaping profits from it would need support from Moscow.<sup>191</sup>

Second, Matteo Salvini (the leader of Italy's right-wing League party who was serving at the time as Deputy Prime Minister and Interior Minister) reportedly conducted secret negotiations in Moscow with Russian Deputy Prime Minister Dmitry Kozak.<sup>192</sup> The deal, which appears not to have been completed before it was publicly reported, was for a Russian oil company to funnel fuel profits through a London bank to Eni, a major Italian oil company controlled by the Italian government.<sup>193</sup> The agreed 4 percent discount (worth about \$130 million) would be passed along to the League party to fund its 2019 European Parliament election campaign.<sup>194</sup>

The third case involves Dmytro Firtash, the Ukrainian oligarch who operates more like a Kremlin influence agent than a businessman per se. Firtash made billions buying natural gas cheaply from Russian state-owned energy conglomerate Gazprom and selling it at marked-up prices to Ukrainians.<sup>195</sup> That fortune, together with loans from bankers close to Putin, enabled Firtash to bankroll the 2010 campaign of pro-Russian Ukrainian President Viktor Yanukovych. There are also allegations that Firtash laundered his corrupt proceeds internationally before repatriating it back to Ukraine to bribe officials in Kyiv.<sup>196</sup> Firtash also devotes considerable effort to activities in the U.K., and has documented financial links to several Conservative MPs and members of the aristocracy (including donations and payments made or controlled by a British businessman who operates as Firtash's man

<sup>188</sup> Ibid.

<sup>189</sup> See Tom Harper, et al., "Smuggling claims cast shadow over Brexit's £8m diamond geezer Arron Banks," *The Times*, August 11, 2019; *Harding*, 2020, pp. 211-212. While the NCA defined its investigation narrowly and found that Banks was legally entitled to his loan from the Isle of Man, the NCA also hinted in a postscript that it is still delving into South Africa and Banks's assets there. See *Harding*, 2020, pp. 212. Banks told the *Sunday Times*, "I had heard that the NCA were investigating some of these far-fetched claims but I think it's going nowhere." See *Harper, et al.*, 2019.

<sup>190</sup> Ibid.

<sup>191</sup> See Edward Lucas, *Deception: Spies, Lies and How Russia Dupes the West*, London: Bloomsbury, 2012, pp. 177-179; Kudzai Chimhangwa, "Will Zimbabwe's diamonds be forever? A glimpse into a nation's resource rich curse," Open Democracy, April 10, 2020.

<sup>192</sup> See Giovanni Tizian and Stefano Vergine, "3 million for Salvini," *L'Espresso*, February 28, 2019.

<sup>193</sup> See Giovanni Tizian and Stefano Vergine, "La trattativa Lega-Russia: ecco le carte secrete," *L'Espresso*, July 18, 2019; Eni, "Governance," accessed June 15, 2020.

<sup>194</sup> See *Nardelli*, July 10, 2019.

<sup>195</sup> See Stephen Grey, et al., "SPECIAL REPORT-Putin's allies channelled billions to Ukraine oligarch," Reuters, November 26, 2014.

<sup>196</sup> See Plaintiff's Supplemental Memorandum, *Yulia Tymoshenko, et al. v. Dmytro Firtash, et al.*, No. 1:11-cv-2794 (S.D.N.Y., May 6, 2013), Doc. 84 ("Tymoshenko Memorandum").

<sup>180</sup> See *ISC Russia Report*, pp. 10-11.

<sup>181</sup> See Carole Cadwalladr, "Why Britain Needs Its Own Mueller," *The New York Review of Books*, November 16, 2018; *Mueller Report*, Vol. I, pp. 13.

<sup>182</sup> Theresa May, "PM Commons Statement on Salisbury incident response: 14 March 2018," Oral Statement to the House of Commons, March 14, 2018.

<sup>183</sup> Ibid.

<sup>184</sup> See *Harding*, 2020, pp. 217.

<sup>185</sup> Mark Galeotti, "Boris Johnson's Russian Oligarch Problem," *Foreign Policy*, July 24, 2019.

<sup>186</sup> In addition to the cases documented in our case study, see the memo sent by the U.S. Department of Homeland Security and FBI warning U.S. states of ways Russia could interfere in the 2020 election. U.S. officials noted the "high" risk of Russian economic and business levers to influence political objectives inside the United States, while one of the "moderate" threats was Russian provision of financial support to American political candidates or campaigns. See *Tucker*, AP News, 2020.

<sup>187</sup> See *Barnett and Foxall*, 2020.

in London).<sup>197</sup> While Firtash's corrupt energy apparatus is far less lucrative than it used to be, it continues to support pro-Russian politicians in Ukraine such as Yuriy Boyko. That group is also allied with Putin's closest proxy in Ukraine, Viktor Medvedchuk, who is worth hundreds of millions of dollars having allegedly benefited from preferential oil and gas trading from Russia to Ukraine.<sup>198</sup>

## The Americans

Turning to the United States, there are two recently revealed cases of foreign powers and their proxies using U.S.-based straw donors to funnel money into political campaigns. The two operations collectively demonstrate that the threat of foreign malign financial activity does not target a single party or candidate but spans political and ideological divides. They also demonstrate the full range of tools and tricks that foreign agents funded by different regimes use to cover their tracks.

The first case involves Lev Parnas and Igor Fruman (associates of Rudy Giuliani and Trump) receiving more than \$2 million from pro-Kremlin sources.<sup>199</sup> Most of the funds came from the combination of wealthy Russian businessmen (probably Andrey Muraviev and the family of Yandex CFO Greg Abovsky) and Dmytro Firtash.<sup>200</sup> U.S. citizens Parnas and Fruman spent a portion of the Russian money buying access to U.S. politicians and lawyers involved in the effort to acquire information that could damage former Vice President Joe Biden, Trump's leading opponent in the 2020 presidential election.<sup>201</sup>

The second case shows that foreign financial support and cultivation of U.S. politicians is not limited to alleged Russian support or one party. In the 2016 presidential campaign, an advisor to the ruler of the United Arab Emirates (U.A.E.) named George Nader funneled more than \$3.5 million of illegal contributions to Hillary Clinton's campaign.<sup>202</sup> Nader and his U.S.-based conspirators caused political committees supporting Clinton to unwittingly file false FEC reports.<sup>203</sup> The indictment does not charge a violation of the foreign-source ban, but it does allege Nader was using access to Clinton to gain favor with, and potential financial support from, the U.A.E.<sup>204</sup>

197 See Michael Weiss, "Married to the Ukrainian Mob," *Foreign Policy*, March 19, 2014.

198 See Oleg Sukhov, "Viktor Medvedchuk comes back with a vengeance," *Kyiv Post*, April 5, 2019.

199 See *Parnas Filing*, pp. 5-7.

200 See Ben Wieder and Kevin G. Hall, "Pot lawsuit may provide clues to Russian funds in Parnas, Fruman straw donor scheme," McClatchy DC, October 11, 2019; David Corn, "Who's the Secret Russian in the Indictment of Giuliani's Pals? We Found Some Clues," Mother Jones, October 11, 2019; Jo Becker, et al., "Why Giuliani Singled Out 2 Ukrainian Oligarchs to Help Look for Dirt," *The New York Times*, November 25, 2019; Christian Berthelsen, "Giuliani Ally Got \$1 Million From Ukraine Oligarch's Lawyer," Bloomberg, December 17, 2019; Farrell, et al., 2020.

201 See *Parnas-Fruman Indictment*, pp. 5-14; *Trump-Ukraine Report*, pp. 98-103. Parnas and Fruman are Soviet-born U.S. citizens. While they falsely indicated on FEC forms that some of their donations were made in the name of an anonymous Delaware shell company, some of their other donations were made in their own names.

202 See U.S. Department of Justice, "California CEO and Seven Others Charged in Multi-Million Dollar Conduit Campaign Contribution Case," Press Release, December 3, 2019.

203 *Khawaja-Nader Indictment*, pp. 6. The indictment says 73 times that the political committees were "unwitting" in that they were unaware that the donations in the names of straw donors were secretly provided by Nader. The indictment also makes one reference to the understanding by representatives of Clinton that Nader was not a contributor: "Prior to [a fundraising event hosted by Khawaja,] representatives of Candidate I requested that Nader not attend, as he had not contributed anything. Khawaja demanded that Nader be permitted to attend as his guest, [after which Nader] and others invited by Khawaja attended this event." *Khawaja-Nader Indictment*, pp. 19.

204 *Khawaja-Nader Indictment*, pp. 6, 10-14; Kirkpatrick and Vogel, 2019. As detailed in Appendix A, Nader was sending coded WhatsApp messages to his U.S.-based co-conspirators and an Emirati official

Whereas the past experiences of Parnas and Fruman mainly involve failed businesses and unpaid debts, Nader has spent three decades serving as a shadowy go-between for high-level Middle Eastern officials.<sup>205</sup> He also worked with a U.S.-based straw donor named Andy Khawaja who is skilled at connecting unrepentant businesses to the international financial system.<sup>206</sup> As such, this foreign influence operation featured more sophisticated tradecraft. It started with donations worth \$275,000 to gain access to the Clinton campaign before graduating to \$1 million contributions to secure a small private meeting with Bill Clinton and allegedly as many as four meetings with Hillary Clinton.<sup>207</sup> Because Nader's sordid personal history likely precluded him from donating himself, he funneled money (disguised as false invoices for software that was never provided) to California-based straw donors, who in turn attended and hosted events with the candidate, inviting Nader as their "guest."<sup>208</sup> The conspirators evaded contribution limits by distributing money to additional straw donors across four PACs supporting Clinton.<sup>209</sup> It was all discussed either in person or through coded language transmitted over encrypted applications, which never would have been discovered if not for the Mueller investigation.<sup>210</sup>

Immediately after the 2016 election, the Nader operation pivoted toward Trump, with Khawaja giving \$1 million to the inaugural committee through his payment processing company and inviting Nader to attend as his guest.<sup>211</sup> This may be part of a federal investigation into whether people from Middle Eastern countries like Qatar, Saudi Arabia, and the U.A.E. used straw donors to disguise illegal foreign donations to the inaugural committee and a pro-Trump super PAC to buy influence over U.S. policy.<sup>212</sup> Another political consultant admitted to having arranged U.S. straw donors to give money to the Trump inaugural committee on behalf of a Russian and a Ukrainian.<sup>213</sup>

appearing to be U.A.E. ruler Mohammed bin Zayed al-Nahyan (M.B.Z.), from whom Nader was taking instructions while potentially arranging U.A.E. financing.

205 See Rosalind S. Helderman, et al., "*Impeachment inquiry puts new focus on Giuliani's work for prominent figures in Ukraine*," *Washington Post*, October 2, 2019; Max Kutner, "*Who Is George Nader? Mueller Investigating Whether Magazine Editor Helped UAE Buy White House Influence*," *Newsweek*, March 6, 2018.

206 See DOJ, December 2019; Jake Pearson and Jeff Horwitz, "*How a business serving bettors, porn donated to Dems, Trump*," AP News, August 2, 2018.

207 See *Khawaja-Nader Indictment*, pp. 6-20. In March and April 2016, Khawaja contributed at least \$275,000 and brought Nader as his guest to an event for Clinton. On May 6, Nader attended an event at Khawaja's home with an official from the campaign. On June 24, Nader told a U.A.E. official appearing to be ruler M.B.Z. that he was "traveling on Sat morning to catch up with our Big Sister [Hillary Clinton] and her husband: I am seeing him on Sunday and her in Tuesday Sir! Would love to see you tomorrow at your convenience ... for your guidance, instruction and blessing!" Khawaja contributed almost \$1 million of money funneled by Nader in order to host a fundraiser for Hillary Clinton at Khawaja's home on June 26, which featured Bill Clinton and other guests invited by Khawaja. Khawaja told Nader there would also be a June 28 event with Hillary Clinton, while Nader claimed to the official appearing to be M.B.Z. that he met with Hillary Clinton on June 7, June 29, August 23, and October 13, although the indictment does not verify whether these meetings took place. On August 2, Khawaja told Nader he had arranged a two-hour breakfast at his home with only Hillary Clinton, Khawaja's wife, and Nader, but then an hour later Khawaja told Nader "Was too hard to get it set up. Too small of birthday gift [contribution] and the time is worth 5 times more they say," to which Nader replied "I will press the bakery [funder] to prepare me another tray of Baklawa [money] to arrive in time for that event!" *Khawaja-Nader Indictment*, pp. 6-20; Kirkpatrick and Vogel, 2019.

208 See *Khawaja-Nader Indictment*, pp. 6-20; Creede Newton, "*Mueller probe: Who is George Nader, convicted paedophile?*" *Al Jazeera*, April 6, 2018; Rachel Weiner, "*George Nader, key witness in Mueller probe, pleads guilty to child sex charges*," *Washington Post*, January 13, 2020.

209 See *Khawaja-Nader Indictment*, pp. 18.

210 See *Khawaja-Nader Indictment*, pp. 6-20.

211 See *Khawaja-Nader Indictment*, pp. 20; Dan Friedman, "*Who's Really Behind a \$1 Million Donation to Trump's Inauguration?*" Mother Jones, December 5, 2019.

212 See Sharon LaFraniere, et al., "*Trump Inaugural Fund and Super PAC Said to Be Scrutinized for Illegal Foreign Donations*," *The New York Times*, December 13, 2018.

213 Statement of Offense, *United States v. Samuel Patten*, No. 1:18-cr-260 (D.D.C., August 31, 2018), Doc. 7 ("Patten Statement of Offense").

# U.S. Recommendation:

## Make campaigns report to law enforcement any contacts they have reason to believe might be operating as intermediaries to a foreign power aiming to funnel support to the campaign.

On its face, the U.S. foreign-source ban is theoretically quite broad, covering both foreign contributions and complicity on the U.S. side.<sup>214</sup> Nevertheless, straw donor schemes are quite common, often without any evidence that the U.S. campaigns or parties know they are taking foreign money.<sup>215</sup> While this challenge overlaps with the problems of shell companies and in-kind intangibles, it also takes the form of U.S. citizens making financial donations in their own names while they are secretly funded by and taking direction from foreign powers, as potentially demonstrated by the Parnas and Nader cases.

This is a hard problem to solve without infringing upon the essential rights of campaigns and citizens to interact with each other (through donations and communications). But policy reforms are needed, because it is naïve and risky to assume that political campaigns themselves always have the ability and the willingness to identify and reject all covert foreign donations and influence operations.

An aggressive approach might include some form of governmental (e.g. FEC) involvement in donor vetting, which would present a minefield of First Amendment challenges. We leave it to others to analyze whether those constitutional considerations could be navigated, for example by making such services voluntary for campaigns and by gearing them toward helping campaigns identify illegal (and perhaps only foreign) donations. Such a proposal would require significantly more legal work.

## Congress

Instead, we focus on a more moderate approach that has been developed into multiple bills in both chambers of Congress: U.S. election law should be amended to establish a requirement that campaigns report to law enforcement any offers of assistance they receive from foreign powers. This takes a page out of the anti-money laundering playbook, whereby banks must file suspicious activity reports to law enforcement, which analyzes the data systematically for risks that any single bank may be unable or unwilling to see.<sup>216</sup>

<sup>214</sup> U.S. Federal Election Commission, “*Foreign nationals*,” June 23, 2017. For foreign nationals, the foreign-source ban prohibits giving, promising, or even urging an American to spend any kind of money or thing of value to affect an election. On the U.S. side, it covers the knowing acceptance, solicitation, receipt, or substantial assistance of any such contribution. It is also illegal for campaigns to knowingly accept donations made in the name of one person on behalf of the true source of funds (foreign or domestic). Moreover, “knowing” is defined broadly enough to include awareness of facts that would lead a reasonable person to inquire whether the source of the funds is a foreign national.

<sup>215</sup> Attorney General Bill Barr said on December 10, 2019, “We have to remember, in today’s world, presidential campaigns are frequently in contact with foreign persons. Indeed, in most campaigns there are signs of illegal foreign money coming in, and we don’t automatically assume the campaigns are nefarious.” Ken Dilanian, “*Barr thinks FBI may have acted in ‘bad faith’ in probing Trump campaign’s links to Russia*,” NBC, December 10, 2019.

<sup>216</sup> See U.S. Office of the Comptroller of the Currency, “*Suspicious Activity Reports (SAR)*,” April 1, 2013.

The most comprehensive bill mandating campaign contact reports is the *SHIELD Act*, which passed in the House in October 2019 but remains stalled in the Senate.<sup>217</sup> The bill would require all federal campaigns to notify the FEC and FBI (which in turn share the notification with the two Congressional intelligence committees) within a week of any foreign government, party, or agent offering the campaign help in connection with an election.<sup>218</sup>

The version of corresponding legislation that was successfully voted out of committee in June 2020 in the Senate is known as the *FIRE Act*.<sup>219</sup> In order to get some bipartisan support, the *FIRE Act* was watered down in a few notable ways. First, it would only apply to presidential campaigns, not Congressional campaigns.<sup>220</sup> This is problematic because foreign powers have been known to secretly cultivate and support fringe lawmakers (from the Kremlin’s “material support” for and “absolute control” over an AfD parliamentarian to Chinese spies trying to install lawmakers in Australia and New Zealand<sup>221</sup>), and they might also have an interest in election interference that could swing party control over the U.S. Senate. Second, *FIRE* would not apply to super PACs, only candidates and their authorized committees. Both the Parnas–Fruman and Nader–Khawaja operations involved engaging with super PACs just as much as campaigns. Third, *FIRE* would not include *SHIELD*’s requirement to notify Congressional intelligence committees.<sup>222</sup> With that elimination, the path to public awareness of foreign interference in campaigns would depend upon how the information is handled by law enforcement.<sup>223</sup> Finally, *FIRE* would define several terms in more lenient language.<sup>224</sup>

Unfortunately, Senate Republicans insisted on removing the

<sup>217</sup> *SHIELD Act*.

<sup>218</sup> Ibid.

<sup>219</sup> United States Congress, S.2242—*FIRE Act*, introduced July 23, 2019.

<sup>220</sup> Ibid.

<sup>221</sup> See *Gatehouse*, 2019; Rachel Pannett, “*Spooked by China, Australia’s Spies Pursue New Bonds*,” *The Wall Street Journal*, December 2, 2019; Laura Walters, “*Wealthy political donor suggested friend as National candidate*,” Newsroom, November 18, 2018.

<sup>222</sup> *FIRE Act*.

<sup>223</sup> The drafters of the *FIRE Act* were understandably concerned about politicizing notifications by automatically transmitting them to Congress. However, some recent major cases have shown that this is a risk within law enforcement too, from the handling of sensitive information by the FBI’s New York field office in the fall of 2016 to the fact that Trump’s July 2019 call urging the Ukrainian president to investigate his 2020 opponent only came to light through a formal channel to notify Congress. See Garrett M. Graff, “*The Real F.B.I. Election Culprit*,” *The New York Times*, July 13, 2018; Greg Miller, et al., “*How a CIA analyst, alarmed by Trump’s shadow foreign policy, triggered an impeachment inquiry*,” *Washington Post*, November 16, 2019. Moreover, top leadership of U.S. law enforcement has recently become politicized to such a degree that it cannot be counted on as an honest broker to warn the public about election interference. See Alexander Mallin, “*Evidence that antifa, ‘foreign actors’ involved in sowing unrest and violence: AG Barr*,” ABC, June 4, 2020; Warren P. Strobel and Sadie Gurman, “*William Barr Looking Into U.S. Finding That Russia Wanted Trump to Win*,” *The Wall Street Journal*, June 21, 2019; Robert Draper, “*Unwanted Truths: Inside Trump’s Battles With U.S. Intelligence Agencies*,” *The New York Times Magazine*, August 8, 2020. In this unfortunate environment, the safer route may be to err toward automatic Congressional notification, because at least the politicization will facilitate disclosure on both sides.

<sup>224</sup> In addition to the two differences noted above, the *FIRE Act* says the candidate or campaign must “believe” they are in contact with a “a government of a foreign country or an agent thereof,” which is a higher threshold than the *SHIELD Act*, which said the U.S. side “knows, has reason to know, or reasonably believes” it is a “covered foreign national” (which in turn is defined to include not only foreign agents and governments but also foreign political parties as well as any of those foreign entities’ representatives, employees, servants, or anyone else operating under their order, request, direction, control, supervision, financing, or subsidization, as well as any sanctioned person). It could help deter troubling foreign contacts if prosecutors would not have to prove what the candidate or campaign official “believes” and if the law extends to a broad set of possible proxies (from George Nader to Natalia Veselnitskaya to Lev Parnas, none of whom had registered as foreign agents). *FIRE* also removed *SHIELD*’s inclusion of the candidate’s family members, which we think is important given that foreign powers were contacting a spouse and the children of presidential candidates on both sides of the 2016 election. On the other hand, *FIRE* risks being overly broad by removing a key phrase in *SHIELD* about reportable contacts having to be “in connection with an election” (which helps preclude benign diplomatic relations, like conversations with allies about policy or broader political matters that do not relate to the U.S. election).

*FIRE Act* from a broader authorization bill on its way to the Senate floor.<sup>225</sup> Their policy and political reasons for obstructing such a commonsense and vital national security measure have implications for the best path forward. On the substance of the bill, they argue that even this limited version is too broad and criminal statutes are not needed to make campaigns behave responsibly. Politically, they see passage as costly because they think it could be perceived as directed at Trump, given that he and his proxies have solicited foreign government electoral assistance at least five times.<sup>226</sup>

This unfortunately suggests that no meaningful form of campaign contact reporting requirements could pass through the Senate right now. This provides time to improve upon the legislation—in ways that both narrow and broaden it to target the activity catalogued in this report while enhancing its bipartisan appeal—until a political window opens. We would start that next stage of policy development work from a bill like the *SHIELD Act* and propose four adjustments.

First, the only change *FIRE* made to *SHIELD* that we would maintain is removing the exemption for contacts with foreign election observers.<sup>227</sup> Russia tried to send its own election observers to U.S. polling places in 2016, probably either to gain physical access to voting machines or to declare the result fraudulent if Hillary Clinton had won.<sup>228</sup> Their interactions with campaigns should be tracked by law enforcement.

Second, we would clarify a broad scope of U.S. campaign “agents” to cover all manner of intermediaries, including unpaid advisors supposedly traveling in a personal capacity like Carter Page and emissaries purportedly serving as lawyers for the candidate like Rudy Giuliani.<sup>229</sup> One way to do this would be to use language similar to *SHIELD*’s broad definition of proxies on the foreign side of reportable contacts, including “a person any of whose activities are directly or indirectly supervised, directed, controlled, financed, or subsidized” by the principal.<sup>230</sup>

Third, we would further expand the scope of reporting entities (i.e., those who must report foreign offers of assistance) to also cover very large donors, like those who contribute more than \$200,000 in an election cycle. In the 2016 U.S. election, such disclosures may well have helped reveal Khawaja’s ties to Nader and the U.A.E. while also providing transparency around other massive donors apparently associated with sanctioned Russian oligarchs or other foreign powers.<sup>231</sup> This disclosure requirement would help address the challenge of donors who the security

services are worried may be supported by adversarial foreign countries (like the nine Russian donors named in the U.K. report) but for whom the legal evidence and political will has not yet reached the point of kicking them out of the country (like Huang in Australia).

Fourth, and perhaps most significantly, we would narrow the scope of countries for which the broadest part of the bill applies. That is, while offers of contributions (as defined by U.S. election law) should be reportable no matter what country they come from, campaigns should only have to report “information or services to or from, or persistent and repeated contact with” foreign nationals if they are from adversarial countries.<sup>232</sup> We would *not* limit these broader (non-contribution) contacts to instances of campaign “coordination or collaboration with” the offer.<sup>233</sup> But we would limit reportable broader contacts to persons from NATO countries or major non-NATO allies.<sup>234</sup> We recommend this to preserve space for benign foreign relations, such as general and frequent conversations about current events with officials from allied countries that are simply establishing diplomatic ties without any intention of providing electoral assistance. While this adjustment is important for these substantive policy reasons, narrowing the scope of *SHIELD* in this way would also lighten the compliance burden and enhance its bipartisan appeal.

## Department of Justice

As with and in addition to broadening “thing of value,” while lawmaking is the most sweeping and durable action needed, law

<sup>225</sup> See Jeremy Herb, “[Senate strips provision from intelligence bill requiring campaigns to report foreign election help](#),” CNN, June 30, 2020.

<sup>226</sup> See *Mueller Report*, Vol. I, pp. 49, 185–188, 188–191; *Trump–Ukraine Report*, pp. 98–103; *Barrett, et al.*, 2019; *Dawsey*, 2020.

<sup>227</sup> *SHIELD Act*; *FIRE Act*.

<sup>228</sup> See David E. Sanger and Catie Edmondson, “[Russia Targeted Election Systems in All 50 States, Report Finds](#),” *The New York Times*, July 25, 2019; Franklin Foer, “[Putin Is Well on His Way to Stealing the Next Election](#),” *The Atlantic*, June 2020.

<sup>229</sup> See *Mueller Report*, Vol. I, pp. 95–103; Amy MacKinnon, “[How Rudy Giuliani Opened the Door to the Ukraine Impeachment Inquiry](#),” *Foreign Policy*, November 22, 2019; *Trump–Ukraine Report*, pp. 51–54; David Ignatius, “[In Ukraine, the quid pro quo may have started long before the phone call](#),” *Washington Post*, October 31, 2019.

<sup>230</sup> *SHIELD Act*.

<sup>231</sup> Casey Michel, “[U.S. Politicians Can’t Stop Taking Len Blavatnik’s Money](#),” *Bellingcat*, October 21, 2019. John Santucci, et al., “[EXCLUSIVE: Special counsel probing donations with foreign connections to Trump inauguration](#),” ABC News, May 11, 2018.

enforcement also needs clearer and stronger guidelines about when and how to investigate, notify, and prosecute campaigns. To a large degree, the FBI had to make it up as they went along in 2016, operating on (and in some cases deviating from) very general standards that did not clearly apply to the known facts on either side of the presidential campaign.<sup>235</sup>

This is part of a reform area that could potentially extend beyond foreign interaction with political campaigns, and thus the scope of this paper. As such, we will only point to two very different approaches.

First is strict control by DOJ leadership. In February 2020, Attorney General Bill Barr issued an order requiring his written approval before opening any federal investigation into a presidential candidate or their senior staff.<sup>236</sup> The order also requires the FBI and all other components of U.S. law enforcement to notify and consult with DOJ leaders before investigating lawmakers or opening inquiries into “illegal contributions, donations or expenditures by foreign nationals to a presidential or congressional campaign.”<sup>237</sup>

Second is a more balanced system of guidance, such as a proposal currently being developed by the bipartisan duo Bob Bauer and Jack Goldsmith. Their forthcoming book called *After Trump* will include a chapter rethinking the process and standards for opening and conducting investigations against politicians and campaigns.<sup>238</sup> The authors will also endorse statutory reforms to broaden “thing of value” and mandate campaign reporting of foreign offers of assistance.<sup>239</sup> Law enforcement also needs clearer guidance around public notifications relating to foreign interactions with campaigns, as will be discussed more broadly (in the context of any foreign interference operations) in the chapter on enforcement and coordination.

## Federal Election Commission

In the absence of legislation to make campaigns report offers of assistance from foreign powers, the FEC should adopt a rule

like the one proposed by a petition in July 2019.<sup>240</sup> That proposal would force campaigns to notify the FEC within three days of being offered valuable information from a foreign national.<sup>241</sup> As written, it would define “valuable information” in broader terms than we would prefer (as discussed above with respect to the *SHIELD Act*).<sup>242</sup> But what we really like about this proposed approach is its procedural requirements that the FEC would have to (without taking a vote) start investigating the foreign contact and share the information with the FBI right away and with the public within 14 days.<sup>243</sup>

While these issues involve complexities in lawmaking, enforcement, regulation, and compliance burdens for campaigns, they are vital to preventing foreign adversaries from interfering in U.S. political campaigns.

<sup>240</sup> *Rulemaking Petition: Amending the Definition of Contribution to Include “Valuable Information,”* 84 Fed. Reg. 37,154 (July 31, 2019).

<sup>241</sup> Ibid.

<sup>242</sup> See 84 Fed. Reg. 37,154 (July 31, 2019); *Noti/Gyory Correspondence*. Critics of this petition argue that the FEC likely does not have the authority to enact such reporting procedures and is not equipped to investigate those foreign contacts, so such proposals should instead be enacted legislatively with the *SHIELD Act*. We agree that legislation would be a more robust route, but in the meantime we think the FEC should err toward taking action and building its capacity to play a stronger role in the investigation and reporting of foreign contacts.

<sup>243</sup> See 84 Fed. Reg. 37,154 (July 31, 2019).

<sup>235</sup> See Preet Bharara, host, “*Targeted Killings: Suleimani & Hoffa (with Jack Goldsmith)*,” Stay Tuned with Preet (podcast), January 9, 2020.

<sup>236</sup> See Katie Benner, “*Investigations Into 2020 Candidates Must Be Cleared by Top Justice Dept. Officials*,” *The New York Times*, February 5, 2020; Attorney General William Barr to All United States Attorneys, Department Component Heads, and Law Enforcement Agency Heads, February 5, 2020, United States Department of Justice, “*Additional Requirements for the Opening of Certain Sensitive Investigations*” (“Barr Memorandum”).

<sup>237</sup> *Barr Memorandum*.

<sup>238</sup> See Stanford Law School, “*After Trump: An Agenda for Reform*,” YouTube video, 1:04:31, January 17, 2020; *Bharara-Goldsmith*, 2020; Cass R. Sunstein, “*Imagine That Donald Trump Has Almost No Control Over Justice*,” *The New York Times*, February 20, 2020. A tricky and controversial question at the core of this debate—which again, involves but extends beyond foreign interference in campaigns—is how high the threshold should be to open and conduct politically sensitive investigations, as well as the extent to which control and accountability should fall to political appointees. On one extreme is the fundamentalist belief in unitary executive theory, represented by Barr. On the other end of the spectrum is Harvard professor Cass Sunstein, who recently revived a post-Watergate proposal that Congress should transform the DOJ to a fully independent agency (legally immunized from the president’s day-to-day control, like the Federal Reserve, FCC, and FEC). Bauer and Goldsmith recognize risks in both directions. Guidance and control that is too strict could chill the willingness of FBI agents to investigate risks or—even worse—could become a tool for political appointees to stop investigations into their own side. But too loose of an ability to investigate could also be used for political ends, as occurred under the FBI of J. Edgar Hoover. Goldsmith suggests that accountability and control could be split between political appointees and senior career officials, as well as reporting to Congress.

<sup>239</sup> See *Stanford Law School*, 2020.

# 3. Companies with Foreign Funders

Corporate avenues for malign finance are split in two forms: (1) shell companies, which do not have real business activities but are instead vehicles for financial maneuvering, and (2) domestic subsidiaries of foreign parent companies, which may involve real businesses but can also be used to funnel foreign money into politics.

The latter group (domestic subsidiaries of foreign parents) arguably gets more attention than any other policy area from campaign finance advocates focused on foreign influence. But importantly and conversely, whereas we identify eight cases of foreign interference through shell companies, we only find two major instances of foreign parent companies funneling political contributions through domestic subsidiaries and neither of those two meets our definition of malign finance.

## Anglo-American shell companies

Like the legal presence and political rights that come with citizenship, free and open economies offer a broad attack surface and toolkit that have been exploited by foreign powers.

Corporate vulnerabilities are particularly pervasive in the market-based economies of the United States, the United Kingdom, and British overseas territories (as opposed to the relationship-based and institution-dominated banking systems in continental Europe and Asia).<sup>244</sup> Kleptocrats like to hide their money in Anglo-American financial systems because they offer strong property rights and the rule of law, anonymous shell companies, and deep asset markets (especially London, New York, and Miami).<sup>245</sup>

After authoritarian money reaches the British and U.S. financial systems, two policy weaknesses allow it to be weaponized into covert political donations: (1) the right to incorporate anonymous shell companies, and (2) the ability to lie to campaign finance regulators about where the money comes from. Let us address each issue in turn.

The good news is that Britain and America are both moving in the direction of requiring companies to disclose the identities of their “beneficial owners” (i.e., the people who ultimately control the firm or enjoy its economic benefits).

In 2016 the United Kingdom made its corporate ownership registry publicly available.<sup>246</sup> Implementation came with some major kinks, such as exemptions for Scottish limited partnerships and the ability to just name another company as the owner (rather

than the humans who control it, creating chains of ownership that could end anonymously with a non-British company), although the country has worked to address those issues.<sup>247</sup> The latest loophole to emerge is companies being granted anonymity when their lawyers convince Companies House behind closed doors that their beneficial owners could be at risk of “serious violence or intimidation.”<sup>248</sup> This exemption has been justifiably granted to firms working in private security, animal testing, and psychopathy.<sup>249</sup> But it has also been used to hide the beneficial owner of Aquind Ltd, a company that seeks approval to build a sensitive electrical connector from Britain to France, is run by former executives of major Kremlin-connected companies in Moscow, and has given £242,000 to the Conservative Party since 2018.<sup>250</sup> Luxembourg public records related to Aquind’s holding company revealed that the beneficial owner is a secretive Russian-born tycoon named Viktor Fedotov, who U.K. security and law enforcement agencies say is not genuinely at risk of violence or intimidation.<sup>251</sup>

Beyond exempted entities, the British beneficial ownership disclosure system has two other significant problems. One is the lack of data verification, so whoever sets up the company can just make up fake information (leading to names such as “Mr XXXX XXX,” some 4,000 companies supposedly owned by babies, and individuals named as owners of more than 6,000 companies).<sup>252</sup> Two is that offshore centers spanning the former British empire do not yet have public beneficial ownership registries, making them the most extensive “spider’s web” of financial secrecy in the world.<sup>253</sup> The British government has been pushing these overseas territories and crown dependencies to deliver public registries by the end of 2023 and more than half of them committed to that timetable (starting with Gibraltar in May 2018, joined by Jersey, Guernsey, and the Isle of Man in June 2019, and followed by the Cayman Islands in October 2019).<sup>254</sup> But nearly half are resisting reform, led by the single most popular jurisdiction for corporate registration: the British Virgin Islands.<sup>255</sup>

The United States will be the last large country to outlaw anonymous shell companies.<sup>256</sup> But here too the momentum is encouraging, with a bipartisan group of senators having negoti-

<sup>247</sup> See Nienke Palstra, “*Three Ways the UK’s Register of the Real Owners of Companies Is Already Proving Its Worth*,” Global Witness, July 24, 2018.

<sup>248</sup> See Caroline Wheeler, et al., “*Kremlin ‘meddled in vote on Scottish independence’*” *The Times*, July 19, 2020.

<sup>249</sup> See Emanuele Midolo, et al., “*Revealed: Viktor Fedotov is tycoon behind Aquind energy project*,” *The Times*, August 5, 2020.

<sup>250</sup> See Wheeler, 2020; Harper and Wheeler, 2019; John Sweeney, “*From Russia With Leave: The Curious Case of John Whittingdale*,” Byline Times, July 24, 2020; U.K. Companies House, Notice of Individual Person with Significant Control, *Aquind Limited*, Company No. 06681477, filed February 18, 2020.

<sup>251</sup> See Midolo, et al., 2020.

<sup>252</sup> See Oliver Bullough, “*How Britain can help you get away with stealing millions: a five-step guide*,” *The Guardian*, July 5, 2019. Verification is particularly challenging with Limited Liability Partnerships because they are not taxable so there is no record to check against. See *Belton*, pp. 417.

<sup>253</sup> See Tax Justice Network, “*Financial Secrecy Index*,” February 18, 2020; Pages 4-5: Tax Justice Network, *Narrative Report on the United Kingdom*, London, 2020, pp. 4-5.

<sup>254</sup> See Federico Mor, “*Registers of beneficial ownership*,” House of Commons Library, August 7, 2019; Ben Cowdock, “*Resist Or Reform? Assessing Progress Towards Corporate Transparency In The UK’s Overseas Territories And Crown Dependencies*,” Transparency International U.K., December 12, 2019.

<sup>255</sup> See Cowdock, 2019.

<sup>256</sup> See Tax Justice Network, 2020; Tax Justice Network, *Narrative Report on the United States of America*, London, 2020, pp. 5-7.

<sup>244</sup> There are other important secrecy havens that offer anonymous shell companies, such as Cyprus and Malta, but like the British overseas territories they tend to lack market depth (i.e., the ability to park large amounts of money without significantly shifting prices). As such, anonymous shell companies based in these smaller jurisdictions often serve as laundering waypoints for dirty money moving from origins in Russia toward ultimate destinations in high-end real estate markets in the United States and the United Kingdom. See Anders Åslund, *How the United States Can Combat Russia’s Kleptocracy*, Washington: Atlantic Council, July 2018.

<sup>245</sup> See Åslund, 2018.

<sup>246</sup> See Open Ownership, *Learning the lessons from the UK’s public beneficial ownership register*, London, October 2017.

ated the *AML Act*, which would require firms to disclose to law enforcement the identities of their beneficial owners during the incorporation process.<sup>257</sup>

The bad news is that progress is not being made on addressing the second part of the problem: Campaign finance regulators do not investigate anonymous corporate political contributions to verify that the company named as the donor is the true source of funds.<sup>258</sup>

British law technically prohibits contributions from shell companies by defining “permissible donors” to include companies only if they “carry on business” in the United Kingdom and are incorporated within the European Union.<sup>259</sup> But in practice, the law is easy to evade. Even in cases of complaints or concerns raised by civil society or MPs, the Electoral Commission relies on assurances from the recipients, essentially allowing them (i.e., political parties) to self-certify that they have taken reasonable steps to identify the beneficial owner and confirm that the company making the donation is a real business.<sup>260</sup>

This is how Dmytro Firtash has apparently been able to funnel millions of pounds to a handful of Conservative MPs.<sup>261</sup> The donations have been made by a series of corporate entities owned or controlled by one of his closest associates, Robert Shetler-Jones.<sup>262</sup> For example, Shetler-Jones owns Scythian Ltd., which derives the majority of its income from management services provided to Firtash and his companies.<sup>263</sup> Scythian was long listed as “dormant” by Companies House and the Electoral Commission relies on the Conservative Party’s assurances that the company now carries on business.<sup>264</sup> Other political donations have come from Cyprus and British Virgin Islands entities similarly owned or controlled by Shetler-Jones, who claims the donations are his personal choice and not made on behalf of Firtash.<sup>265</sup>

Firtash is also one of the benefactors of the U.S. lawyers and operatives who tried to dig up compromising material on President Donald Trump’s leading 2020 political opponent.<sup>266</sup> The Americans, Lev Parnas and Igor Fruman, also falsely claimed that

some of their political donations came from a Delaware shell company called Global Energy Producers LLC (GEP).<sup>267</sup> It turns out that the perpetrators incorporated GEP five weeks before the contributions, the company had “no income or significant assets,” and the money in question never even passed through GEP accounts.<sup>268</sup>

GEP fit the pattern that U.S. civil society sleuths search for in public records to spot cases of malign finance: political newcomers with deep foreign connections (reported in news articles) suddenly making big donations (disclosed in FEC filings) and showing up at exclusive events (posted on social media), often obscuring their identity in public filings by pretending the donor is an LLC (which has no website or evidence of business activity, just a recent anonymous incorporation record).<sup>269</sup>

The FEC is not responsible for actively looking for malign finance, just responding to complaints filed by watchdogs. Even then, partisan gridlock typically prevents major FEC investigations and enforcement actions, even when they have a quorum (as will be discussed in the chapter on enforcement).<sup>270</sup> As such, the Parnas and Fruman case probably would not have been uncovered if it had not been noticed by Lachlan Markay at *The Daily Beast* and the Campaign Legal Center had not filed a complaint with the FEC laying out the evidence to suggest that GEP was a front company.<sup>271</sup> It is unclear what, if anything, the FEC did with the complaint, although the allegations were echoed in a DOJ indictment of Parnas and Fruman.<sup>272</sup>

If the story ended there, with criminal charges for lying to the FEC, using straw donors, and spending foreign money in U.S. elections, all in an effort to buy access to U.S. politicians, it might not have met our standard for inclusion as a case of malign finance. What matters is what they did with the access after they bought it. If it was solely to advance their marijuana and natural gas ventures, that would have been pure corruption and not malign interference meant to weaken the United States.<sup>273</sup> But it turns out they were also secretly working for Russians and Ukrainians trying to help Trump acquire harmful information

<sup>257</sup> See Josh Rudolph, “*The One Place Congress Works*,” *The American Interest*, October 2, 2019; *AML Act*.

<sup>258</sup> See Ilya Marritz and Matt Collette, “*Reporting Recipe: How to Identify Suspicious Campaign Finance Records*,” ProPublica, February 4, 2020.

<sup>259</sup> Political Parties, Elections and Referendums Act 2000, c. 2, § 54.

<sup>260</sup> See U.K. Parliamentary and Health Service Ombudsman, *A report by the Parliamentary Ombudsman on an investigation into a complaint about the Electoral Commission*, London: House of Commons, July 17, 2014.

<sup>261</sup> See *Faucon and Marson*, 2014; *Leshchenko*, 2015; *Belton*, pp. 7.

<sup>262</sup> See *Faucon and Marson*, 2014; *Leshchenko*, 2015; David Leigh and Solomon Hughes, “*Oligarch’s adviser funds Tory*,” *The Guardian*, October 25, 2008; Ian Burrell, “*Tory MP challenged on cash received from associate of Ukrainian tycoon Dmitry Firtash*,” *The Independent*, March 18, 2014; *Belton*, pp. 7.

<sup>263</sup> See *Faucon and Marson*, 2014.

<sup>264</sup> See *Leigh and Hughes*, 2008; HC Deb 27 March 2014, vol. 578, col. 459-460.

<sup>265</sup> See *Faucon and Marson*, 2014.

<sup>266</sup> See *Parnas Filing*, pp. 5-7; *Berthelsen*, 2019; *Becker, et al.*, 2019. Firtash paid Parnas \$200,000 between August and October of 2019 (purportedly for translation services, as part of the legal team that included Victoria Toensing and Joseph diGenova) and another \$1 million in September 2019 (for unknown purposes). There are many unanswered questions related to this scheme, such as what Firtash got in exchange for his payments, why the \$1 million September transfer flowed via a separate opaque channel (a Russian bank account controlled by Firtash’s Swiss lawyer, as opposed to the \$200,000 from the Toensing-diGenova law firm), why Parnas seemingly tried to conceal the \$1 million (both by failing to disclose its existence to SDNY and by pretending it was a loan repayment to his wife), and what Parnas did (or planned or promised to do) beyond translating in exchange for Firtash’s money (e.g., was it hush money).

<sup>267</sup> See *Parnas–Fruman Indictment*, pp. 5-10; Paul Sonne, et al., “*Lev is talking. So where is Igor?*” *Washington Post*, January 21, 2020; Rosalind S. Helderman, et al., “*How two Soviet-born emigres made it into elite Trump circles — and the center of the impeachment storm*,” *Washington Post*, October 12, 2019; Complaint before the Federal Election Commission, *Campaign Legal Center et al. v. Global Energy Producers, LLC, et al.*, July 25, 2018 (“*Campaign Legal Center Complaint*”); Ben Wieder, “*With Parnas, Fruman pot plan up in smoke, Russian money man turned to California*,” McClatchy DC, March 13, 2020; *Corn*, 2019. The donations were made before Parnas and Fruman are known to have connected with Firtash. The true source of funds was “a private lending transaction between Fruman and third parties” (\$3 million reverse mortgage Florida records show Fruman to have taken out against one of his Miami properties, which was financed by the parents of Yandex CEO Greg Abrovsky and then laundered through multiple bank accounts) and “Foreign National-1” (who “is a foreign national Russian citizen and businessman who, at all relevant times, was not a citizen or lawful permanent resident of the United States,” and who also funded a marijuana startup that never came to fruition, leading some investigative journalists to believe it is Andrey Muraviev). Separately, Parnas and Fruman apparently intended to involve GEP in their plans to ship American natural gas to Ukraine through Poland, which also never came to fruition and would have required cooperation from Naftogaz (and may have been one of the reasons why they were advocating for the removal of Ambassador Marie Yovanovitch).

<sup>268</sup> See Ilya Marritz, “*How Parnas and Fruman’s Dodgy Donation Was Uncovered by Two People Using Google Translate*,” ProPublica, February 5, 2020; *Marritz and Collette*, 2020.

<sup>269</sup> See Daniel I. Weiner, *Fixing the FEC: An Agenda for Reform*, New York: Brennan Center for Justice, April 30, 2019, pp. 3-4.

<sup>270</sup> See *Campaign Legal Center Complaint*; Lachlan Markey, “*Daily Beast Paydirt*,” *The Daily Beast*, July 19, 2018.

<sup>271</sup> See *Marritz*, 2020.

<sup>272</sup> Parnas and Fruman are Soviet-born U.S. citizens. While they falsely indicated on FEC forms that some of their donations were made in the name of an anonymous Delaware shell company, some of their other donations were made in their own names. See *Parnas–Fruman Indictment*, pp. 5-14; *Trump-Ukraine Report*, pp. 98-103.

on his leading 2020 political opponent, Joe Biden, including an in-kind “favor” from the Ukrainian government.<sup>274</sup>

Included in Appendix A are additional cases of shell companies being used for malign electoral interference, such as the opaque entity with foreign ties that funded a Northern Irish political party’s pro-Brexit ad in London two days before the 2016 referendum, a top donor to Latvia’s pro-Russian political party that received funds from the Magnitsky and Azerbaijani laundromats through Danske Bank, the Cypriot offshoot of VEB that sent €2 million through a Swiss bank account to a National Front fundraising association in 2014, and the Bahamas-based shell company allegedly used to funnel money from Moscow to Moldova’s ruling pro-Russian Socialist Party.<sup>275</sup>

We also came across many other cases of anonymous shell companies being used to funnel foreign money into U.S. elections. LLCs incorporated in Delaware were used as conduits for Chinese nationals to donate to politicians in 2016 as part of a visa-for-sale scheme.<sup>276</sup> Malaysian financier Jho Low used shell companies and straw donors to conceal (from the candidate, the campaign, the government, and the public) contributions exceeding \$1 million to then-U.S. President Barack Obama’s 2012 campaign.<sup>277</sup> Low also negotiated to pay tens of millions of dollars to a law firm that employs the wife of Elliott Broidy, a fundraiser and close associate of Trump.<sup>278</sup> All these payments were reportedly meant to get the DOJ to drop its 1MDB probe or ultimately to buy a presidential pardon.<sup>279</sup> It is a notorious case of international corruption, but as with the cases of domestic subsidiaries covered in the next section, in our view it is not foreign interference meant to harm the country (as discussed when presenting our definition in the methodology chapter).

## Domestic subsidiaries of foreign parents

If you do a Google search on foreign financial influence in U.S. elections, essentially every single think tank report, academic paper, news article, or reform proposal will focus on the possibility of foreign parent companies funneling political donations through their U.S. subsidiaries.<sup>280</sup> While foreign nationals are not allowed to fund or direct U.S. contributions, money is often fungible between foreign and domestic operations and directives from abroad as to how the U.S. subsidiary should make political donations are usually difficult to prove or not explicitly

communicated.

While this concern is not without merit, in our view it is the most overstated issue in the realm of malign finance. In all our empirical surveying, we found only a couple cases of this loophole being exploited by corrupt foreign interests and no proof that it has ever been driven by malign political objectives.

### **“ Political activity by domestic subsidiaries of foreign parents is the most overstated issue in the realm of malign finance.**

The reason why this risk receives so much focus may be its salient origin story. In January 2010, a week after the five conservative justices on the U.S. Supreme Court ruled in *Citizens United* that U.S. companies (including subsidiaries of foreign parent companies) may donate unlimited amounts to super PACs, then-U.S. President Obama criticized the decision in his State of the Union address. Obama warned that it would “open the floodgates for special interests—including foreign corporations—to spend without limit in our elections,” prompting a visibly annoyed Justice Samuel Alito to apparently retort “not true.”<sup>281</sup>

With the exchange developing into a controversy the next day, a senior Obama administration official doubled down and clarified that the issue was U.S. subsidiaries: “There is a loophole that we need to address and are working with Congress to address. There are U.S. subsidiaries of foreign-controlled corporations that could influence our elections because of this ruling.”<sup>282</sup> This issue had been raised in the liberal dissent to *Citizens United*.<sup>283</sup> Within five months, the Democratic-controlled House had passed (and Republicans would filibuster in the Senate) a bill to rein in *Citizens United*.<sup>284</sup> While only one of its 19 provisions involved foreign-controlled domestic corporations, it was primarily marketed as a way to “prohibit foreign influence in Federal elections.”<sup>285</sup>

The latest iteration of this proposal involves prohibiting U.S. companies with more than a certain portion of foreign ownership from spending in U.S. elections. Such thresholds were included in the original version of H.R. 1 introduced by House Democrats in January 2019, barring donations by U.S. companies that are owned at least 5 percent by a foreign government, 20 percent by any given foreign person, or 50 percent by a combination of foreign persons.<sup>286</sup> Liberal advocates propose even lower thresholds of 1 to 5 percent, which would block all political spending by roughly 98 percent of the largest 500 U.S. companies.<sup>287</sup> The top Democrat at the FEC advocates for this as the

274 See *Trump-Ukraine Report*, pp. 98-103; *Helderman, et al.*, October 12, 2019.

275 See Pamela Duncan et al., “DUP spent £282,000 on Brexit ad that did not run in Northern Ireland,” *The Guardian*, February 24, 2017; Inga Springé and Karina Shetrofsky, “*Mega-donor to pro-Russian party benefits from Magnitsky and Azerbaijani laundromats*,” Re:Baltica and the OCCRP, March 20, 2019; Shekhovtsov, pp. 196; *Arfi, et al.*, 2014; Iurie Sanduta, “*Russian-Linked Offshore Helps Fund Socialist Campaigns*,” RISE Moldova, September 28, 2016.

276 See Mark Shonkwiler to Mark E. Elias, “RE: MUR 7081, Rep. Patrick E. Murphy,” MUR 7081, Federal Election Commission, September 25, 2017.

277 See U.S. Department of Justice, “*Entertainer/Businessman and Malaysian Financier Indicted for Conspiring to Make and Conceal Foreign and Conduit Contributions During 2012 U.S. Presidential Election*,” Press Release, May 10, 2019.

278 See Tom Wright and Bradley Hope, *Billion Dollar Whale: The Man Who Fooled Wall Street, Hollywood, and the World*, New York: Hachette, 2018, pp. 372. Jho Low’s diversion of \$4.5 billion from 1MDB was notable for not having any viable end game to recover and return the money, a bit like a Ponzi scheme. Instead, he likely wanted to buy influence in Washington, D.C., to avoid legal accountability. One of his personal heroes is Marc Rich, the indicted fugitive trader who was pardoned on President Bill Clinton’s last day in office after making large donations to the Democratic Party and the Clinton library (as well as to other officials who lobbied Clinton on his behalf).

279 See *Wright and Hope*, pp. 372.

280 Google search for “*foreign financial influence in U.S. elections*,” executed on June 15, 2020.

281 See *Press Secretary*, 2010; Martin Kady, “*Justice Alito mouths ‘not true’*,” Politico, January 27, 2010.

282 See Andy Barr and Mike Allen, “*White House to Alito: Is too*,” Politico, January 28, 2010.

283 Justice Stevens’ dissent warned that the decision “would appear to afford the same protection to multinational corporations controlled by foreigners as to individual Americans.” *Citizens United v. Federal Election Commission*, 558 U.S. 310 (2010).

284 See Michael Beckel, “*Republicans Thwart New Campaign Finance Disclosure Rules As DISCLOSE Act Fails Procedural Vote in Senate*,” Center for Responsive Politics, July 27, 2010.

285 United States Congress, H.R.5175 - *DISCLOSE Act*, introduced April 29, 2010.

286 United States Congress, H.R.1 - *For the People Act of 2019*, introduced January 3, 2019.

287 See Michael Sozan, “*Ending Foreign-Influenced Corporate Spending in U.S. Elections*,” Center for

best way to “take on *Citizens United*.<sup>288</sup>

These thresholds were removed in the version of *H.R. 1* that passed the full House in March 2019.<sup>289</sup> The concern was that it would curtail the speech rights of companies that employ thousands of U.S. citizens and are commonly considered “American” companies. A prime example is Anheuser-Busch, which was founded in St. Louis in 1852, continues to operate all 12 of its breweries in the United States, but for the past decade has been a wholly owned subsidiary of Belgian company InBev.<sup>290</sup>

In our view, we must build resilience to foreign interference through bipartisan reforms that limit the extent to which we sacrifice the democratic freedoms exploited by our adversaries, including the speech rights of Americans organized through corporations (as determined by the Supreme Court).

Our sense that the risk of foreign-owned subsidiaries is overstated is also informed by our survey of possible cases of malign finance.

If it is often challenging to disentangle “private” versus “patriotic” motives when analyzing shell companies, it is even harder in cases of real international companies whose owners are often politically connected and whose private business interests can be advanced with corrupt donations.<sup>291</sup>

We dug into two major instances of political donations by domestic subsidiaries owned by Chinese billionaires. We do not consider either to be malign financial interference, because we cannot find evidence of Beijing using these operations to weaken target societies. They look more like international corruption.

First is the example of “foreign influence” most frequently cited by critics of *Citizens United*. It involves Gordon Tang and Huaidan Chen, a billionaire and his wife who are Chinese nationals living in Singapore as permanent residents.<sup>292</sup> They own a Chinese parent company, which in turn owns a U.S.-based real estate investment firm that donated \$1.3 million in 2015 to a super PAC supporting Jeb Bush.<sup>293</sup> The Chinese owners participated in the decision to donate and were assisted by U.S. lawyers and family members (of both the Chens and the Bushes), which led to a rare enforcement action by the FEC, which levied fines against both the Chinese donors and the recipient PAC supporting Jeb Bush.<sup>294</sup>

But that is not evidence of the Chinese government sending operatives on a mission to harm the United States. Two additional

factual circumstances make it look more like private corruption.

The first complication involves motive. Tang and Chen have given money to many other U.S. politicians in a pattern that looks a lot more like buying influence with executives whose support could help advance the interests of their real estate empire.<sup>295</sup>

The other issue is attribution to Beijing. Our Chinese-language search did not find evidence that Tang is in the good graces of the Chinese government and it is even possible that the opposite could be true.<sup>296</sup>

The second case is arguably a closer call as to whether it constitutes foreign interference, because the donor’s ties to the Chinese government are clear. Inner Mongolia Rider Horse Industry is a company that owns China’s largest horse farm.<sup>297</sup> The firm is owned partly by Chinese billionaire Lin Lang and partly by the Inner Mongolian regional government in China, while also enjoying the backing of China’s biggest state-owned financial conglomerate, Citic Securities.<sup>298</sup> In New Zealand’s 2017 electoral cycle, the National Party’s largest donation was \$150,000 from the New Zealand-based subsidiary of Inner Mongolia Rider Horse Industry, which was legal because New Zealand has the same domestic subsidiary loophole as the United States.<sup>299</sup> This has caused controversy, with the Prime Minister calling it “outside the spirit of the law.”<sup>300</sup> Some argue that this is foreign interference because Citic was set up under United Front auspices and the New Zealand MP who brought in the donation refers to China’s concentration camps for Muslim minorities in Xinjiang as “vocational training centers” (the term preferred by the Chinese government).<sup>301</sup>

In our view, these are important red flags but not enough to prove

<sup>295</sup> This includes their executives donating to the mayor of San Francisco and the Chens paying for and supporting the mayor’s visits to China, where he worked to deepen real estate investment relations. *Fang et al.*, 2016. The U.S. real estate subsidiary also donated to the governor of Oregon, the mayor of Portland, and other politicians in that state, which is where the company was incorporated and secured its biggest early investments. Peter D’Auria, “*A Chinese-Owned Company Donated Thousands of Dollars to Oregon Candidates. Was That Illegal?*” Willamette Week, August 30, 2016. Chen also helped then-U.S. Ambassador to China, Gary Locke, by buying his Maryland home in 2013 while he was still in office and struggling to sell it. Lee Fang and Jon Schwartz, “*A Desperate Seller*,” The Intercept, August 3, 2016. Three months after the sale, Locke invited Chen’s brother (who runs the U.S. subsidiary) to discuss investment opportunities and local barriers faced by the firm at an exclusive meeting at the ambassador’s residence attended by much bigger companies from China and the United States. Fang and Schwartz, “*Desperate*,” 2016. Chen also acknowledged that connections to prominent U.S. politicians, from Locke to the Bushes, benefit those involved with the company by bolstering their stature in Asia, where the family’s broader business empire is based. Fang and Schwartz, “*Citizens United*,” 2016.

<sup>296</sup> Tang is not known to have returned to China since the early 2000s, when he was reportedly accused by the Chinese government of leading a smuggling ring and evading customs fees, leading to a prison sentence that was later suspended. Xinhua, “[广东汕头多名走私犯偷逃数亿税款获缓刑 [Guǎngdōng shāntóu dù mǐng zōusī yáofàn tōu shǔ yí shuikuán huò huànxíng],” May 15, 2010. When a reporter from The Intercept asked Tang about the allegations, he offered her a \$200,000 bribe if she promised not to publish anything about it. The Intercept, “*Chinese Businessman Offers Intercept Reporter “200,000 Dollars” Not to Mention Rumors About His Past*,” 2016.

<sup>297</sup> See Jennifer Wells, “*Racing Ahead: Lin Lang’s Rider Horse Group Is Boosting the Kiwi Equine Industry*,” Forbes, December 12, 2018.

<sup>298</sup> See Land Information New Zealand, “*Inner Mongolia Rider Horse Industry (NZ) Limited*,” Case 20190034, December 19, 2019; *Between the Lines: “Malaysia’s Game of Thrones, and three new cases of political interference in New Zealand,”* produced by Tom Switzer, aired March 5, 2020, on ABC Radio National, at 1:00pm, 20:30; *Brady*, pp. 29; *Wells*, 2018. Citic is sponsoring Lang’s bid to expand China’s racing industry by importing roughly 1,500 horses from New Zealand.

<sup>299</sup> See Laura Walters, “*National Party received three times more money in donations than Labour in 2017*,” Stuff, May 6, 2018; Andrew Geddis, “*Safeguarding democracy: Gap in foreign donations’ regulations*,” Radio New Zealand, August 28, 2019.

<sup>300</sup> See Thomas Coughlan, “*Jacinda Ardern said National donations ‘outside the spirit of the law’*,” Stuff, August 27, 2019.

<sup>301</sup> See *Brady*, pp. 29; Micky Savage, “*McClay accused of supporting China’s mass detention of Muslims*,” The Standard, January 17, 2020. Anne-Marie Brady highlights this as an example of foreign interference. Anne-Marie Brady, *Twitter post*, March 7, 2020, 2:57 AM. Brady points to the MP’s reference to “vocational training centers” as evidence of “donations leading to an outcome,” even though two years had passed. *Switzer*, 20:30. Freedom House also notes that the MP attended a December 2017 dialogue in Beijing organized by the International Liaison Department of the Chinese Communist Party. Sarah Repucci, “*Media Freedom: A Downward Spiral*,” Freedom House, 2019.

American Progress, November 21, 2019.

288 Ellen L. Weintraub, “*Seattle Takes On Citizens United*,” The New York Times, January 4, 2020.

289 *H.R.1 (Passed)*.

290 See Eric Wang, *Analysis of H.R. 1 (Part One): “For the People Act” Replete with Provisions for the Politicians*, Washington: Institute for Free Speech, January 2019; Anheuser-Busch, “*For the Love of Lager: The History of Anheuser-Busch*,” December 14, 2016; Anheuser-Busch, “*North American Leadership*,” accessed on June 12, 2020.

291 See Lee Fang and Jon Schwartz, “*The Citizens United Playbook*,” The Intercept, August 3, 2016.

292 See Lee Fang, et al., “*Power Couple*,” The Intercept, August 3, 2016.

293 Ibid.

294 See Fang and Schwartz, “*Citizens United*,” 2016; Conciliation Agreement before the Federal Election Commission, *In the matter of American Pacific International Capital, Inc., et al.*, MUR 7122, December 18, 2018.

that Lang's objectives extended beyond his commercial interests. The meeting between Lang and the New Zealand MP turned out to cover the horse-breeding industry, live race broadcasting, impediments to doing business with New Zealand, and the fact that Lang's company had opened a branch office in Auckland.<sup>302</sup> Moreover, Citic has one of the largest pools of foreign assets in the world and all its thousands of investment recipients should not be automatically associated with United Front work.<sup>303</sup>

Other naïve or potentially influenced politicians have similarly parroted Chinese narratives. Former German Chancellor Gerhard Schröder, makes money connecting German companies with Chinese officials and dismissed the mass detention of Uighurs in Xinjiang as “gossip.”<sup>304</sup> But as discussed in the previous chapter (and which also goes for affiliated companies and business relationships), accusing elected leaders of being in league with hostile foreign powers should require proof that has been ideally substantiated in a court of law or at least flagged as alarming by intelligence or security officials.

The domestic subsidiary loophole does seem to be a favorite of Chinese billionaires. There are other cases as well, like the committee opposed to a local Beverly Hills ballot measure (that would have allowed a Hilton Hotel to be built across the street from a hotel owned by the richest man in Asia, a Chinese national tied to Xi Jinping) that was funded by a loan from the Chinese owner's business partner (which the FEC unconvincingly considered purely domestic funding).<sup>305</sup> However, these cases are international corruption, not within our definition of malign finance.

Finally, a recent press report identified a possible case of malign finance through a U.S. subsidiary, but its details would have to be developed further to credibly establish its malign geopolitical purpose: Citgo, the Houston-based subsidiary of Venezuelan state-run oil giant PDVSA, contributed \$500,000 to Trump's inaugural committee soon after the 2016 election. At the time, Venezuela was desperately looking to court U.S. investment and repair relations with Washington.<sup>306</sup> PDVSA was also working with then-Congressman Pete Sessions (and paying a \$50 million retainer to his close former colleague) to broker a meeting with the CEO of Exxon Mobil.<sup>307</sup> If nothing else, this shows that this legal loophole could pose a national security risk, even if it is has typically been used for commercial purposes.

<sup>302</sup> See Matt Nippert, “Former trade minister Todd McClay helped arrange \$150,000 donation from Chinese racing industry billionaire Lin Lang to National Party,” NZ Herald, August 27, 2019; Craig McCulloch, “Todd McClay gets govt department support over Chinese billionaire donations issue,” Radio New Zealand, October 25, 2019.

<sup>303</sup> See CITIC Group, “Corporate Profile,” accessed June 15, 2020.

<sup>304</sup> See Repucci, 2019; Noah Barkin, “Germany's Schroeder warns against demonizing China,” Reuters, November 16, 2018.

<sup>305</sup> See Shonkwiler/Wanda Group Correspondence; Barkin, 2018.

<sup>306</sup> Joshua Goodman, “Sources: Venezuela wooed Texas Republican to ease sanctions,” AP, June 22, 2020.

<sup>307</sup> Ibid.

## U.S. Recommendation:

### End anonymous shell companies.

Take targeted steps to restrict foreign donations funneled through U.S. subsidiaries, such as CEO certifications and limited prohibitions around adversarial foreign powers.

Both problems should be addressed. But anonymous shell companies should immediately be banned entirely, while domestic subsidiaries deserve more nuanced treatment as part of a broader legislative initiative focused on malign finance.

### Outlaw anonymous shell companies

From late 2018 to the summer of 2020, beneath the fray of impeachment, two national election seasons, coronavirus, and many other issues that gripped public attention, a bipartisan band of senators kept their heads down and waged a quiet war against anonymous shell companies.<sup>308</sup> The result is the *Anti-Money Laundering (AML) Act of 2020*, which does exactly what U.S. and international financial enforcement authorities have been recommending since 2006: Force companies to report the identities of their beneficial owners to the U.S. Treasury Department.<sup>309</sup>

After beneficial ownership reform spent years trapped behind partisan gridlock, a political window opened at the end of 2018 with the House flipping to Democratic control while the Republican administration signaled its willingness to sign it into law. Between those supportive start and end points to the (still not yet enacted) legislative process, was a long, informal, deliberative, consensus-building process for which the Founding Fathers designed the upper chamber.<sup>310</sup> It started with Senators Mark Warner and Tom Cotton collaborating on the *ILLICIT CASH Act*, which they introduced in September 2019 with eight bipartisan co-sponsors.<sup>311</sup> Over the following nine months, the Senate Banking Committee consulted experts and stakeholders throughout a negotiating process that defined key terms with an objective of minimizing possible loopholes while maintaining bipartisan support. In June 2020, a deal was struck by Banking Committee Chairman Mike Crapo and Ranking Member Sherrod Brown, who proposed the legislation as the *AML Act* in the form of the Crapo-Brown Amendment to the *National Defense Authorization Act for Fiscal Year 2020*.<sup>312</sup>

<sup>308</sup> See Rudolph, 2019.

<sup>309</sup> See *AML Act*; United States Government Accountability Office, *Company Formations: Minimal Ownership Information Is Collected and Available*, Report to the Permanent Subcommittee on Investigations, Committee on Homeland Security and Governmental Affairs, U.S. Senate, Washington, April 2006; Financial Action Task Force, *Mutual Evaluation of the United States*, Paris, June 23, 2006.

<sup>310</sup> See Rudolph, 2019.

<sup>311</sup> United States Congress, S.2563 - *ILLICIT CASH Act*, introduced September 26, 2019; Office of Senator Tom Cotton, “Cotton, Colleagues Unveil Legislation to Combat Terror Finance, Money Laundering,” Press release, June 10, 2019; Office of Senator Tom Cotton, “Senators Introduce Legislation To Improve Corporate Transparency And Combat Money Laundering, Terrorist Financing,” Press release, September 26, 2019.

<sup>312</sup> United States Senate, Committee on Banking, Housing, and Urban Affairs, “Brown Urges Senate Action on Bipartisan Anti-Money Laundering Amendment to NDAA,” Press release, July 1, 2020; *AML Act*.

Just as with the *FIRE Act* (discussed in the previous chapter), bipartisan support in committee has not secured broad enough Republican support for the *AML Act* to reach the Senate floor. But unlike *FIRE*, an enormous amount of consensus-building has gone into the *AML Act*, which has resulted in it substantively improving upon all other versions of beneficial ownership reform, from the 2019 version that passed the House to Treasury's Customer Due Diligence rule.<sup>313</sup>

First, the *AML Act* has an air-tight definition of "beneficial owner." It includes anyone who "directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise" either "exercises substantial control over the entity" or "owns not less than 25 percent of the equity."<sup>314</sup> Importantly, this cannot be a nominee, intermediary, custodian, agent, employee, creditor, heir, or child—all the proxies beneficial owners tend to hide behind.<sup>315</sup>

Second, the *AML Act* balances the desire to hold the data privately and securely versus the countervailing needs of federal and state law enforcement, national security, and intelligence agencies to access the data. It would only be made available to authorized government agencies to support significant and ongoing investigations, similar to the standard needed to issue a subpoena, but without having to get approval from a federal judge every time the government wants to access the data (critics of the bill tried to add that federal judicial process as a poison pill to make the data inaccessible).<sup>316</sup> There are also steep penalties for unauthorized disclosures.<sup>317</sup>

Third, the *AML Act* covers all entities not already required to disclose ownership under other financial regulations (such as publicly traded companies).<sup>318</sup> U.S. banks are staunch supporters of beneficial ownership reform, because to be able to get the information from the government rather than collect it themselves will cut the cost of complying with the Customer Due Diligence rule. However, several smaller interest groups throughout the financial industry—from providers of pooled investment vehicles and certain non-profits to home builders that rely on dormant companies—lobbied for exemption from the reporting requirement. This risked creating new anonymous vehicles like the Scottish limited partnerships that expanded after the U.K. unveiled its beneficial ownership registry, forcing the government to go back and eliminate the exemption. Blocking and tackling each type of entity, the Senate reached compromises to satisfy these groups without creating loopholes that could be exploited by bad actors. It is inevitable that unforeseen cracks will emerge that Congress will have to address, but the Senate worked hard to close all known and foreseeable loopholes.

Fourth, the Senate went further than the House to ensure that the reporting process for businesses is cheap, easy, and does not

introduce new legal risks. Senator Cotton highlighted eight safeguards in the bill, such as embedding the ownership question within existing reporting forms, not requiring ongoing reporting unless ownership changes, and providing that minor mistakes would not be penalized.<sup>319</sup> As a result, more than three quarters of small business owners support this reform initiative because crooks and swindlers can stand behind shell companies to secretly raid law-abiding businesses through contract fraud, employee embezzlement, surreptitious lawsuits, and the exploitation of subsidies meant for small businesses.<sup>320</sup>

The users of financial secrecy instruments such as anonymous shell companies are not going down without a fight. They seem to be using front organizations purporting to champion popular interests such as small businesses, which is one reason why there is a commonly held misconception that small business owners oppose beneficial ownership reform.<sup>321</sup> Fortunately, the opponents are vastly outnumbered because an estimated 99.7 percent of Americans do not anonymously own shell companies. Beneficial ownership reform would combat such a wide range of criminal elements—kleptocrats, terrorists, tax evaders, human traffickers, etc.—that it has attracted one of the broadest political coalitions in modern history.<sup>322</sup> The bedfellows include national security experts, Treasury, the Chamber of Commerce, big CEOs, small businesses, banks, realtors, the FBI, district attorneys, police, sheriffs, labor, religious groups, human rights watchdogs, environmentalists, and even Delaware (the state most notorious for incorporating shell companies).<sup>323</sup>

After enacting beneficial ownership reform, this alliance for financial transparency should become the political army that fights to close the loopholes authoritarian regimes exploit to fund political interference in democracies, as covered in this report. The *AML Act* points in this direction and gets the governmental work started by mandating a report by Treasury and DOJ on ways authoritarian regimes exploit the U.S. financial system to conduct political influence operations, sustain kleptocratic methods of maintaining power, export corruption, and fund various NGOs, media organizations, or academic initiatives to advance their own interests and undermine U.S. democracy—as well as providing any recommendations for legislative or regulatory action.<sup>324</sup> Congress should follow up on that report with open hearings to gather input and focus public attention on covert foreign money. As with beneficial ownership, this should be done in a bipartisan and bicameral manner, spending political capital on the most exploited vulnerabilities while tailoring more limited solutions to theoretical weaknesses.

<sup>313</sup> See United States Congress, H.R.2513 - *Corporate Transparency Act of 2019*, May 3, 2019; U.S. Department of the Treasury, Financial Crimes Enforcement Network (FinCEN), "[Information on Complying with the Customer Due Diligence \(CDD\) Final Rule](#)," accessed July 8, 2020.

<sup>314</sup> *AML Act*.

<sup>315</sup> Ibid.

<sup>316</sup> Ibid.

<sup>317</sup> Ibid.

<sup>318</sup> Ibid.

<sup>319</sup> See Small Business Majority, "[Small Business Owners Support Legislation Requiring Transparency in Business Formation](#)," April 4, 2018; *Rudolph*, 2019.

<sup>320</sup> See Office of Senator Tom Cotton, "[June 20, 2019: Senator Tom Cotton Q&A During Senate Banking Committee Hearing](#)," YouTube video, 6:05, October 4, 2019; *Rudolph*, 2019.

<sup>321</sup> For more on these lobbying fronts and their non-transparent funding, see Jane Mayer, *Dark Money: The Hidden History of the Billionaires Behind the Rise of the Radical Right*, New York: Knopf Doubleday, 2017, pp. 432-433 and 518.

<sup>322</sup> See *Rudolph*, 2019.

<sup>323</sup> Ibid.

<sup>324</sup> See *AML Act*, Sec. 5507.

## Take targeted steps against U.S. subsidiaries

Although there is limited evidence that domestic subsidiaries of foreign parent companies have been used for foreign political interference, it is possible that they could be in the future (such as a scenario in which China deploys to the Anglo-American financial system a more aggressive posture of malign donations, a corporatized version of the illegal malign finance campaigns carried out by United Front agents and straw donors in the Asia-Pacific region, which we discuss in chapter 8). And even if domestic subsidiaries continue to be used only for international corruption, that would not be a reason to do nothing.

We recommend two targeted steps U.S. policymakers should take to tighten restrictions around donations by U.S. subsidiaries.

The lighter option is for either the FEC or Congress to make companies certify compliance with existing standards—most importantly that no foreign national participated in any decisions made by the U.S.-based company to spend money on U.S. politics.<sup>325</sup> When the ownership thresholds were removed from *H.R. 1*, House Democrats replaced them with this milder alternative recommended by Republican FEC commissioners, to some consternation on the left.<sup>326</sup> While Democratic commissioners at the FEC prefer to go further, they agree that this would help motivate corporate lawyers (and CEOs, who are required to make the certification in the *H.R. 1* version) to “think twice before signing off on corporate political giving or spending that they cannot guarantee comes entirely from legal sources.”<sup>327</sup>

The stronger option is for Congress to amend the thresholds originally included in *H.R. 1* to only apply to owners based in (or linked through intermediaries, ultimate beneficial owners, or other proxies or influential ties) adversarial countries such as Russia, China, Iran, or North Korea. We would do that by defining countries of concern as being neither NATO members nor major non-NATO allies (or alternatively, create a blacklist of countries that have interfered in democracies over the past decade, as described in the previous chapter for campaign contact reporting).

These options should stand a reasonable chance of securing bipartisan support and would focus more narrowly on the foreign threat while saving political capital for more glaring problems.

<sup>325</sup> See United States Federal Election Commission, “*Proposed Statement of Policy on the Application of the Foreign National Prohibition to Domestic Corporations Owned or Controlled by Foreign Nationals*,” Agenda Document No. 16-41-A, September 14, 2016.

<sup>326</sup> See *H.R.1 (Passed)*; Matthew S. Petersen, et al., to the Federal Election Commission, “*Proposed Statement of Policy on the Application of the Foreign National Prohibition to Domestic Corporations Owned or Controlled by Foreign Nationals*,” Federal Election Commission, September 14, 2016.

<sup>327</sup> Ellen L. Weintraub, “*Taking On Citizens United*,” *The New York Times*, March 30, 2016.

# 4. Non-profits with Foreign Donors

Non-profits are often secretly exploited by authoritarian powers to pass funding through to political actors by (1) bankrolling like-minded political parties, (2) achieving narrow policy or political outcomes, or (3) capturing political elites.

In keeping with our definition of malign finance, we limit our focus to operations in which the money seems to play a central role, such as non-profits serving primarily as a funding conduit. In addition to malign finance, the Alliance for Securing Democracy's *Authoritarian Interference Tracker* covers four other tools.<sup>328</sup> One such tool is civil society subversion, which often operates through non-profits. This includes authoritarian funding for destabilizing social movements such as biker gangs, street protestors, paramilitaries, and other violent or seditious groups within target countries.<sup>329</sup> It includes espionage targeting political influencers affiliated with the Russian Orthodox Church or Chinese diaspora communities. Civil society subversion can overlap with manipulation of public narratives (another of the five tools) by think tanks funded by Kremlin proxies, like the Dialogue of Civilizations in Berlin or the Institute of Democracy and Cooperation in Paris.<sup>330</sup> Malign finance often plays a supporting role for these other tools, but because it is not the main thrust of the operation, we do not include those cases in this analysis.

## Conduits for European political party funding

When pro-Kremlin political parties in Europe want to create a secret channel to funnel money from Moscow, they often use non-profits. Foundations, associations, churches, and other charitable organizations can be attractive conduits for covert foreign money because many Western legal systems treat them as third-party entities permitted to spend money on politics without disclosing the identities of their donors.

Compared to malign influence operations targeting democracies closer to Russia and China's perceived spheres of influence, foreign interference in Western Europe traditionally tends to be more subtle and covert, which makes identification and attribution rare. As with the three examples below, the clearest illustrations of how non-profits could potentially serve as conduits are often quite opaque, making it difficult to attribute the source of the funding directly to Russia or any other foreign power. Even so, we discuss them here to illustrate a policy gap that many European political parties appear eager to exploit.

First, most of the media spending—billboards, posters, newspapers, online ads—encouraging Germans to vote for the far-right

Alternative for Germany party (AfD) is bought by a non-profit called the Association for the Preservation of the Rule of Law and Civic Freedoms.<sup>331</sup> Technically a third-party club, it does not have to disclose its donors or expenditures under German law.<sup>332</sup> The group maintains no physical offices in Germany, just a post office box that redirects to an obscure public relations firm in Switzerland.<sup>333</sup> A journalist who researched the story for two years asked more than 50 people where the money came from and not a single source provided an answer.<sup>334</sup>

**“ When pro-Kremlin political parties in Europe want to create a secret channel to funnel money from Moscow, they often use non-profits. ”**

Second, when then-Austrian Vice Chancellor Heinz-Christian Strache was caught on camera soliciting support from a woman posing as the niece of a Russian oligarch, he explained how the party hides its controversial and foreign donations.<sup>335</sup> He detailed how “a couple of very wealthy people” funnel large secret donations “not to the party but through a non-profit association ... circumventing the court of auditors.”<sup>336</sup>

Third, when Italy prohibited foreign donations in 2019, the League successfully added an amendment exempting “foundations, associations and committees” from the foreign-source ban. League politicians claimed the loophole was meant to enable contributions from Italian emigres who live abroad and want to funnel their contributions through expat associations that are legally organized abroad.<sup>337</sup>

Two examples from Central and Eastern Europe offer clear instances of Russian campaign funding flowing through non-pro-

<sup>328</sup> See OSCE, pp. 6; *Lobby Control*, 2017.

<sup>329</sup> This is a longstanding loophole in German campaign finance. It also played a role in the wide-ranging scandal in the 1990s of anonymous donations to the CDU's off-the-books Swiss bank accounts that turned out to originate from a Saudi Arabian lobbyist in exchange for sales of German tanks. While that case involved much illegality (including failure to disclose donors and amounts exceeding the limits of anonymity), one legal part was pro-CDU spending by associations with secret donors. See *Barnett and Sloan*, pp. 7; Deutsche Welle, “*The scandal that rocked the government of Helmut Kohl*,” January 18, 2010.

<sup>330</sup> See *Barnett and Sloan*, pp. 6.

<sup>331</sup> See *Barnett and Sloan*, pp. 9.

<sup>332</sup> See *Süddeutsche Zeitung*, 2019-2020.

<sup>333</sup> See *Süddeutsche Zeitung*, 2019-2020. We have not included this case in our analysis because it was a sting operation rather than real foreign funding. But its details are instructive as to how the Freedom Party hides its donations. Most of the media coverage in May 2019 of the recorded conversation focused on a planned takeover of Austria's top newspaper. Since then, however, Austrian investigators have opened more than 30 cases stemming from the Ibiza affair and many of them relate to corrupt donations, procurements, and expenses. For example, in the video Vice Chancellor Heinz-Christian Strache threw out the idea of Russia funneling undisclosed donations through an association. While he never named the non-profit, he did name some donors (weapons manufacturer Gaston Glock, a German department store heiress, a real estate billionaire, and gambling machine firm Novomatic, all of whom publicly deny it) who “pay between 500,000 and 1.5 to 2 million” (above the €3,570 threshold for which the party would have to publicly disclose it) “not to the party but through a non-profit association ... circumventing the court of auditors.” While Austria's court of auditors does not have the power to verify or audit (despite its name) political parties' finances, it does review financial reports identifying large donors. Austrian investigators are looking into several Freedom Party-related associations, clubs, and research institutes, including “Austria in Motion,” “Economy for Austria,” “Institute for Security Policy.” Investigators have also obtained pictures of sports bags full of cash that were regularly received by Strache and handled by his bodyguard. *Das Gupta, et al.*, 2020.

<sup>334</sup> The League first tried and failed to attach this amendment to the January 2019 foreign-source ban when it was first drafted in November 2018. Foreign donations were entirely illegal for just four months, until April 2019, at which time the League successfully amended an unrelated economic bill to include the exemption for foreign associations. *Morley and Souda*, 2019.

<sup>335</sup> The Alliance for Securing Democracy (ASD), “*Authoritarian Interference Tracker*.”

<sup>336</sup> ASD defines “civil society subversion” as “The hijacking or co-option of foreign social movements, organizations, diaspora communities, advocacy groups, or other civil society entities through non-transparent or seditious means to amplify political and social cleavages, promote extremism, or otherwise divide target societies.” ASD, “*Authoritarian Interference Tracker*.”

<sup>337</sup> See Laura Rosenberger and Thomas Morley, *Russia's Promotion of Illiberal Populism: Tools, Tactics, Networks*, Washington: ASD, March 11, 2019.

its.

First, an Estonian mayor and leader of a pro-Russian party obscured political donations from Russian oligarch Vladimir Yakunin by funneling it through funds meant for the construction of an Orthodox church.<sup>338</sup>

Second, a Polish think tank associated with Mateusz Piskorski's pro-Kremlin political activity in Europe served as a conduit for Russian Laundromat money.<sup>339</sup>

Non-profit organizations and events have also been used to obscure donations in Asia. For example, the mayor of Auckland (the largest city in New Zealand) funded the majority of his 2016 campaign through a charity auction with undisclosed bidders (some of whom are leaders in the Chinese Communist Party's United Front, while the biggest secret bidder dialed in from Beijing).<sup>340</sup>

## Bespoke instruments for specific policy objectives

Russian covert missions are often more narrowly targeted than supporting a like-minded political party. Moscow's objective is often to influence a particular policy or affect the outcome of a single referendum. As with party funding, non-profits can be useful fronts or pass-through conduits, due to their financial secrecy and because legitimate and politically influential civil society groups are common in Western democracies.

First, when Russia wanted to prevent the E.U. from ratifying an association agreement with Ukraine in 2016, a little-known Eurosceptic in the Netherlands named Thierry Baudet formed a think tank called Forum for Democracy (FvD) to help collect the signatures needed to force a referendum and then campaign against the deal.<sup>341</sup> Baudet's private WhatsApp messages would later reveal that he told his FvD colleagues, "We are going to need the Russians, I expect."<sup>342</sup> When short on cash, Baudet said "maybe Kornilov wants to pay some extra" and also referred to support from "Kornilov with all his money."<sup>343</sup> Asked who Vladimir Kornilov is, Baudet replied, "a Russian who works for Putin."<sup>344</sup> After the referendum went against Ukraine, FvD converted into a pro-Russia political party that won more seats than any other party in the 2019 Dutch parliamentary election.<sup>345</sup>

Second, the lobbying effort against Russia sanctions in the United States led by Kremlin-connected lawyer Natalia Veselnitskaya was organized as a Delaware non-profit foundation purport-

edly focused on Russian adoptions.<sup>346</sup> This legal structure helped conceal the sources of funding from Moscow, which, if revealed, might have required registering as a foreign agent.<sup>347</sup>

Third, Russia allegedly funds U.S. environmental non-profits to oppose the development of energy infrastructure around hydraulic fracking.<sup>348</sup>

Fourth, a year before the 2020 U.S. presidential election, Russian individuals associated with the Internet Research Agency funded a new troll farm in Africa to stoke racial divisions in the United States through social media.<sup>349</sup> Organized as a Ghanaian non-profit purporting to advocate for black empowerment globally, it was really posing as African Americans to target U.S. audiences.<sup>350</sup>

## Vehicles for elite capture

The informal convening role of non-profits—through conferences, member meetings, private briefings, etc.—and their influence with political elites can make them useful fronts for authoritarian regimes conducting elite capture operations.

First, CEFC China Energy used its non-profit think tank to advance the Belt and Road Initiative by bribing heads of state, high-ranking officials at the UN, and other elites on four continents.<sup>351</sup> After the think tank's leader was convicted in the United States, civil society groups that partnered with the group to host conferences said they were comfortable at the time "because it was a genuine 501(c)(3) organization. That means the U.S. government approved them as a genuine, kosher, charitable organization."<sup>352</sup>

Second, Dmytro Firtash uses a network of charitable foundations working alongside his shell companies to buy influence in London.<sup>353</sup> He established and funds the British Ukrainian Society, which describes itself as a non-profit meant to deepen ties between the two countries, while anti-corruption reformers call it "the agent of Firtash's influence in the United Kingdom."<sup>354</sup> The entity employs former U.K. intelligence officers and lawmakers and pays for current parliamentarians and the minister for disinformation to visit Ukraine and meet associates of Firtash.<sup>355</sup> His company's charitable fund bankrolled an influential

<sup>346</sup> See Loop, et al., 2019.

<sup>347</sup> See Stephanie Baker and Irina Reznik, "Mueller Is Looking Into a U.S. Foundation Backed by Russian Money," Bloomberg, December 21, 2017.

<sup>348</sup> See Freeman, 2017.

<sup>349</sup> See Clarissa Ward, et al., "Russian election meddling is back -- via Ghana and Nigeria -- and in your feeds," CNN, April 11, 2020.

<sup>350</sup> Ibid.

<sup>351</sup> See SDNY, 2019.

<sup>352</sup> See Lucy Hornby, et al., "CEFC think-tank head Patrick Ho sentenced to 3 years," Financial Times, March 25, 2019.

<sup>353</sup> See Faucon and Marson, 2014; Leshchenko, 2015.

<sup>354</sup> See British Ukrainian Society, accessed July 15, 2020; Leshchenko, 2015.

<sup>355</sup> See Ian Burrell and Jim Armitage, "The Ukrainian connection: John Whittingdale amongst MPs criticised for close ties with ex-Ukrainian President Victor Yanukovych's favourite energy magnate Dmitry Firtash," The Independent, March 4, 2014; Sweeney, 2020. Funding a non-profit to ostensibly support bilateral relations while paying key elites is a common tactic that is not limited to Kremlin proxies. For example, Huang Xiangmo funded a think tank called the Australia-China Relations Institute that was directed by an Australian foreign minister who is reliably pro-China. Cave, 2019.

<sup>338</sup> See Eesti Rahvusringhääling, "KAPO Declassifies Savisaar Files," December 22, 2010. Yakunin is a close friend of Putin, former high-ranking KGB officer, former president of Russian Railways, and benefactor of a network of religious and socially conservative foundations in Europe and the United States. See Eesti Rahvusringhääling, 2010.

<sup>339</sup> See OCCRP, 2014.

<sup>340</sup> See Anthony et al., 2018.

<sup>341</sup> See RFE/RL, "Dutch Referendum Plan Threatens To Derail EU-Ukraine Pact," October 14, 2015.

<sup>342</sup> See Zembla and De Nieuws BV, 2020.

<sup>343</sup> Ibid.

<sup>344</sup> Ibid.

<sup>345</sup> See Thijs Kleinpaste, "The New Face of the Dutch Far-Right," Foreign Policy, March 28, 2019.

London festival focused on Ukraine.<sup>356</sup> And his DF Foundation donated £4.3 million to Cambridge University's Ukraine studies program.<sup>357</sup>

Third, Russian covert agents and money launderers spent years cultivating some top conservative politicians through the National Rifle Association (NRA), using the organization to open a back channel to Donald Trump in 2016 and 2017.<sup>358</sup> The FBI has also investigated the possibility that Russia funneled millions of dollars in 2016 donations to Trump through the NRA's 501(c)(4) non-profit arm, which does not have to disclose its donor identities, vetting methods, or accounting systems.<sup>359</sup>

## U.S. Recommendation:

### Require non-profits engaged in politics to publicly disclose the identities of both domestic and foreign donors. Require all U.S. non-profits to publicly disclose foreign funders.

The *DISCLOSE Act* would require non-profits and other entities that spend at least \$10,000 advocating a political candidate to publicly disclose the identities of their donors.<sup>360</sup> The bill covers an impressively broad set of entities, including corporations, LLCs, labor unions, 527 organizations, and tax-exempt entities organized under section 501(c) of the tax code (except for 501(c)(3)'s as they are prohibited from spending on elections<sup>361</sup>). The policy logic is that donor disclosure should be triggered by the *activity* of any entity spending money on politics, not by the *section of U.S. law* under which an organization decides to incorporate.<sup>362</sup>

The *DISCLOSE Act* has failed to reach the Senate floor due to opposition from defenders of donor anonymity. Domestic political interests have worked through all three branches of government to fight similar non-profit disclosure requirements, even rules

that only share donor identities with law enforcement.<sup>363</sup> A bit like how foreign ownership thresholds would gut the ability of corporations to make unlimited donations, *DISCLOSE* would roll back some implications of *Citizens United* by imposing transparency requirements on domestic "dark money" groups such as 501(c)(4)'s. Moreover, on the other side of the debate, reformers worry *DISCLOSE* is too limited in how much disclosure it would require by donors restricting usage of their funds or giving less than \$10,000, while non-profits could avoid disclosing all donors by setting up a segregated account for political activity and only disclosing donors to that account.

To overcome both political and substantive constraints and to target malign finance more aggressively, we propose a separate law modeled after *DISCLOSE* but with seven important differences in its scope. It would require all non-profits (whether they spend on politics or not) to report the identities of all their funders (foreign and domestic) to law enforcement while only revealing publicly the identities of their foreign funders.

That is, non-profits would have to file two statements with the FEC. First would be a list of foreign nationals who provided funding to the entity, a report that the FEC would release publicly. Second is a list of all the entity's funders, foreign and domestic, to be retained securely and confidentially by the FEC, which would coordinate with the DOJ to use it in support of law enforcement work. This second filing would importantly avoid infringing upon Americans' privacy rights while enabling law enforcement to trace all non-profit funding to spot malign financial activity conducted partly through U.S. persons. *DISCLOSE* includes a tracing mechanism to ensure disclosure if money is passed from one entity to another, a provision that should carry over to this law.

Compared to *DISCLOSE*, the scope of covered entities could be narrowed to exclude corporations, which are better addressed through beneficial ownership legislation like the *AML Act*. At the same time, this proposed reporting requirement would apply regardless of whether the entity engages in political activity, and for that reason the scope of covered entities should be broadened to include 501(c)(3) organizations.

Expanding the law beyond entities spending directly on political activity would address at least three key risks. First, 501(c)(3)'s

<sup>356</sup> See *Faucon and Marson*, 2014.

<sup>357</sup> Ibid.

<sup>358</sup> See *Butina Plea Agreement*, pp. 1.

<sup>359</sup> See Peter Stone and Greg Gordon, "FBI investigating whether Russian money went to NRA to help Trump," McClatchy DC, January 18, 2018.

<sup>360</sup> *DISCLOSE Act*. Advocating a political candidate involves spending on political advocacy referring to a clearly identified candidate (i.e., campaign-related expenditures, including both electioneering communications and public independent expenditures). Currently, 501(c) organizations are only required to disclose the identities of donors whose contributions are made specifically for political purposes, a characterization that is not very well defined and subject to numerous loopholes. For example, expenses earmarked as educational or membership-building are not considered political. Some 501(c)s that spend tens of millions of dollars on politics in each election cycle include policies on their websites that they do not accept donations specifically meant for politics, which provides blanket legal coverage to take contributions and spend money on politics without disclosing the identities of donors—including foreign nationals.

<sup>361</sup> Some reformers we consulted argue that advancements in online targeting have enabled 501(c)(3) charitable organizations to stealthily spend on activities meant to influence election outcomes. For example, "get out the vote" activities such as registration drives are typically considered apolitical and thus permissible for 501(c)(3)'s. The substance of any associated messaging cannot be political in nature (e.g., get out and vote for this particular candidate). However, the targeting of apolitical messaging receives less scrutiny around its political nature. In recent election cycles, the ability to target potential voters who are more susceptible to influence has developed considerably (with online messages meant to support or suppress their likelihood of voting). While these tactics are seeing increasing usage by domestic actors, we see them as primarily falling within the realm of information operations and we have no examples of them being funded by foreign powers, so they are beyond the scope of this report.

<sup>362</sup> See Ian Vandewalker and Lawrence Norden, *Getting Foreign Funds Out of America's Elections*, New York: Brennan Center for Justice, April 6, 2018.

<sup>363</sup> See U.S. Internal Revenue Service, *Returns by exempt organizations and returns by certain non-exempt organizations*, 26 CFR 1.6032-2; "Guidance Under Section 6033 Regarding the Reporting Requirements of Exempt Organizations," 84 Fed. Reg. 47447-47454 (September 10, 2019); *Americans for Prosperity Foundation v. Xavier Becerra*, No. 16-55727 (9th Cir. 2019); Kimberly Strawbridge Robinson, "'Friends' of Koch-Backed Group Descend on Supreme Court," Bloomberg, January 6, 2020; Toby Eckert, "'Dark money' groups dodge reporting requirement in new regulations," Politico, May 26, 2020. Two recent cases illustrate how domestic political interests actively work across the branches of government to resist even confidential disclosure requirements. The first involves legal action by charities, which are organized under section 501(c)(3) of the tax code. To ensure charities do not illegally abuse their tax exemption, federal and state laws make them disclose the names and addresses of their substantial donors to law enforcement, which keeps the information confidential and uses it to stop fraud. Charities funded by the Koch brothers have sued states seeking to collect the information, arguing that such disclosures violate their First Amendment rights by having a chilling effect on contributions because donors will fear harassment by regulators or by the public if their identities ever leak. Appeals courts reject this argument, but 22 conservative and libertarian groups—many with ties to the Koch brothers—recently urged the Supreme Court to take up the matter. Meanwhile, between 2018 and 2020, the Treasury Department and IRS reversed decades-old regulations that replicated for all other 501(c) non-profits the same donor disclosure requirements that are statutorily imposed on 501(c)(3) charities. The deregulation was promulgated in July 2018 by the IRS, which justified it based on the risk of inadvertent public disclosure or misuse of confidential donor information. While it was ruled unlawful in July 2019, that was only on procedural grounds that were subsequently cured by similar regulations that the IRS rolled out in September 2019 and finalized in May 2020.

might pass money to 501(c)(4)'s to spend it on politics.<sup>364</sup> Second, 501(c)(3)'s such as think tanks might allow funding by foreign governments to influence their research and advocacy.<sup>365</sup> Third, various 501(c)'s could accept foreign funding and buy "issue ads" fanning the flames of socially divisive issues like race, immigration, and Second Amendment rights—activity that represented the bulk of active measures run by the Internet Research Agency in 2016.<sup>366</sup>

The law should be broader than *DISCLOSE* in three additional ways. First, the types of payments that must be reported should include not only donations per se but also any other form of financial remuneration, such as membership fees, sponsorship arrangements, program service expenses, and charity auction proceeds. Second, non-profits should have to identify, verify, and report the identities of foreign beneficial owners, not just the "person who made such payment."<sup>367</sup> Third, non-profits should have to publicly disclose audited details of how exactly their internal accounting and control systems segregate foreign money from political accounts and specify what foreign money was ultimately spent on, addressing the risk of foreign money being fungible with domestic political spending.

This carefully targeted reform would cut off a major loophole for malign finance and would do so in a way that avoids imposing public disclosure requirements on domestic "dark money" interests. Opponents of campaign finance reform may even support this as a way to sidestep more domestic-oriented disclosures, or they may worry about it being a slippery slope toward more transparency (covering the domestic political spending targeted by *DISCLOSE*). Reformers may support it as a step in the right direction or may resist it as the lowest common denominator that could become a more limited replacement for *DISCLOSE*. That both sides could understand its merits and faults suggests to us that it provides a reasonable outline for a bipartisan compromise.

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<sup>364</sup> Shell games of passing money back and forth among 501(c) organizations has been used for various purposes, including between politically active non-profits to avoid limitations on political spending. See Center for Responsive Politics, "[Dark Money Alchemy](#)," accessed July 30, 2020. For our purposes, the concern is that a foreign government could donate to a 501(c)(3), which could pass the money on to a 501(c)(4) or other entity spending heavily on domestic politics, and if 501(c)(3)'s were not part of the disclosure and tracing system the foreign origin could go undiscovered.

<sup>365</sup> See Ben Freeman, [Foreign Funding of Think Tanks in America](#), Washington: Center for International Policy, 2020.

<sup>366</sup> See United States Senate, Select Committee on Intelligence, [Russian Active Measures Campaigns and Interference In the 2016 U.S. Election Volume 2: Russia's Use of Social Media with Additional Views](#), 2020, pp. 6 ("SSCI Report Vol. 2").

<sup>367</sup> Putting the onus on the regulated entity to identify, verify, and report beneficial owners resembles the Treasury Department's Customer Due Diligence Rule requiring banks to collect beneficial ownership information of depositors. [FinCEN](#), 2020. Non-profits could outsource the compliance work to banks or other companies better equipped to identify and verify beneficial owners efficiently. The due diligence work will have already been done if the money is flowing through a U.S. bank and could become even easier if the U.S. Treasury takes on the work of collection, which is separately recommended in this report. [AML Act](#). If lawmakers worry that compliance might be too costly for non-profits, they could consider increasing the \$1,000 threshold used in the *DISCLOSE Act* to a higher level such as \$10,000. In whatever form it takes, the point is that public disclosures of substantial contributors to non-profits are an important part of building capacity to identify and close off this conduit channel through which foreign powers funnel money into U.S. politics.

# 5. Online Political Ads Bought by Foreign Nationals

Political advertisements that appear on the internet are not subject to the same disclosure rules and restrictions against foreign purchases that apply to political ads on television, radio, and newspaper.<sup>368</sup> Remarkably, the U.S. Congress has failed to regulate online political ads even after the Internet Research Agency (IRA) troll farm secretly bought ads to target American voters in 2016.<sup>369</sup>

The absence of U.S. policy has led to a what Twitter calls a game of “cat and mouse” between the private sector and foreign adversaries. Big tech platforms are each voluntarily implementing their own versions of protections, which are often inconsistent and pregnable, while smaller and up-and-coming providers have little or no similar systems. Meanwhile, foreign powers continue to experiment with new ways to buy political ads without detection, like “franchising” troll farms in Africa with local employees.

## 2016 and response

This battlespace opened in 2016, when the IRA spent approximately \$100,000 on more than 3,500 Facebook ads, many of which explicitly supported President Donald Trump or opposed Hillary Clinton.<sup>370</sup> The IRA’s \$1.25 million monthly budget was distributed through 14 shell companies to conceal the ultimate beneficial owner, who turned out to be Yevgeny Prigozhin.<sup>371</sup> The IRA also bought ads on Instagram (owned by Facebook) and operated on Twitter, YouTube, and many other platforms.<sup>372</sup>

Under public pressure, Facebook, Twitter, and Google (which also owns YouTube) have responded to this abuse of their platforms with some protections that are important but far from foolproof. Four key types of resilience improvements are particularly relevant for stopping online political ads (which are just one of many vectors of information manipulation, most of which are separate from malign finance, with some more impactful than paid advertising) from becoming tools of foreign interference.

First, Facebook and other platforms now publicize their takedowns of accounts engaged in coordinated inauthentic behavior, which both informs the public and imposes some deterrent cost on bad actors who prefer to keep their activities hidden. The platforms explain what they know about attribution to foreign entities and how much reach the removed accounts had, including both organic distribution and paid advertising. This is one way we know how extensively information manipulation

has continued since the 2016 election, including more than ten cases of Russia, China, Iran, and other countries secretly buying political ads on social media.<sup>373</sup>

Second, Facebook, Twitter, and Google have labeled political ads and created public archives identifying who paid for them, much like the public files that traditional television broadcasters have had to maintain for decades (Twitter went further in October 2019, banning political ads altogether).<sup>374</sup> However, those existing interfaces have been criticized for being incomplete, inconsistent, and difficult to use.<sup>375</sup> Google’s archive excludes issue ads, which Russia used more extensively than explicitly political ads in 2016, while Twitter’s only includes ads from the past seven days. Moreover, a wide range of other tech companies either do not have comparable public repositories or share far less information, including rapidly growing video streaming services such as Hulu, Roku, and Sling.<sup>376</sup>

Third, some platforms have begun banning political ads. In November 2019, Twitter stopped taking ads globally that refer to candidates (or any ads bought by candidates or their PACs and 501(c)(4)s) while restricting micro-targeting of issue ads.<sup>377</sup> Twitter’s CEO argued that the reach of political messages should be earned, not bought, at least until modern democratic infrastructure is better prepared to handle political ads.<sup>378</sup> It was a clear contrast with Facebook, which allows not only political ads but also unlabeled lies in those ads.<sup>379</sup> However, in June 2020 Facebook did start blocking ads from state-controlled media outlets targeted to people in the United States (while also labeling the pages and non-U.S. ads of state-controlled outlets).<sup>380</sup>

Fourth, Facebook and Google (and Twitter before it banned

<sup>373</sup> See Alex Stamos, “[Authenticity Matters: The IRA Has No Place on Facebook](#),” Facebook, April 3, 2018; Nathaniel Gleicher, “[Removing Coordinated Inauthentic Behavior From Russia](#),” Facebook, March 12, 2020; Facebook, “[Removing Bad Actors on Facebook](#),” July 31, 2018; Nathaniel Gleicher, “[Removing Coordinated Inauthentic Behavior From Russia](#),” Facebook, January 17, 2019; Nathaniel Gleicher, “[Removing More Coordinated Inauthentic Behavior From Russia](#),” Facebook, October 30, 2019; Nathaniel Gleicher, “[Removing Coordinated Inauthentic Behavior From Iran](#),” Facebook, January 31, 2019; Nathaniel Gleicher, “[Removing Coordinated Inauthentic Behavior from Iran, Russia, Macedonia and Kosovo](#),” Facebook, March 26, 2019; Nathaniel Gleicher, “[Removing Coordinated Inauthentic Behavior in UAE, Egypt and Saudi Arabia](#),” Facebook, August 1, 2019; Nathaniel Gleicher, “[Removing More Coordinated Inauthentic Behavior From Iran and Russia](#),” Facebook, October 21, 2019.

<sup>374</sup> See Facebook, “[Facebook Ad Library](#),” accessed June 15, 2020; Katie Harbath and Sarah Schiff, “[Updates to Ads About Social Issues, Elections or Politics in the US](#),” Facebook, August 28, 2019; Twitter, “[Ads Transparency Center](#),” accessed June 29, 2020; Vijaya Gadde and Bruce Falck, “[Increasing Transparency for political campaigning ads on Twitter](#),” Twitter, May 24, 2018; Jack Dorsey, [Twitter post](#), October 30, 2019, 4:05 PM; Google, “[Political advertising in the United States](#),” June 9, 2020; Kent Walker, “[Supporting election integrity through greater advertising transparency](#),” Google, May 4, 2018.

<sup>375</sup> See Bradley Hanlon, [A Long Way To Go: Analyzing Facebook, Twitter, and Google’s Efforts to Combat Foreign Interference](#), Washington: The Alliance for Securing Democracy, December 19, 2018.

<sup>376</sup> See Tony Romm, “[Political ads are flooding Hulu, Roku and other streaming services, revealing loopholes in federal election laws](#),” [Washington Post](#), February 2, 2020.

<sup>377</sup> Twitter, “[Political Content](#),” accessed July 8, 2020; Twitter, “[Cause-based advertising policy](#),” accessed July 8, 2020.

<sup>378</sup> [Dorsey](#), 2019.

<sup>379</sup> See Mike Isaac and Cecilia Kang, “[Facebook Says It Won’t Back Down From Allowing Lies in Political Ads](#),” [The New York Times](#), January 9, 2020.

<sup>380</sup> Nathaniel Gleicher, “[Labeling State-Controlled Media On Facebook](#),” Facebook, June 4, 2020. The labels apply to media outlets that are wholly or partially under the editorial control of their government. For example, after RT subsidiaries Maffick and Redfish tried to hide their ownership behind Delaware LLCs, in June Facebook applied to their pages the label “Russia state-controlled media.” While Facebook’s announcement is not entirely clear, it seems like the ban on state-controlled ads targeting people in the United States is set to expire after the November 2020 election, at which point these ads would be permitted and just labeled as state-controlled media. See [Gleicher](#), June 4, 2020.

<sup>368</sup> See U.S. Federal Election Commission, “[Advertising and disclaimers](#),” accessed June 15, 2020; See definition of “public communication” in [52 U.S.C. § 30101](#).

<sup>369</sup> See Nicholas Fandos, “[New Election Security Bills Face a One-Man Roadblock: Mitch McConnell](#),” [The New York Times](#), June 7, 2019.

<sup>370</sup> See [Mueller Report](#), Vol. I, pp. 25-26.

<sup>371</sup> See [Internet Research Agency Indictment](#), pp. 7.

<sup>372</sup> See [Mueller Report](#), Vol. I, pp. 22, 25.

political ads) have imposed processes to verify the identity of advertisers before they are authorized to buy political and issue ads.<sup>381</sup> In April 2018, Senator Sheldon Whitehouse's questioning of Mark Zuckerberg revealed that Facebook's verification process would fail to identify a Russian owner running ads through a corporation domiciled in Delaware.<sup>382</sup> In June 2020, Facebook acknowledged it is still not piercing through shell companies.<sup>383</sup> But the platforms have updated their verification processes to require a business website, employer identification number, and, in some cases, a U.S. address where the platform can mail a unique code to be entered online.<sup>384</sup>

## Probing for weaknesses

Of course, while the U.S. platforms have been improving their resilience, foreign powers have been testing out new ways to evade those defenses. Facebook says it would be hard for Russia to reuse the same exact tactics of 2016 but "we've seen threat actors evolving and getting better."<sup>385</sup>

A simple and common tactic is for entities tied to foreign governments to have their employees publish content and buy ads purportedly in their own personal capacity. Sputnik News had 364 employees in Moscow misrepresent themselves as independent news pages covering topics of general interest in Eastern Europe and elsewhere, when in truth they were posting and promoting through ad purchases content advancing Kremlin narratives critical of NATO and pro-democracy protests.<sup>386</sup> Employees of the Pakistani military used 103 fake accounts to promote their narrative about Kashmir and the Indian government.<sup>387</sup>

Another technique ad buyers use to evade detection is to operate through nationals within the target country or in third countries. Two key examples are instructive.

First, a Russian agent in Kyiv paid more than 300 Ukrainian citizens to temporarily rent their Facebook and Twitter accounts.<sup>388</sup> The tactic was tailor-made to circumvent Facebook's safeguards against foreign ad purchases.<sup>389</sup> The Russian operation meant to use ads, fake news, and *kompromat* to tarnish candidates Mos-

cow opposed in the 2019 Ukrainian presidential election.<sup>390</sup>

Second, Prigozhin has repeatedly "franchised" new troll farms within African countries, where they try to evade detection by employing locals.<sup>391</sup> Some operations have involved interfering in African elections, such as a trio of Prigozhin's networks Facebook took down in October 2019.<sup>392</sup> This massive campaign targeted several African countries through Arabic-language posts, with one of the networks posting 3.6 times as much content as the IRA was putting out in 2016.<sup>393</sup> Prigozhin's operatives appear to have paid local citizens to set up Facebook accounts, buy ads, attend rallies, set up new local media organizations, hire existing media groups, and write favorable articles about the Kremlin's preferred candidates.<sup>394</sup> Separately, other African troll farms funded by Russians associated with the IRA have aimed to fuel racial division in the United States, such as one employing 16 Ghanaians and eight Nigerians posing as African Americans (mentioned in the chapter on non-profit fronts).<sup>395</sup> Facebook says its systems repeatedly rejected attempts by that troll farm to run political or issue ads in the United States, although \$379 of Facebook ads were successfully bought by Ghanaians who later joined the group.<sup>396</sup>

Another example of foreign experimentation and mixed resilience by U.S. platforms is TheSoul Publishing.<sup>397</sup> This creator of clickbait do-it-yourself craft videos appears to have been started a week after the 2016 U.S. election by Russian nationals.<sup>398</sup> It grew out of a company founded in Russia that moved to Cyprus in 2016.<sup>399</sup> By late 2019, TheSoul's 140 YouTube channels and 70 Facebook pages had the third most views of any online media and entertainment creator, behind only Disney and WarnerMedia.<sup>400</sup> If that were the entire story, it might not be concerning. But they also post history videos with a strong pro-Russian political tinge, such as claims that Ukraine is part of Russia and that the Soviet Union gifted Alaska to America.<sup>401</sup> Before the U.S. midterm elections in 2018, TheSoul paid rubles to buy a very small amount of Facebook political ads (which can be seen in Facebook's ad library) targeting U.S. citizens over the age of 18. It is possible that they verified their U.S. address by having Facebook and YouTube mail codes to a shared workspace in New York.<sup>402</sup> This mysterious case has not been credibly attributed to a foreign government, but it is a bad sign that Facebook's defens-

<sup>381</sup> See Facebook, "*The Authorization Process for US Advertisers to Run Political Ads on Facebook is Now Open*," April 23, 2018; Google, "*About verification for election advertising in the United States*," accessed June 12, 2020.

<sup>382</sup> See C-SPAN, "*User Clip: Zuckerberg on Shell Companies*," April 10, 2018.

<sup>383</sup> On June 3, 2020, Facebook's head of cybersecurity, Nathaniel Gleicher, told journalist Casey Michel, "There will always be layers of shell corporations that are going to be difficult to pierce—there will always be entities that will find ways to hide who they are. I think there's a point where we just won't be able to pierce these shell companies, and quite frankly that's a reality of the choices we've made across society." In our view, Facebook is absolving responsibility as if they have no choice for some unexplained technical reasons, seemingly unless the U.S. government outlaws anonymous shell companies. This lax mindset was common in the banking sector until after 9/11, when the government started requiring banks to do the diligence of identifying beneficial owners, which they now do quite successfully under Treasury's Customer Due Diligence Rule. This shows that regulation is needed to force the private sector to take responsibility.

<sup>384</sup> See Facebook, April 23, 2018; Google, "*About verification*."

<sup>385</sup> See Kevin Roose, et al., "*Tech Giants Prepared for 2016-Style Meddling. But the Threat Has Changed*," *The New York Times*, March 29, 2020.

<sup>386</sup> See Gleicher, January 17, 2019.

<sup>387</sup> See Nathaniel Gleicher, "*Removing Coordinated Inauthentic Behavior and Spam From India and Pakistan*," Facebook, April 1, 2019.

<sup>388</sup> See Security Service of Ukraine. "*СБУ блокувала спроби втручення російських спецслужб у президентські вибори в Україні [SBU blokuvala sproby vtruchannya rosiys'kykh spetssluzhb u presydents'ki vybory u Ukrayini]*," January 24, 2019.

<sup>389</sup> See Michael Schwirtz and Sheera Frenkel, "*In Ukraine, Russia Tests a New Facebook Tactic in Election Tampering*," *The New York Times*, March 29, 2019.

<sup>390</sup> Ibid.

<sup>391</sup> See Harding, 2019.

<sup>392</sup> See Gleicher, October 30, 2019.

<sup>393</sup> See Davey Alba and Sheera Frenkel, "*Russia Tests New Disinformation Tactics in Africa to Expand Influence*," *The New York Times*, October 30, 2019.

<sup>394</sup> See Roose, et al., 2020; Stanford Internet Observatory, "*Evidence of Russia-Linked Influence Operations in Africa*," October 30, 2019.

<sup>395</sup> See Ward, et al., 2020.

<sup>396</sup> While a small amount of ad purchases did get through and the group was allowed to operate on social media from June 2019 to February 2020, the network was taken down while it was still in the early stages of audience building. Overall, this leans more toward a case of successful resilience by the private sector and civil society, including some coordination between CNN, Facebook, Twitter, Graphika, and Ghanaian security services. By contrast, the Sputnik and Pakistani military cases were only taken down by Facebook after they had accumulated millions of followers. See Gleicher, March 12, 2020.

<sup>397</sup> See Lisa Kaplan, "*The Biggest Social Media Operation You've Never Heard of Is Run Out of Cyprus by Russians*," Lawfare, December 18, 2019.

<sup>398</sup> Ibid.

<sup>399</sup> Ibid.

<sup>400</sup> Ibid.

<sup>401</sup> Ibid.

<sup>402</sup> Ibid.

es did not catch a large foreign content provider spending rubles on U.S. politics.<sup>403</sup>

These private sector defenses against bad actors have some similarities with the efforts by U.S. banks to spot money laundering and terrorist financing. In both the financial and information ecosystems, the vast majority of flows (whether money or information) are clean and legitimate, but it is the sliver of dirty or malicious content that poses a substantial threat. In both arenas, the open nature of Western societies is turned into a vulnerability and exploited by cunning authoritarian regimes that continually adapt their tradecraft. And in both fights, the private sector needs to be the tip of the spear, both because there are important limitations on U.S. government control over these sectors (especially in the realm of free speech) and because bad actors live beyond the reach of U.S. law enforcement (i.e., in countries like Russia and China that do not have extradition treaties, so indicting perpetrators just means they cannot travel outside those countries). But the big difference is that, whereas the United States has been regulating money laundering for fifty years and terrorist financing since the Sept. 11, 2001 attacks, the internet has expanded more recently in a time of partisan political gridlock that has precluded regulation, even after it has clearly become a national security imperative. U.S. banks would not have built such strong defenses if it was voluntary (it took some multi-billion-dollar fines and criminal convictions), and protections against foreign online political ads cannot be voluntary either.

## U.S. Recommendation:

**Adopt legislation like the *Honest Ads Act* requiring broad public disclosure of who pays for online political ads as well as legislation like the *PAID AD Act* prohibiting foreign individuals and governments from purchasing campaign ads.**

U.S. campaign finance law has not been substantially updated since 2002.<sup>404</sup> Since then, two historic developments—the advent of social media and the return of authoritarian aggression—have altered the environment in which political ads run.<sup>405</sup> As detailed below, these two key challenges offer an instructive division, because one calls for disclosure requirements like the *Honest Ads Act* and the other merits tighter prohibitions against foreign po-

litical spending like the *PAID AD Act*.

First, the dramatic expansion of internet usage generally and social media specifically has made digital ads a major vehicle for political spending. Spending on online political ads reached \$1.4 billion in 2016, more than quadruple the 2012 amount.<sup>406</sup> In addition to their increasing prevalence, digital ads are often hidden from the public at large due to enhancements in online targeting, which hinders the ability to spot disinformation campaigns until well after elections.

This calls for public disclosures around who pays for digital political ads. That is exactly what the *Honest Ads Act* would require, modeling its new internet disclosure system on Federal Communications Commission (FCC) requirements for political ads on television and radio.<sup>407</sup> All social media companies would be legally required to maintain publicly accessible archives of ads run on their platforms that relate to political campaigns or legislative issues (including information about who bought the ads), and online political ads would have to clearly and conspicuously display disclaimers.<sup>408</sup> This mandate for “ad libraries” and disclaimers would essentially extend to the internet the same disclosure requirements that apply to traditional mediums, as recommended by the bipartisan Senate Intelligence Committee report on Russian interference in the 2016 election.<sup>409</sup>

The second development is that authoritarian governments and their proxies have adopted a much more aggressive posture toward interference in Western elections in recent years. While active measures were used in the Cold War, it was not a risk U.S. policymakers focused on when reforming campaign finance in 2002. While it is important that Western responses avoid sacrificing the open nature of our free societies, this new geopolitical environment warrants debate about whether to tighten restrictions against the ability of foreign countries to communicate their messages across borders through advertising.

As compared to *Honest Ads*, the *PAID AD Act* more aggressively targets foreign funders.<sup>410</sup> The only section of the U.S. legal code *PAID AD* amends is the foreign-source ban, expanding its scope with a couple new prongs.<sup>411</sup> First, foreign nationals would be prohibited from buying ads (in any format, including but not

406 See Borrell Associates, *The Final Analysis: Political Advertising in 2016*, Williamsburg, VA, 2016.

407 *Honest Ads Act*.

408 The *Honest Ads Act* has four other important provisions. First, it would expand the definition of electioneering communications (referring to candidate before an election without saying who to vote for) to include “internet or digital communication” (defined as anything “placed or promoted for a fee on an online platform”). Because the foreign-source ban includes and refers to that definition of electioneering, this would unambiguously outlaw ads used by Russia in 2016 to cast candidates in positive or negative lights while stopping short of advocating for a particular vote. Second, *Honest Ads* includes a requirement that all advertising platforms make reasonable efforts to prevent foreign nationals from violating the foreign-source ban. In keeping with the analogy to U.S. bank regulations, this will provide important motivation to build better defenses. Third, the bill includes reasonable thresholds thereby the ad library only applies to online platforms that have at least 50 million unique monthly visitors and ad buyers who spend at least \$500 on political ads. Fourth, *Honest Ads* would also require the FEC to complete a rulemaking around the ad libraries and report to Congress every two years about compliance, and it would prohibit the FEC from exempting digital ads from disclaimer requirements simply because they are smaller than television or print ads. See *Honest Ads Act; Issue One, “Detecting Foreign Election Interference: S. 1356 and H.R. 2592: The Honest Ads Act,”* November 2017.

409 *SSCI Report Vol. 2*, 2020.

410 *PAID AD Act*.

411 *PAID AD Act*. In addition to the two new prongs described above, *PAID AD* also expands the scope of electioneering communications to include “paid internet or paid digital communications.” Whereas *Honest Ads* does this by amending the global definition of electioneering (thus impacting domestic ad buyers too), *PAID AD* only expands the definition within the foreign-source ban (thus avoiding the criticisms of *Honest Ads* as having domestic campaign finance repercussions).

403 Ibid.

404 The biggest campaign finance law enacted since the post-Watergate reform of 1974 was the *Bipartisan Campaign Reform Act of 2002*, also known as McCain–Feingold. Its most important enduring reform was to set rules (disclosure requirements for purchases by Americans and prohibition for foreign nationals) and around “electioneering communications,” a newly defined type of political advertisement that runs a month or two before an election and refers to a clearly identified candidate without expressly advocating a vote for or against a candidate. Unfortunately, the definition only included “broadcast, cable, or satellite” communications, leaving out digital ads, which would not become a mainstream until the dramatic expansion of social media. See Congressional Research Service, *The State of Campaign Finance Policy: Recent Developments and Issues for Congress*, Washington, December 13, 2018, pp. 4–5.

405 Other trends since 2002 such as partisan gridlock at the FEC (which is also authorized to impose disclosures like *Honest Ads*, although not prohibitions like *PAID AD*) and in Congress have stymied policy responses. All these trends arguably have overlapping and interacting influences that call for a combination of disclosure and restrictions, but the distinction between these two critical challenges helps explain the different reform approaches.

limited to the internet) that “promote, support, attack or oppose the election of a clearly identified candidate” at any time whatsoever (whereas similar electioneering rules covering Americans only apply a month or two before an election). Some critics worry this could chill the speech of foreign citizens residing in the United States and whose lives are deeply affected by politicians, from the “dreamers” to people of Chinese ethnicity endangered by racism related to coronavirus.<sup>412</sup> Second, *PAID AD* would prohibit foreign governments and their proxies from buying issue ads in an election year for purposes of influencing an election. While this would outlaw ads like those bought by the Internet Research Agency to stoke division around race throughout 2016, it would also prohibit Mexico and Canada from using ads to share their views on the USMCA.<sup>413</sup>

For those worried about *PAID AD* too broadly prohibiting speech by nationals and governments from friendly countries, one option would be to exempt political ad purchases by nationals and governments from NATO and allied countries, just as we recommend for foreign-owned companies and campaign contact reporting.<sup>414</sup>

Another enhancement that would strengthen both *Honest Ads* and *PAID AD* would be to make social media platforms responsible for identifying the true beneficial owner ultimately funding the ad, rather than merely “the name of the person purchasing the advertisement” and “a contact person for such person.” This is similar to the beneficial ownership due diligence that the Treasury Department requires of U.S. banks. In our view, that is not too much to ask of social media companies.

Finally, note that *Honest Ads* and *PAID AD* are intended to be complementary, respectively broadening disclosures and the foreign-source ban. That is why both are included in the *SHIELD Act*, because resilience to malign foreign ads requires both broad transparency and targeted prohibitions.

<sup>412</sup> See Luis Miranda, “[Get The Facts On The DREAM Act](#),” U.S. National Archives, December 1, 2010; Allyson Chiu, “[Trump has no qualms about calling coronavirus the ‘Chinese Virus.’ That’s a dangerous attitude, experts say](#),” *Washington Post*, March 20, 2020. “Dreamer” refers to the 825,000 unauthorized immigrants brought to the United States as children who would have a pathway to legal permanent residency under the *DREAM Act*.

<sup>413</sup> See Washington Post, “[Americans deserve to know who pays for political ads. But is that enough?](#)” July 2, 2019.

<sup>414</sup> This would not really address another challenge with *PAID AD*, which is that it could help autocrats argue that this U.S. prohibition is similar to their own laws blocking Western spending on democracy promotion, even though that assistance is meant for non-political capacity-building rather than trying to influence election outcomes one way or the other. Limiting the prohibition to particular non-aligned countries could arguably make this problem even worse by justifying foreign designations of Western countries and institutions as “undesirable.” This risk weighs more heavily on prohibition bills like *PAID AD* than it does on mere disclosure bills like *Honest Ads* and the *DISCLOSE Act*.

# 6. Media Outlets with Foreign Funding

As with political ads, foreign-funded media outlets are proliferating rapidly, particularly through fringe start-up news websites, extending from Moscow and Tehran all the way westward to Ukraine, the European Union, Africa, and the Midwestern United States. With increasingly sophisticated tradecraft that usually involves some form of non-transparent presence within target countries where press freedoms are strongly protected, this intersection of malign finance and information operations is the cutting edge of foreign interference in democracies.

## New tools tested in Ukraine

The first place to see what new active measures Russia is cooking up tends to be Ukraine, given its long history as a testing ground for weapons that Moscow later deploys further west.

In the run-up to the 2019 Ukrainian election, Russia reused its tools of social media manipulation previously unveiled against the United States in 2016 and 2018. U.S. law enforcement tipped off Facebook about a network of Russian trolls presenting themselves as Ukrainians and sharing news stories in ways that had technical and behavioral overlaps with past activities by the Internet Research Agency.<sup>415</sup> Ukraine's cyber police also spotted a surge in Russian-linked bots.<sup>416</sup>

In some cases, those tactics were upgraded with new methods to avoid detection, including cases mentioned in the prior chapter on online political ads that overlap with online media outlets. First, a Russian agent in Kyiv tried to pay Ukrainian citizens for access to their personal Facebook pages.<sup>417</sup> Russia intended to use ads to promote fabricated news articles that it had planted to discredit presidential candidates opposed by the Kremlin.<sup>418</sup> Second, as noted previously, 364 Sputnik News employees in Moscow pretended to be operating independent news pages.<sup>419</sup>

Ukrainian politicians themselves also got into the disinformation game, with media outlets owned by or aligned with leading candidates slinging false accusations at opponents.<sup>420</sup> As in other countries, when Ukrainian elites fuel distrust of the country's news environment, it hurts Ukrainian democracy, making it ripe for further interference, which suits the Kremlin's perceived interests.

In addition to Russian social media manipulation and purely domestic disinformation, Ukrainian information and security experts we consulted see Russian malign influence operating through two new vectors of financial support for media outlets: funding small junk news websites and owning big traditional television channels.

<sup>415</sup> Gleicher, January 17, 2019.

<sup>416</sup> Schwirtz and Frenkel, 2019.

<sup>417</sup> Security Service of Ukraine, 2019.

<sup>418</sup> Schwirtz and Frenkel, 2019.

<sup>419</sup> Gleicher, January 17, 2019.

<sup>420</sup> See Nina Jankowicz, "Ukraine's Election Is an All-Out Disinformation Battle," *The Atlantic*, April 17, 2019.

First, as part of their mission to track Russian malign influence, Ukrainian intelligence services and civil society experts monitor thousands of small "junk websites" that are paid by unknown benefactors to publish "news" articles that push manipulative Kremlin narratives about Ukraine.

This distribution network was first spotted by Texty, a nongovernmental organization (NGO) in Kyiv investigating anti-Ukrainian misinformation.<sup>421</sup> They developed a machine-learning algorithm capable of identifying manipulative news articles, which then scoured the Ukrainian internet and found 80 outlets where at least 25 percent of the stories were manipulative.<sup>422</sup> The majority of the content was critical of the Ukrainian government.<sup>423</sup> A fourth of the sites were administered from Russia or the occupied territories in eastern Ukraine.<sup>424</sup> Experts we consulted see the websites continuing to turn over a couple times a year, restarting under new titles and URLs without any contact information or identification of editors.

The junk websites make money by being paid to write as well as remove stories that purport to reveal compromising material about a target person.<sup>425</sup> The researchers at Texty called one such "newsroom" and was told it would cost \$65 to publish a fabricated story discrediting a potential Ukrainian presidential candidate.<sup>426</sup> The sites also make money removing stories if the target is willing to pay what amounts to blackmail.<sup>427</sup>

Texty also believes the sites accept large orders that ultimately come from Russian propagandists.<sup>428</sup> They lack hard evidence, instead basing this assumption on their observation of the junk websites reposting Kremlin narratives that are critical of the Ukrainian government.<sup>429</sup> We include this case because we are told Ukrainian intelligence services also take this seriously as a threat vector of Russian malign influence.

Given the central role that money plays in the junk website business, Texty's principal legislative recommendation for countering disinformation is to require media outlets to declare their sources of financing.<sup>430</sup>

The second medium of outlets increasingly aligned with the Kremlin's interests is Ukrainian television news channels, about half of which have been taken over by Putin's closest confidant in Ukraine, Viktor Medvedchuk.<sup>431</sup>

<sup>421</sup> Bondarenko, et al., 2018.

<sup>422</sup> Ibid.

<sup>423</sup> Ibid.

<sup>424</sup> Ibid.

<sup>425</sup> Ibid.

<sup>426</sup> Ibid.

<sup>427</sup> Ibid.

<sup>428</sup> Ibid.

<sup>429</sup> Ibid.

<sup>430</sup> Ibid.

<sup>431</sup> See UkrInform, "Putin controls 50% of news channels in Ukraine—Yatsenyuk," May 18, 2020;

## **“The intersection of malign finance and information operations is the cutting edge of foreign interference.**

This is an important vector for information warfare in a country where television is the main news source for about three quarters of the population. As such, ownership of television channels has been a key factor behind the recovery of the pro-Russian political forces in Kyiv such that they now rank second among national parties.<sup>432</sup>

After gaining control through a middleman who made acquisitions between mid-2018 and mid-2019, Medvedchuk is now regarded as the owner of three Ukrainian channels: 112, NewsOne, and ZIK.<sup>433</sup> While these three channels only have a 3 percent share of the total Ukrainian television market, they do not provide any entertainment content.<sup>434</sup> Instead, they dominate news and political programs.<sup>435</sup> By one credible estimate, the three channels host a 45 percent share of Ukraine’s informational TV market.<sup>436</sup> As with most other Ukrainian media, the shows are used to advocate for politicians associated with the oligarchs who own them, which in the case of Medvedchuk’s channels means himself and pro-Russian presidential candidate Yuriy Boyko.<sup>437</sup>

Medvedchuk and Boyko also enjoy steadfast support from the Inter television channel, which is owned by either Firtash or Medvedchuk.<sup>438</sup> Adding Inter, the estimated share of top Ukrainian informational shows owned by the pro-Russian group rises to 55 percent, including 75 percent of the top political programs and 35 percent of the top news shows.<sup>439</sup>

In May 2020, the threat was summed up by former prime minister Arseniy Yatsenyuk, who warned that “Putin controls 50 percent of the news channels in Ukraine, so he can easily control 50 percent of the minds and hearts of Ukrainians.”<sup>440</sup>

## **Westward probing in the European Union**

Three cases of Russian-supported online media outlets in the E.U. show a steady march further into Western nations: first in the Baltics starting in 2013, then a Berlin-based operation targeting Americans in 2017 and 2018, and finally interference in

Tetiana Popova, “[Аналіз по інформаційному вещанню \[Analiz po informatsionnomu veshchaniyu\]](#),” Facebook, June 18, 2019.

432 See Hromadske, “[Parties’ Funding: How Pro-Russian Oligarch Viktor Medvedchuk Is Regaining Power in Ukraine](#),” July 19, 2019.

433 See UNIAN, “[Putin’s crony Medvedchuk in talks to acquire two more Ukrainian TV channels—journalist](#),” June 21, 2019.

434 See Olena Makarenko, “[Putin crony Medvedchuk gains hold of Ukrainian TV channel ZIK, causing uproar in media community](#),” Euromaidan Press, June 6, 2019.

435 Ibid.

436 [Popova](#), 2019.

437 Oksana Grytsenko and Oleksiy Sorokin, “[Media Grab: Oligarchs, pro-Russian forces use TV to push political agenda](#),” Kyiv Post, June 21, 2019. The extent to which Ukrainian media is driven by known interests leads some media experts in Kyiv who we consulted to discount the broad influence that these channels have on the public, as most viewers understand that each channel—including 112, NewsOne, and ZIK—offers a particular perspective.

438 See UNIAN, “[Medvedchuk reportedly buys 80% of TV Channel Inter from fugitive oligarch Firtash—media](#),” June 30, 2019.

439 [Popova](#), 2019.

440 [UkrInform](#), 2020.

Sweden’s 2018 election.

First, a shell company registered three websites in a small Dutch town in 2013: baltnews.lv, baltnews.ee, and baltnews.lt (one dedicated to each of the three Baltic countries).<sup>441</sup>

Baltnews claimed to be a portal of independent local news outlets owned by private investors in the Netherlands.<sup>442</sup> In truth, they were owned by a string of front companies whose ultimate beneficial owner was Rossiya Segodnya, the Russian state-owned news agency.<sup>443</sup> Rossiya Segodnya is also the parent company that owns Sputnik News, but the difference between Sputnik News and Baltnews is that Baltnews did not disclose that it was established, funded, managed, and owned by the Russian government.<sup>444</sup>

The secret ownership by the Russian government was first noticed by the Estonian security service, which identified a co-founder to be Vladimir Lepekhin, the “animosity ambassador” of Kremlin propaganda “who participates in Russia’s influence operations in neighboring countries.”<sup>445</sup>

An investigative report by BuzzFeed later revealed that the other co-founder, Aleksandr Kornilov, took editorial orders from Rossiya Segodnya, which provided lists of topics to be covered.<sup>446</sup> The editorial lines provided by the Russian government were meant to heighten social division within the Baltic nations, encourage diplomatic splits with Western nations, and push Moscow’s geopolitical narratives.<sup>447</sup>

Second, two online video channels—Maffick Media and Redfish—have misleadingly represented themselves as independent amateur productions without disclosing that they are ultimately owned by RT, which is in turn funded by the Russian government and described by the U.S. intelligence community as “the Kremlin’s principal international propaganda outlet.”<sup>448</sup>

Both online channels produce videos that fan the flames of social tensions within Western countries or offer criticism of U.S. foreign policy and the media.<sup>449</sup> Both employ former RT workers.<sup>450</sup> Both are owned and co-located at the same Berlin address as RT’s acknowledged subsidiary Ruptly TV.<sup>451</sup> Neither discloses to viewers their close ties to the Russian government.<sup>452</sup>

Third, Swedish security officials say Russia interfered in the country’s September 2018 election by nurturing its anti-im-

441 See Inga Springé and Sanita Jemberga, “[Sputnik’s Unknown Brother](#),” Re:Baltica, April 6, 2017.

442 Ibid.

443 Ibid.

444 Ibid.

445 Estonian Internal Security Service (KAPO), [Annual Report 2014](#), Tallinn, 2014.

446 See Roonemaa and Springé, 2018.

447 Ibid.

448 See Hanlon and Morley, 2019; Donie O’Sullivan, et al., “[Russia is backing a viral video company aimed at American millennials](#),” CNN, February 18, 2019; Charles Davis, “[‘Grassroots’ Media Startup Redfish Is Supported by the Kremlin](#),” The Daily Beast, June 19, 2018;

449 See O’Sullivan, et al., 2019; Davis, 2018.

450 See O’Sullivan, et al., 2019; Davis, 2018.

451 See O’Sullivan, et al., 2019; Davis, 2018.

452 See O’Sullivan, et al., 2019; Davis, 2018.

migrant digital ecosystem, including at least six far-right news websites.<sup>453</sup>

The fringe news sites feed content to a network of closed Facebook pages built by the Sweden Democrats, a political party with neo-Nazi roots.<sup>454</sup> Despite having only ever previously won 5.7 percent of the vote, the Sweden Democrats had more online presence than any other party going into the 2018 election, in which they enjoyed their best showing ever, winning 18 percent.<sup>455</sup>

Sweden's alt-right information space benefited from several foreign support mechanisms.<sup>456</sup> These included state and non-state actors, contributors closely tied to the Kremlin, and web links from abroad that help improve websites' search ranking.<sup>457</sup> There were also incidents in which dozens of masked men tried to start violent riots against police officers in immigrant communities and then Russian state-owned TV channels suddenly showed up offering to pay young immigrants to make trouble in front of their cameras.<sup>458</sup>

Most intriguing is the covert assistance that the six far-right Swedish websites received from the same obscure source.<sup>459</sup> The sites were financially supported by advertising revenues from a network of ad buyers that were distributed in an effort to appear unrelated but turned out to all trace back to companies located at the same Berlin address and owned by the same parent company, Autodoc GmbH.<sup>460</sup> That is an online auto-parts store owned by four businessmen from Russia and Ukraine, three of whom have adopted German-sounding last names.<sup>461</sup> Autodoc also placed ads on anti-Semitic and other extremist websites in Germany, Hungary, Austria, and elsewhere in Europe.<sup>462</sup> An early version of the Autodoc website also had a hidden back door (only accessible if you know and type in the full URL) to socially divisive content completely unrelated to auto parts translated into a variety of European languages.<sup>463</sup>

The progression of covert support channels—from shell companies in the Baltics to state subsidiaries in Berlin and obscured ad revenues and secret online backdoors in Sweden—shows a clear westward progression of increasingly sophisticated backing of media outlets. And the spread has now extended beyond the European continent.

## Prigozhin's African laboratory

The Kremlin seems to now treat Africa like a weapons lab to test

new, more aggressive methods in the years between bigger conflicts like U.S. presidential elections.<sup>464</sup> A bit like Ukraine, Africa offers a ripe environment to buy malign influence over traditional news and online media outlets, given the relatively weak institutions of democracy (such as an independent press) and deeply entrenched corruption (particularly in the natural resources sector).<sup>465</sup> Most Russian government-mandated hybrid warfare activities in Africa are carried out by Wagner Group, which is the shadowy private security outfit funded by Kremlin-connected oligarch Yevgeny Prigozhin.<sup>466</sup> Wagner's mix of low-tech and cutting-edge methods intersect malign finance and information manipulation, funding both traditional media assets and social media troll farms.

**"The Kremlin seems to now treat Africa like a weapons lab to test new, more aggressive methods in the years between bigger conflicts like U.S. presidential elections."**

In Madagascar, Wagner printed and distributed the island's largest newspaper.<sup>467</sup> The articles are written by local students paid to write flattering pieces in the local language about candidates favored by the Kremlin.<sup>468</sup>

The most salient Russian activity in the Central African Republic is Prigozhin's mercenaries working to protect the government and other local elites in order to secure the diamond trade.<sup>469</sup> But Wagner also launched a radio station to broadcast Kremlin talking points in the country and distributes a free newspaper to publicize the benefits to Russia's presence in the region.<sup>470</sup>

Libya is similarly known as a destination for Wagner mercenaries supporting warlord Khalifa Haftar.<sup>471</sup> There, Wagner is reusing the Madagascar playbook by creating a pro-Haftar newspaper (printing a circulation of 300,000 copies distributed to territory controlled by Haftar) while also hedging its bets by also supporting the opposition (including an extensive campaign to bring to power Saif al-Islam Gaddafi, the son of the late dictator).<sup>472</sup> To explain to Saif al-Islam Gaddafi how he could win, Prigozhin flew in one of his troll farm workers who "specializes in influencing elections that are to be held in several African states."<sup>473</sup> Moreover, Prigozhin's funding of media outlets is even more

<sup>453</sup> See Becker, 2019.

<sup>454</sup> Ibid.

<sup>455</sup> See The Local.se, "Sweden Democrats nation's best on social media—but will it transfer to the election?" March 18, 2018; Deutsche Welle, "Sweden's general election results in stalemate as far-right support surges," September 10, 2018.

<sup>456</sup> See Becker, 2019.

<sup>457</sup> Ibid.

<sup>458</sup> Ibid.

<sup>459</sup> Ibid.

<sup>460</sup> Ibid.

<sup>461</sup> Ibid.

<sup>462</sup> Ibid.

<sup>463</sup> Ibid.

<sup>464</sup> This is enough of a concern to the Department of Homeland Security and FBI that their February 2020 memo to the states describing threat vectors to watch for explicitly mentioned Prigozhin's activities in Africa. While U.S officials "have not previously observed Russia attempt this action against the United States," they noted that Russian strategists believed to be working for Prigozhin "were involved in political campaigning in approximately twenty African countries during 2019." This is likely a reference to an April 2019 investigative report by Proekt. See Tucker, AP News, 2020; Rozhdestvensky, et al., 2019.

<sup>465</sup> See Weiss and Rumer, 2019.

<sup>466</sup> See Harding and Burke, June 2019.

<sup>467</sup> Ibid.

<sup>468</sup> See Schwartz and Borgia, 2019.

<sup>469</sup> See Dionne Searcey, "Gems, Warlords and Mercenaries: Russia's Playbook in Central African Republic," The New York Times, September 30, 2019.

<sup>470</sup> See Estonian Foreign Intelligence Service, pp. 63.

<sup>471</sup> See BBC, "Wagner, shadowy Russian military group, 'fighting in Libya,'" May 7, 2020.

<sup>472</sup> See Weiss and Vaux, 2019; Badanin and Churakova, 2019; Al-Atrash, 2020.

<sup>473</sup> See Samer al-Atrash, et al., "Libya Uncovers Alleged Russian Plot to Meddle in African Votes," Bloomberg, July 5, 2019.

advanced in Libya than it is in other African countries. From January 2019 onwards, Wagner revitalized the old pro-Gaddafi propaganda channel with technical, financial, and advisory support.<sup>474</sup> This included paying off the TV station's debts in exchange for a 50 percent equity stake, modernizing it with entertaining programming that resembles modern Russian news TV, unifying the channel with a related news agency, launching six new regular broadcasts, and building up an extensive social media presence.<sup>475</sup> At the same time, they also advised a pro-Haftar TV station on how to optimize its broadcasting.<sup>476</sup>

Recall that Prigozhin is best known for funding the St. Petersburg-based Internet Research Agency troll farm indicted for interfering in the 2016 U.S. election.<sup>477</sup> Thus it comes as no surprise that he has been running multiple networks of trolls targeting collectively eight African countries.<sup>478</sup> They pose as local news organizations, establish or hire genuine media organizations, pay subcontractors who are native speakers to write favorable articles about Russia's preferred candidates, share stories from state media outlets in both Russia and Africa, and direct traffic to alternative news websites.<sup>479</sup> This array of African operations demonstrates the powerful symbiosis between social media manipulation and funding of traditional and online news outlets.<sup>480</sup>

## Foreign websites pretending to be U.S.-based

The U.S. cases are split into two types, with two examples of each. This first section covers two fully verified and attributed cases of authoritarian regimes creating websites in their own countries that are made to look like they are purely American news services. The next section will touch upon reporting of suspected but unproven foreign funding of two U.S. media outlets.

First is a Moscow-based website called USA Really which features stories about divisive U.S. social and political issues.

USA Really is probably an amateurish project that should not be overstated in terms of its reach or what it means about the Kremlin's capabilities. However, we include it as a case of foreign interference in our data for a couple reasons. One is that its founder, Alexander Malkevich, was sanctioned by the U.S. government for attempting to interfere in the 2018 midterm elections.<sup>481</sup> The other is that the site is funded by the Federal News Agency, an offshoot of the Prigozhin-funded Internet Research Agency.<sup>482</sup>

In fact, the most interesting aspect of USA Really might be that its launch was publicized with a press release by the Federal News Agency and a trip to Washington, DC, by Malkevich.<sup>483</sup> If there is any organized design behind this effort, it could be an experiment with more overt operations whereby Kremlin-connected (yet legally non-government) actors claim responsibility in some public forums while the website itself lacks viewer disclaimers about its ties to Russian government-affiliated actors. It could be meant to test the boundaries of what the U.S. government and U.S. technology platforms will allow while also seeking to legitimize a new form of information manipulation. Or it could be an inexpensive farce that does little more than attract some publicity and exemplify how Russian chaos strategy is often carried out by opportunistic freelancers with varying degrees of competence.

The second case of foreign websites purporting to be American is more extensive and covert: Iranian state media created at least six inauthentic news websites, including Liberty Front Press, and supported them with 652 Facebook accounts and pages, 284 Twitter handles, and accounts on YouTube, Pinterest, Reddit, Instagram, and Google Plus.<sup>484</sup>

The websites purported to be independent news services operated by Americans.<sup>485</sup> In reality, they were set up by Iranian state media organizations such as Press TV.<sup>486</sup> Much of their content was appropriated from genuine news outlets like Politico and CNN and occasionally modified to promote political narratives in line with Iranian interests, including anti-Saudi, anti-Israeli, and pro-Palestinian themes, as well as support for the Iran nuclear deal.<sup>487</sup>

American Herald Tribune is an inauthentic news site that was included in the network but was not one of the six sites publicly named in the initial reports.<sup>488</sup> Established in 2015, one of its most viral stories was a since-debunked claim about Donald Trump's father being in the Ku Klux Klan.<sup>489</sup> For a fee of a couple hundred dollars, the story was authored by a U.S. citizen in Salem, Oregon.<sup>490</sup> Viewed more than 29 million times, the story still appears on the American Herald Tribune website and in Google search results.<sup>491</sup>

<sup>483</sup> See Sergei Petrov, “*«Проснись, Америка»—ФАН готовит к запуску новое информационное агентство [“Prosnis’, Amerika”—FAN gotovit k zapuskru novoye informatsionnoye agentstvo]*,” Federalnoye Agenstvo Novostei, April 4, 2018; Amy MacKinnon, “*Russian Troll or Clumsy Publicity Hound?*” *Foreign Policy*, June 15, 2018; Amy MacKinnon, “*The Evolution of a Russian Troll*,” *Foreign Policy*, July 10, 2019. The trip turned out to be a bit of a flop, as within hours of arriving he was ejected from his WeWork rental near the White House while Facebook and Twitter quickly blocked access to USA Really and he has not been able to attract American employees.

<sup>484</sup> See FireEye, “*Suspected Iranian Influence Operation Leverages Network of Inauthentic News Sites & Social Media Targeting Audiences in U.S., UK, Latin America, Middle East*,” August 21, 2018; *Facebook*, August 21, 2018.

<sup>485</sup> See FireEye, 2018; *Facebook*, August 21, 2018.

<sup>486</sup> See FireEye, 2018; *Facebook*, August 21, 2018.

<sup>487</sup> See FireEye, 2018; *Facebook*, August 21, 2018.

<sup>488</sup> See Donie O’Sullivan, “*Exclusive: This site pays Americans to write ‘news’ articles. Signs indicate it originates in Iran*,” CNN, January 24, 2020.

<sup>489</sup> Ibid.

<sup>490</sup> Ibid.

<sup>491</sup> See Washington Post, “*Tech companies’ scattershot war on disinformation isn’t working*,” January 30, 2020.

<sup>474</sup> See Pierre Vaux, “*Jamahiriya TV*,” *The Interpreter*, September 11, 2019.

<sup>475</sup> Experts at the Stanford Internet Observatory note that through the secret investment in Jamahiriya TV station “Prigozhin is refining his ability to blur the lines of media authenticity.” They note that it has become difficult to know when foreign support for local media outlets crosses the line into facilitating inauthentic behavior. For example, Jamahiriya TV was historically pro-Gaddafi. But after Prigozhin invested it also started supporting Haftar. The shift backfired when locals on social media derided the “Haftarization” as obvious foreign influence. See Grossman, et al., 2020.

<sup>476</sup> See Grossman, et al., 2020.

<sup>477</sup> See MacFarquhar, 2018.

<sup>478</sup> See Gleicher, October 30, 2019.

<sup>479</sup> See Harding, 2019; *Stanford Internet Observatory*, 2019.

<sup>480</sup> See Grossman, et al., 2020.

<sup>481</sup> Treasury, December 2018

<sup>482</sup> Ibid.

## U.S. websites with undisclosed funding sources

We have not identified any proven cases of U.S.-based media outlets secretly funded by authoritarian regimes. But the risk is evident, not only from foreign-funded outlets in other democracies that target those populations along with Americans, but also because U.S.-based outlets are not required to disclose their sources of funding. The inability to identify foreign money is demonstrated by investigative journalists who have scrutinized fringe U.S.-based outlets on both the left and the right yet have not found definitive answers.

An example on the left is Mint Press News, a Minnesota-based website which publishes international news sourced from major outlets while adding a strong slant that either criticizes the foreign policies of Israel, Saudi Arabia, or the United States or sympathizes with the ruling regimes of Iran or Syria.<sup>492</sup> Its best-known article—falsely claiming a chemical weapons attack in Syria had actually been perpetrated by rebel groups rather than the Assad regime—was cited as evidence by Syria, Iran, and Russia, though it turned out to have been reported by a man in Syria who at times appears to have been based in St. Petersburg and Tehran.<sup>493</sup> When staff asked who funded their paychecks, they were told it was “retired business people.”<sup>494</sup> The hidden nature of the funding caused some staff enough discomfort that former employees cited it as their reason for leaving Mint Press.<sup>495</sup> Local journalists have tried and failed to figure out where Mint Press’s money comes from.<sup>496</sup> The outlet’s first hire told BuzzFeed News that questions about the funding and control of Mint Press always seem to circle back to the founder’s father-in-law, who was

492 See Lambert, 2015; Rosie Gray and Jessica Testa, “*The Inside Story Of One Website’s Defense Of Assad*,” Buzzfeed, October 1, 2013. Mint Press News calls itself an “independent watchdog journalism organization” that is “committed to rejecting any funding sources that attempt to influence what we report on and how we do so.” Mint Press News, “*About*,” accessed June 16, 2020. It was registered as a Minnesota LLC in June 2011 by Mnar Muhamesh. David Brauer, “*Who is MintPress and why are they doing all this hiring?*” MinnPost, January 18, 2012. While she named herself as the owner, the contact information was for her father-in-law, Odeh Muhamesh, whose name does not appear on Mint Press masthead. *Gray and Testa*, 2013. Despite having barely any ads, Mint Press paid above-market salaries and quickly attracted a full-time staff of six. See *Gray and Testa*, 2013.

493 See Dave Gavlak and Yahya Ababneh, “*EXCLUSIVE: Syrians In Ghouta Claim Saudi-Supplied Rebels Behind Chemical Attack*,” Mint Press News, August 29, 2013; M. Nassr and H. Said, “*Infowars: Saudi Arabia threatened AP reporter who revealed terrorists’ responsibility for chemical attack in Syria*,” Syrian Arab News Agency, September 24, 2013 (Internet Archive); Press TV, “*US reporter threatened by Saudi Arabia over Syria chemical weapons attack*,” September 24, 2013 (Internet Archive); RT, “*Homemade sarin was used in attack near Damascus—Lavrov*,” September 26, 2013. The journalist Mint Press presented as the author demanded that her byline be removed, but Mint Press refused, even after the journalist went public with allegations that the piece was actually reported by the man in Syria and she only helped him translate it into English. See Eliot Higgins, “*Statement By Dale Gavlak On The Mint Press Article ‘Syrians In Ghouta Claim Saudi-Supplied Rebels Behind Chemical Attack’*,” Brown Moses Blog, September 20, 2013.

494 See *Gray and Testa*, 2013.

495 See *Gray and Testa*, 2013. One reporter told BuzzFeed: “I stopped writing for Mint Press because I felt deeply uncomfortable that its financiers are hidden from both writers and the public. Whether this dark money influenced the mess that happened with the Syria chemical weapons piece remains to be seen. But given the gravity of the ongoing Syrian humanitarian quagmire, the public deserves to know who’s funding not only Mint Press, but everyone else who’s weighed in on Syria, as well.” *Gray and Testa*, 2013.

496 See Lambert, 2015. As staffing levels declined following the 2013 Syria controversy, the Mint Press website continued to list addresses of their physical office spaces, but local journalists spent hours driving around only to find that the sites are apparently fictitious or associated with unrelated businesses. The phone numbers on their website had been disconnected while emails went unanswered, even though Mint Press has remained in business. In dueling commentaries published by Minnesota’s largest newspaper, a critic argued that “Mint Press is accountable only to its anonymous funders,” to which Mnar Muhamesh replied: “Much of our funding ... comes from donations, sponsorships, grants and ad revenue. There’s no secret about who is behind MintPress. Our staff, correspondents, business model and syndication partners are listed on our website.” Terry Burke, “*Media beyond the mainstream: Syria’s information wars*,” Minneapolis Star Tribune, October 27, 2015; Mnar Muhamesh, “*Counterpoint: Don’t bash watchdogs in Syria’s ‘information war’*,” Minneapolis Star Tribune, November 5, 2015. Local journalists noted that “While the Mint Press site does indeed list 20 writers and a mission statement, there is nothing there that speaks to where the money is coming from to pay any of these people, the majority of whom are far-flung activist bloggers and none of whom were part of the group filling the operation’s Plymouth office four years ago.” *Lambert*, 2015.

born in Jordan and later studied for five years under a Grand Ayatollah in Qom, Iran, before becoming an adjunct professor of Islamic theology at St. Thomas University.<sup>497</sup>

An example on the right is The Daily Stormer, a neo-Nazi website that was registered in Ohio in 2013 and became the top hate site in America by 2017.<sup>498</sup> Its finances are non-transparent because it does not have advertising or commercial sponsorship, instead relying on undisclosed donors.<sup>499</sup> The most shared Daily Stormer post celebrated the murder of Heather Heyer when an Ohio man drove his car into a crowd in Charlottesville, Virginia.<sup>500</sup> At that point, U.S. tech platforms canceled the site’s domain registration, email services, and cyberattack protection.<sup>501</sup> The Daily Stormer went dark but then reappeared the next day as dailystormer.ru (Russian) and then spent months cycling through the domains of various small countries around the world before settling in February 2020 on .su, the domain that was assigned to the Soviet Union in 1990 and now provides haven to cyber criminals and pro-Kremlin projects.<sup>502</sup> A week after the Charlottesville rally, when the Daily Stormer could not get U.S. banking and payment processing services, it received its single biggest known donation in the form of bitcoin.<sup>503</sup> While it is still unclear who provided the bitcoin, an investigation by a U.S. cyber security firm found that before being laundered through 29 pass-through wallets it originated from a transaction with an English and Russian speaker sitting on \$25 million in bitcoin.<sup>504</sup> That transaction was in 2012, around the time when Anglin relocated to Russia, where he continues to hide as a fugitive of U.S. legal enforcement.<sup>505</sup>

Having described these two websites and their non-transparent funding, it is very important to remember that protecting the values of an open society under the rule of law requires the high-

497 See *Gray and Testa*, 2013.

498 See Luke O’Brien, “*The Making of an American Nazi*,” The Atlantic, December 2017; Brett Barrouquere, “*Family Ties: How Andrew Anglin’s dad helped his neo-Nazi son with the Daily Stormer*,” Southern Poverty Law Center, December 20, 2018. The site was founded and operated by Andrew Anglin, who relies on his father to file paperwork for the site in Ohio while he lives abroad. Anglin got attention in the summer of 2015 for endorsing Trump on the Daily Stormer, and then the site’s web traffic climbed throughout the 2016 election season. An analysis conducted in February 2017 showed that The Daily Stormer’s Twitter reach was also being amplified by a network of bots and trolls that shut down for the night between 5:00 p.m. and 11:30 p.m. Eastern Time, which is midnight to 6:30 a.m. in St. Petersburg, Russia. See *O’Brien*, 2017.

499 The Daily Stormer lacks access to U.S. bank accounts and major online fundraising platforms, so it is funded by mailed-in donations from undisclosed supporters, some of whom paid in foreign currencies. See *Barrouquere*, 2018.

500 See *O’Brien*, 2017. The murderer chanted racist phrases that Anglin had pushed on the Daily Stormer along with posts encouraging men to beat up and rape women. See *O’Brien*, 2017.

501 See *O’Brien*, 2017. The Daily Stormer was dropped first by its domain registrar, GoDaddy, and then by its email service providers, Zoho and SendGrid, as well as the company that protected it against cyberattacks, Cloudflare. See *O’Brien*, 2017.

502 See Talia Lavin, “*The Neo-Nazis of the Daily Stormer Wander the Digital Wilderness*,” The New Yorker, January 7, 2018; The Guardian, “*Hack in the USSR: cybercriminals find haven in .su domain space*,” May 31, 2013. The .su domain was also mentioned as a potential way to securely transmit documents when Matteo Salvini’s lieutenants met with Kremlin associates to negotiate terms of an oil deal to illegally fund the League. See Buzzfeed, “*Read The Full Transcript Of The Italian Far Right And Russia Oil-Del Deal Meeting*,” July 10, 2019. For other pro-Kremlin projects, see, e.g., Kremlin-aligned youth organization in Russia, “*Движение “НАШИ” [Dvizheniye “NASHI”]*,” (*nashi.su*) accessed in the Internet Archive on June 12, 2020; self-declared Russian-supported separatist government in eastern Ukraine, “*Донецкая Народная Республика Официальный сайт [Donetskaya Narodnaya Respublika Ofitsial’nyi sayt]*,” (*dronline.su*), accessed June 11, 2020.

503 See *O’Brien*, 2019. The \$60,000 bitcoin donation was enough to keep the hate site running. See *O’Brien*, 2019.

504 See *O’Brien*, 2019.

505 See *O’Brien*, 2019. Anglin’s mother visited him there and returned to find FBI agents waiting for her at the airport. *O’Brien*, 2019. In 2016, his absentee ballot was mailed from Krasnodar, a city in southwest Russia. *O’Brien*, 2017. In 2018, he started a fake Twitter account (having been banned from the platform since 2015) marking its location at Rostov-on-Don, a Russian city near Krasnodar. See Matthew Kassel, “*Neo-Nazi Andrew Anglin Is Still On Twitter Despite Ban — And Now We Know Where*,” Forward, July 2, 2019. During this time, Anglin’s articles cast Putin in a favorable light and his technical collaborator who lives in Transnistria, the Russian-backed separatist region of Moldova, admitted to setting up the site on “a much beefier server in the Russian Federation.” See *O’Brien*, 2017.

est evidentiary standard before labeling U.S. citizens and U.S. media outlets as beneficiaries of malign assistance from foreign powers. In our view, these two cases do not meet those standards, so they are not included in our dataset of foreign interference. This discussion is not meant to imply wrongdoing, but rather to illustrate the possible national security risk enabled by the total lack of disclosure requirements about U.S. online media outlets' sources of funding from hostile foreign countries.

## U.S. Recommendation:

**Online media outlets should have to publicly disclose their beneficial owners in “outlet libraries” maintained by U.S. technology companies, while the United States should return to banning more than 25 percent foreign ownership of television and radio licenses and should require foreign agents to make clearer on-air disclosures.**

The combination of traditional and online media assets in foreign interference campaigns suggests that defenses should be similarly broad-based, from radio and television stations to online media outlets. However, the scope of such regulations must be calibrated based on the differing strictness of constitutional scrutiny facing the two mediums.

### Radio and television

The United States has prior tradition of regulating foreign funding of media assets to prevent news outlets from becoming channels for foreign propaganda. In 1934 when radio and television were the emerging technologies of the day, Congress restricted foreign ownership of broadcast assets by prohibiting foreign nationals from owning more than 25 percent of a station license.<sup>506</sup> This was meant as a national security safeguard to protect ship-to-shore communications and thwart the airing of foreign propaganda on U.S. airwaves.<sup>507</sup>

After decades of this rule serving as an effective ban against significant foreign ownership, the FCC changed its policy in 2013 to start approving foreign holdings above 25 percent, subject to case-by-case evaluations in coordination with the national security agencies of the executive branch.<sup>508</sup> The deregulation was

driven by broadcasting companies lobbying for access to foreign capital and arguing that the restriction was an antiquated wartime law from a bygone era when radio stations were a likely channel for foreign propaganda.<sup>509</sup>

With the benefit of hindsight, the FCC's 2013 deregulation was unfortunately timed on the eve of the revival of authoritarian information operations. As documented in this report, activity jumped starting in 2014 and was not solely limited to online channels. Putin-connected oligarchs interfere in democracies by owning traditional media assets, from Prigozhin's African radio stations, broadcast television, and satellite channels to Viktor Medvedchuk and Dmytro Firtash's ownership of half of Ukrainian television news.<sup>510</sup> Russia has also used shell companies to pretend outlets are owned by passive investors in allied countries like the Netherlands, while China's United Front has used traditional media to interfere in Taiwan and effectively monopolize Chinese-language media in Australia and New Zealand.<sup>511</sup> Instead of reconsidering its deregulation in light of these risks, the FCC has pushed further and approved foreign ownership up to levels of 100 percent in 2017 and 2020.<sup>512</sup>

In our view, the FCC or Congress should return to prohibiting foreign-owned companies from acquiring more than 25 percent of U.S. broadcast licenses. At a minimum, Congress should enact a requirement that lawmakers be given a 30-day opportunity to overrule FCC decisions approving foreign acquisitions above 25 percent, if only to motivate more regulatory scrutiny and public justification around such decisions.

Additionally, Russia, China, and other governments use funding avenues *short of ownership* (such as leases and brokered fees) to pay U.S. television and radio owners to carry state media programming. RT pays for its network to be carried by major U.S. cable, satellite and broadcast operators in a unique way that leaves the stations unable to cease the programming under the U.S. “leased access” law.<sup>513</sup> Rossiya Segodnya (the Russian state-owned news agency that is the parent company of Sputnik News) handsomely pays two previously struggling radio stations—one in Washington, DC, and one in Kansas City, MO—to broadcast Radio Sputnik programming.<sup>514</sup> Sputnik is negotiating to similarly expand to other cities and intends to broadcast in all major U.S. markets.<sup>515</sup> As for China, CGTN America is the

509 See *Commission Policies Declaratory Ruling*, pp. 9-10.

510 See *Estonian Foreign Intelligence Service*, pp. 63; *Grossman, et al.*, 2020; *Popova*, 2019.

511 See *Springe and Lemberg*, 2017; Jason Pan, “*China steps up ‘united front’ to sway elections: forum*,” *Taipei Times*, November 1, 2019; Yimou Lee and I-hwa Cheng, “*Paid ‘news’: China using Taiwan media to win hearts and minds on island — sources*,” *Reuters*, August 9, 2019; *Bowe*, pp. 18-19.

512 Memorandum Opinion and Order and Declaratory Ruling before the Federal Communications Commission, *In the matter of Frontier Media, LLC*, DA 17-190, February 23, 2017; Declaratory Ruling before the Federal Communications Commission, *In the matter of Cumulus Media, Inc.*, MB Docket No. 19-143, May 29, 2020 (“*Cumulus Declaratory Ruling*”). The May 2020 approval of foreign ownership up to 100 percent showed some of the protections the FCC now uses in its approval process. The U.S. company, which was emerging from bankruptcy and would be on a stronger financial footing if it could sell equity warrants to foreign investors, is the owner of nearly 450 radio broadcast station licenses. The FCC received a letter from “relevant Executive Branch agencies with expertise on issues related to national security, law enforcement, foreign policy, and trade policy … stating that they have no objection to grant of the request and have not requested that we impose any conditions on grant.” The FCC also stipulated that the company would have to come back to the FCC for approval before any foreign investor or group of foreign investors would be allowed to own more than five percent of the company. *Cumulus Declaratory Ruling*.

513 See Shalini Ramachandran, “*RT Channel’s Unique Carriage Deals Make It Difficult to Drop in U.S.*,” *The Wall Street Journal*, January 25, 2017.

514 See Neil MacFarquhar, “*Playing on Kansas City Radio: Russian Propaganda*,” *The New York Times*, February 13, 2020.

515 See Chris Haxel, “*Russian ‘Propaganda Machine’ Selects Kansas City As Its Second Radio Broad-*

506 See 47 U.S.C. § 310.

507 Declaratory Ruling before the Federal Communications Commission, *In the matter of Commission Policies and Procedures Under Section 310(b)(4) of the Communications Act, Foreign Investment in Broadcast Licensees*, MB Docket No. 13-50, November 14, 2013, pp. 1 (“*Commission Policies Declaratory Ruling*”).

508 *Commission Policies Declaratory Ruling*, pp. 1. The FCC was able to do this without an act of Congress because the statute explicitly provides an exception “if the Commission finds that the public interest will be served.” As such, the deregulation technically just “clarified” the FCC’s interpretation of the law that ownership may be permissible above the 25 percent threshold if the FCC approves the transaction, and the FCC said it was open to considering foreign investment proposals. This was surprising to many who had treated the 25 percent limitation as an absolute cap for decades. See Brian Fung, “*FCC relaxes rule limiting foreign ownership of media stations*,” *Washington Post*, November 14, 2013; David Oxenford, “*FCC Allows More Than 25% Foreign Ownership of Broadcast Stations — Instructions for Investors are to Be Developed*,” *Broadcast Law Blog*, November 22, 2013.

D.C.-based part of the international arm of CCTV, the main domestic propaganda organ of the Chinese Communist Party.<sup>516</sup> Through CGTN America, Beijing reaches 30 million Americans by broadcasting seven hours of daily programming through cable and satellite providers like AT&T and Comcast.<sup>517</sup>

Unlike bans against foreign nationals owning broadcast licenses, government prohibitions against contracting with foreign media would violate the First Amendment rights of Americans (including U.S. broadcast licensees or cable operators as they choose their programming content). However, the government can and should insist that listeners be clearly and frequently warned that they are tuning into propaganda sponsored by a foreign government, putting in effect a commonsense disclosure requirement.

In theory, the executive branch already has legal authority to require effective disclosure and has indeed employed some of these tools. In 2017 the DOJ insisted that RT and Sputnik register as foreign agents under the Foreign Agents Registration Act (FARA) after the U.S. intelligence community concluded that both outlets contributed to Russian interference in the 2016 election.<sup>518</sup> Similarly, in 2019, CGTN America registered as a foreign agent at the urging of the DOJ.<sup>519</sup> FARA registration requires foreign agents to file paperwork detailing business arrangements, which is why we know what amount Rossiya Segodnya pays radio stations to broadcast Radio Sputnik.<sup>520</sup> It also requires foreign agents to label their information distributions, which in the case of radio and television broadcasts means on-air identification of the foreign principal (which could be a government or a private entity or person) and disclosure that more information is on file at the DOJ.<sup>521</sup> This dovetails with FCC requirements that broadcast stations “fully and fairly disclose the true identity” of anyone paying money for the airing of programming (regardless of whether or not the sponsor is a foreign agent).<sup>522</sup>

The problem is that these state media outlets do not name their foreign principal to be the “Russian government” or “Chinese state” per se, but instead provide the names of entities that most Americans have never heard of. Thus, when Sputnik News reads its hourly disclosure statement required by the DOJ and the FCC, it says its “programming is distributed by RM Broadcasting, LLC on behalf of the Federal State Unitary Enterprise Rossiya Segodnya International News Agency.”<sup>523</sup> No reasonable listener can be expected to know that means they are hearing Russian

government-funded propaganda.<sup>524</sup> Similarly, RT identifies as “ANO TV-Novosti” and CGTN America claims to broadcast on behalf of “CCTV.”<sup>525</sup> By contrast, social media companies clearly label each post by accounts associated with RT and CCTV (or their subsidiaries like Maffick Media) as “Russia state-controlled media” or “China state-affiliated media.”<sup>526</sup>

Congress should enact legislation requiring the FCC and the DOJ to clarify that when the true sponsor or foreign principal is in turn associated with a government, the on-air disclosure should clearly refer to the name of that government in terms that are recognizable by most Americans. Congress should require these now-hourly disclosures to air with greater frequency, such as once every 20 minutes (an interval that is sufficiently below the 27-minute average U.S. commute time that the disclosure would air at least once for roughly two thirds of commuters).<sup>527</sup> Congress should require public disclosure when foreign agents seek time on U.S. airwaves, as recommended by Rep. Anna Eshoo.<sup>528</sup> Authorizing the FCC to require sponsorship identification and political files by third-party programming providers would require amending the Communications Act of 1934.<sup>529</sup> Lastly, Congress should provide the DOJ and the FCC the necessary resources to proactively monitor foreign agents’ compliance, quickly investigate possible infractions, and swiftly enforce the law.<sup>530</sup>

U.S. broadcasters were correct when arguing to the FCC in 2013 that technological innovation has now taken information operations online.<sup>531</sup> However, our survey of both offline and online foreign interference shows that the policy implication should not be that broadcast protections should be weakened, but rather that they should be strengthened while regulations should also be expanded to cover internet media outlets.

<sup>524</sup> Ibid.

<sup>525</sup> Registration Statement Pursuant to the *Foreign Agents Registration Act of 1938*, “*T & R Productions LLC*,” Registration No. 6485, November 10, 2017: *Exhibit A* to Registration Statement Pursuant to the *Foreign Agents Registration Act of 1938*, “*T & R Productions LLC*,” Registration No. 6485, November 10, 2017. In its FARA filings, RT claims not to know who owns, supervises, or controls the foreign company that it represents, although their “understanding is that the Russian Federation finances ANO TV-Novosti to a substantial extent.” *T & R Productions LLC*.

<sup>526</sup> See *Gleicher*, June 4, 2020; Twitter, “*New labels for government and state-affiliated media accounts*,” August 6, 2020.

<sup>527</sup> Disclaimers every 20 minutes could also fit naturally alongside commercial breaks, given industry averages of about three to six breaks per hour (with radio on the less frequent end of that range while television breaks are more frequent so the channel could opt to run the disclaimer before or after only half the breaks). See Jack Loehner, “*Most Listeners Stay With Radio Station During Commercial Breaks*,” *Media Post*, December 22, 2011. The two-thirds statistic is calculated by assuming a normal distribution around a 27-minute mean, with standard deviation of 16.3 minutes computed from the fact that a fourth of commutes are less than 15 minutes. See Christopher Ingraham, “*Nine days on the road. Average commute time reached a new record last year*,” *Washington Post*, October 7, 2019.

<sup>528</sup> This can take the form of reporting obligations for both foreign agents and U.S. broadcast, cable, and satellite companies. For the former, Rep. Eshoo recommends: “The FCC should require any foreign agents registered under FARA who seek time on American airwaves—radio, broadcast, and cable—to file publicly with the FCC under the same requirements used for political files by candidates and issue advertisers, and concurrently send a notice to the Department of Justice and the State Department. The filings should include: a description of when advertising actually aired, advertising preempted, and the timing of any make-goods of preempted time, as well as credits or rebates provided the advertiser.” Anna Eshoo to Ajit V. Pai, *Correspondence*, Federal Communications Commission, January 30, 2018 (“Eshoo/Pai 2018 Correspondence”). As for disclosure requirements for broadcast, cable, and satellite companies, it could take the form of the *Foreign Entities Reform Act of 2019*, introduced by Rep. Eshoo. United States Congress, H.R.3698 - *Foreign Entities Reform Act of 2019*, July 11, 2019.

<sup>529</sup> See Ajit V. Pai to Anna Eshoo, *Correspondence*, Federal Communications Commission, April 20, 2018 (“Pai/Eshoo 2018 Correspondence”).

<sup>530</sup> See *Pai/Eshoo 2018 Correspondence*. The FCC says that due to resource constraints it cannot monitor the airwaves for compliance with sponsorship identification rules, having to rely on a complaint-based system rather than first-party monitoring.

<sup>531</sup> See *Commission Policies Declaratory Ruling*, pp. 9-10.

<sup>516</sup> See Paul Mozur, “*Live From America’s Capital, a TV Station Run by China’s Communist Party*,” *The New York Times*, February 28, 2019. CGTN America is owned by the Chinese government and controlled by the CCP, receiving orders from Beijing about how to cover China in a positive light. CGTN claims it “enjoys editorial independence from any state direction or control,” which experts call “ridiculous ... right up there with Pravda claiming to be a health magazine ... On its face, it doesn’t hold.” *Mozur*, 2019.

<sup>517</sup> See *Mozur*, 2019.

<sup>518</sup> See Mike Eckel, “*U.S. Justice Department Says Intelligence Report Spurred FARA Requirement For RT*,” *RFE/RL*, December 21, 2017.

<sup>519</sup> *Mozur*, 2019.

<sup>520</sup> See Megan R. Wilson, “*Russian news outlet Sputnik registers with DOJ as foreign agent*,” *The Hill*, November 17, 2017.

<sup>521</sup> See U.S. Department of Justice, “*FARA Frequently Asked Questions*,” accessed July 8, 2020.

<sup>522</sup> See *47 CFR § 73.1212*.

<sup>523</sup> See Anna Eshoo, et al., to Ajit V. Pai, *Correspondence*, Office of Representative Anna Eshoo, September 17, 2019.

## Online outlets

Extending defenses against malign foreign influence from broadcast media to online outlets would involve some different approaches, driven partly by the fact that internet regulations face stricter judicial scrutiny under the First Amendment (in 1997, the Supreme Court ruled that websites are akin to newspapers and thus enjoy stronger constitutional protections).<sup>532</sup> There are also practical challenges to enforcing internet laws as they apply to millions of people and small entities operating below the radar and across borders. Fortunately, while the United States has generally struggled to figure out whether or how to regulate online media without endangering the values of an open society, Congress did some substantial work on one related topic from which we can draw legislative lessons: The *Honest Ads Act* would mandate public disclosure of who pays for online political ads, partly by requiring social media companies to operate online libraries of political ads that run on their platforms.<sup>533</sup>

We recommend new U.S. legislation that would amend election law to require U.S. technology companies to maintain publicly accessible “outlet libraries,” which would be analogous to the “ad libraries” of *Honest Ads* except that they would identify the beneficial owners funding online media outlets that use the internet services provided by U.S. technology companies.<sup>534</sup>

If an online media outlet wants to register its websites in the United States, appear in search results, earn revenue through advertising technology, and operate on social media, it would have to share its beneficial ownership information with U.S. technology platforms for publication in outlet libraries. However, the legal obligation to create and run the libraries and verify their information would fall not on the outlets but instead on U.S. web hosting providers, domain registrars and registries, search engines, advertising technology firms, and social network platforms. This takes a page out of anti-money laundering and financial sanctions playbook, whereby the ubiquitous position of the U.S. dollar and financial sector provides a private-sector instrument for enforcement. It also imposes upon U.S. technology companies the requirement to collect and verify beneficial ownership data, similar to the obligations of U.S. banks under Treasury’s Customer Due Diligence rule.<sup>535</sup> The rules should leave room for these companies, if they so desire, to collaborate on

<sup>532</sup> See *Reno v. American Civil Liberties Union*, 521 U.S. 844 (1997).

<sup>533</sup> Specifically, the “ad library” requirement of *Honest Ads* amends U.S. election law to make online platforms “maintain, and make available for online public inspection in machine readable format, a complete record of any request to purchase on such online platform a qualified political advertisement which is made by a person whose aggregate requests to purchase qualified political advertisements on such online platform during the calendar year exceeds \$500.” The record must include a copy of the ad, description of the audience targeted, price, name of the candidate or national legislative issue to which the ad refers, and the name and contact information of the person purchasing the ad. Online platforms are defined as “any public-facing website, web application, or digital application (including a social network, ad network, or search engine) which sells qualified political advertisements and has 50,000,000 or more unique monthly United States visitors or users for a majority of months during the preceding 12 months.” *Honest Ads Act*.

<sup>534</sup> Like *Honest Ads*, disclosure requirements for online media outlets fit better as amendments to the Federal Election Campaign Act with related rulemaking and reporting to be implemented by the FEC rather than amendments to the Communications Act administered by the FCC. Whereas the latter has substantial authority over broadcasting, it is constitutionally constrained from compelling speech (such as the disclosures we recommend) by print and online media outlets. Like *Honest Ads* (as opposed to *PAID AD*), this proposal is limited to disclosure requirements, which is constitutionally important because the Supreme Court has repeatedly struck down campaign finance limitations and prohibitions in the same rulings that upheld disclosures and disclaimers. See, e.g., *Buckley v. Valeo*, 424 U.S. 1 (1976); *McConnell v. Federal Election Commission*, 540 U.S. 93 (2003); *Citizens United v. FEC*.

<sup>535</sup> See FinCEN, 2020. This compliance burden would diminish if the United States enacts beneficial ownership reform, which would save costs by enabling banks to obtain the data from the Treasury Department, which would become responsible for collecting and verifying it.

or outsource to third parties the due diligence and other compliance work.<sup>536</sup> But like the duties of the U.S. financial sector, taking on this obligation should become part of U.S. technology companies’ responsibilities to uphold a transparent and secure information ecosystem.

In defining online media outlets, lessons should be drawn from other democracies with strong constitutional protections for free speech that have started regulating internet media in carefully limited ways. For example, a 2011 law in Iceland, which has the most free internet in the world, defined media outlets in such a way as to include internet news organizations (which regularly provide the public with content that is subject to editorial control), while excluding personal posts on social media, blogs, and most other online communications.<sup>537</sup> For our purposes, such a definition would cover news outlets that distribute articles and opinion pieces through both traditional mediums and online, including hundreds of newspapers and news channels in the United States.

The scope should be limited further to target only the medium-sized outlets that are small enough to allow non-transparent funding yet big enough to be possible vectors for malign foreign influence. Specifically, we would eliminate very small and large outlets by borrowing approaches from two respective bills discussed in this report.

Like *Honest Ads*, small local outlets should be exempted by defining online media outlets as only including those whose websites receive at least a certain level of engagement such as 100,000 unique monthly users. That would mean at least 100,000 unique monthly visitors for a web hosting service, at least 100,000 unique social media profiles engaging with (e.g., reading, sharing, or commenting on articles) the outlet’s content for purposes of a social media platform, and similar metrics for other tech companies. We selected the 100,000 threshold to exclude the

<sup>536</sup> The tech companies should be free to contract with banks or any other type of third parties or to collaborate within Silicon Valley to develop some form of joint clearinghouse (which could potentially even operate a master outlet library that satisfies the participating tech companies legal obligations and publishes information about the outlets without detailing which tech platforms work with that outlet, which might be appealing to tech companies concerned about sharing any form of customer lists). There would be both efficiency and constitutional advantages to the statute only requiring that the tech companies see to it that the information gets disclosed while not micro-managing the precise structure. For efficiency, the tech companies may be better placed to develop a low-cost process, easy-to-use interface, and other implementation details that get the job done well. Allowing for this may lead to a better outcome and help avoid opposition from the tech companies. Legally, leaving some details to the private sector would also be preferred because it avoids potential constitutional issues associated with government-sponsored bodies keeping lists of media organizations with information about them that could potentially have a chilling effect on the editorial or funding decisions made by the free press. There is an ongoing debate in the campaign finance policy community as to whether ad archives like those required by *Honest Ads* should be hosted by a government agency like the FEC. We see reasonable merits on both sides of the issue as it relates to ad libraries, but would not recommend governments host archives of media outlets.

<sup>537</sup> See *Lög um fjölmíðla*, 2011 nr. 38 20. April, Útgáfa 150b (*English translation*); *Human Rights Law and Regulating Freedom of Expression in New Media: Lessons from Nordic Approaches*, Mart Susi, et al., eds., New York: Routledge, 2018, pp. 87–88. For as long as Freedom House has been assessing the level of internet freedom, Iceland has consistently ranked as the world’s best protector of internet freedom, having no civil or criminal cases against users for online expression while having near-universal connectivity, limited restrictions on content, and strong protections for user rights. Freedom House, “*Countries*,” accessed July 8, 2020; Freedom House, *Freedom on the Net 2019*, New York, 2019, pp. 5. The primary objective of Iceland’s Media Act No. 38/2011 is to promote a diverse and pluralistic media market that upholds freedom of expression, which is constitutionally protected. Secondarily, it establishes a coordinated regulatory framework for media services, irrespective of the type of media employed, which was the first time Iceland regulated online media. The law requires outlets to register with a new independent regulator and adhere to rules prescribed in the law (e.g., liability for hate speech). It defines a media outlet by its activity to “regularly provide the public with content which is subject to editorial control. Media outlets include, among other things, newspapers and periodicals, together with their supplements, internet media, audiovisual media and other comparable media.” Editorial control means “control over the selection and organization of the content made available,” which refers to a media service provider’s primary professional purpose being to distribute media content, a job that makes them “responsible for the editorial structure and final composition of the outlet.” This excludes personal blogs and individual personal communications on the internet. See *Mart Susi, et al., eds.*, pp. 82–88.

websites of town newspapers while still including the fringe outlets identified in our case study as having received Russian support.<sup>538</sup>

Like the *AML Act*, entities would be exempted if U.S. regulators already make them disclose their ownership. For example, publicly traded companies regulated by the SEC should be exempted, which would include the parent companies of ABC, CNN, NBC, Fox, the Wall Street Journal, USA Today, the New York Times, and hundreds of newspapers and television or radio stations owned by Gannet Company, McClatchy, News Corporation, Tribune Publishing, Berkshire Hathaway, Lee Enterprises, iHeartMedia, Entercom, Cumulus Media, and other publicly held owners. Other simplifications should similarly be borrowed from the *AML Act*, like the fact that ongoing updates should only be required when ownership changes.

As with our recommendation for non-profits, all forms of foreign financial remuneration should be covered, not just equity ownership per se. For instance, it should include advertising revenue (used to support the Swedish extremist websites) and donations (which support The Daily Stormer).<sup>539</sup>

Lastly, if policymakers remain concerned about this disclosure requirement potentially chilling the free press or if it is otherwise deemed unviable, it could be limited even further to only cover foreign funding. Likewise, outlets could be exempted if no more than a certain portion of their funding—such as at least 10 percent—comes from beneficial owners who are foreign nationals.<sup>540</sup>

The important part is that the public must know when foreign powers are manipulating Americans by surreptitiously funding media outlets, as Russia, China, Iran, and other authoritarian regimes have done around the world and could easily do in the United States.

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538 *Honest Ads Act*.

539 See Becker, 2019; O'Brien, 2019.

540 The reason why the 10 percent threshold we propose for internet funding is lower than the 25 percent level for broadcast ownership stems from the fact that there are no barriers to entry for websites. For that reason, there is a deep and diverse range of online viewpoints, including many already producing content that authoritarians might see as advancing their interests (such as socially divisive or populist content on both the left and the right). That means that rather than having to take over control and influence the content of an outlet (as might be required to subvert most traditional local radio stations), a foreign power could run an effective information operation by merely propping up an existing extremist website by supplementing its income by say 10 to 25 percent, just enough to help keep it in business.

# 7. Emerging Technologies Offering Anonymity

Because campaign finance rules are contentious, major policy overhauls are rare. Most campaign finance legal systems were not designed for national security and have not been updated for an age of globalized finance, automated donation and reporting capabilities, and authoritarian kleptocracies adept at weaponizing corruption and technology to interfere in democratic elections abroad.

The outdated nature of campaign finance rules creates many of the loopholes discussed in this paper, but it is especially relevant for new technological advancements that lawmakers and regulators have not previously faced.<sup>541</sup> Cyber-attacks and social media bots are not the only emerging technologies deployed by authoritarian regimes to interfere in democracies.

## Small donors

The clearest risk among emerging technologies and a prime example of rules not fit for purpose is the possibility that foreign powers will electronically distribute millions of dollars through thousands of anonymous small donations.

Campaigns and parties are not required to (and so they do not) disclose the identities of donors giving less than \$200 within an election cycle.<sup>542</sup> This small donor exemption is as old as campaign finance reporting itself. In 1925 Congress responded to the Teapot Dome scandal by forcing campaigns and parties to file quarterly reports identifying donors contributing more than \$100.<sup>543</sup> After Watergate, Congress established the FEC to enforce reporting requirements and soon increased the small donor threshold to \$200.<sup>544</sup> Those two domestic corruption scandals involved secret donations ranging from \$25,000 to \$400,000, so the assumption was that the threshold of \$100 to \$200 would catch misbehavior while preserving the privacy of small donors—akin to the confidentiality of the ballot box—who do not give large enough amounts to buy corrupt favors or dirty

deeds.<sup>545</sup>

In the view of some campaign finance professionals, this approach needs to be reconsidered to mitigate the risk of online small donor pooling in the age of malign finance.

This vulnerability is illustrated by an allegation that we have not included in our dataset because it does not meet our standard of verification from credible outlets. However, some of the reported technical details have important policy implications because they show how an indicted financial technician at least *would have* constructed the kind of small donor scheme that U.S. policymakers have long worried about.<sup>546</sup>

As discussed in the chapter on straw donors and foreign agents, Andy Khawaja was the California-based payment processing expert who conspired with George Nader to funnel \$3.5 million to Hillary Clinton's 2016 campaign.<sup>547</sup> Khawaja claims that separately from the contributions to Clinton, the Saudis and Emiratis distributed tens or hundreds of millions of dollars into the 2016 election through "online micropayments," each below the \$200-per-donor disclosure threshold.<sup>548</sup>

Khawaja claims Nader told him in 2016 that the U.A.E. wanted Khawaja to show them how to distribute small donations to a presidential candidate and they wanted to buy his company's "payment engine" to conduct the operation.<sup>549</sup> Khawaja claims he agreed and sold them the blueprints of the necessary tools for \$10 million.<sup>550</sup> Khawaja further alleges Nader told him the Emiratis would run the operation using data they bought from the Chinese on 10 million stolen identities of U.S. consumers.<sup>551</sup> Allegedly the Saudis would fund the donations and Putin gave it a green light.<sup>552</sup>

The notion that leadership from five countries could pull off such a bold global operation to surreptitiously fund an American presidential campaign and not yet get caught strikes us as a bit fantastical. While some current and former FEC officials tell us they have long worried about this risk, others are skeptical,

<sup>541</sup> The rapidly evolving nature of emerging technologies offering anonymity also presents challenges to researchers surveying evidence of malign finance. In this chapter of this paper, we slightly relax our methodology of only focusing on loopholes for which we have a sizable caseload of malign financial activity clearly attributed to authoritarian regimes undermining democracies. We will continue to uphold the same high standard of proven activity and attribution of foreign interference by only including one case (GRU usage of bitcoin) in our data and Appendix A. However, we will explore policy implications of other reported possible cases that do not meet that standard and we will give this subject matter as much discussion as loopholes in this paper that have more proven cases, given apparent signs that bad actors are considering and experimenting with new financial technologies to anonymously interfere in U.S. elections.

<sup>542</sup> U.S. Federal Election Commission, "[How to Report Individual contributions](#)," accessed June 15, 2020; Center for Responsive Politics, "[About the breakdown of contributions size](#)," accessed June 17, 2020.

<sup>543</sup> See Anthony Corrado, et al., *The New Campaign Finance Sourcebook*, Washington: Brookings, 2005, pp. 14-15. The quarterly filings and the \$100 small donor threshold were originally enacted as part of the *Federal Corrupt Practices Act of 1925*, which turned out to be an ineffective law because it failed to provide any specifications around how the disclosures it mandated should be issued or any administrative resources to ensure enforcement and record-keeping, which led to widespread non-compliance.

<sup>544</sup> The \$100 threshold was incorporated into the *Federal Election Campaign Act of 1971* (FECA), which was itself reinforced with critical amendments in 1974 (including the creation of the FEC, which replaced the House clerk, secretary of the Senate, or General Accounting Office as the new central depository of candidate filings) and which remains the governing statute today. The small donor threshold was increased to \$200 in 1979 as part of a legislative reform package meant to alleviate the administrative burden on campaigns and committees (reporting costs that have become less onerous over time with the development of technology to automate much of the filing process). *Corrado, et al.*, pp. 15-25.

<sup>545</sup> See Carl Bernstein and Bob Woodward, "[Bug Suspect Got Campaign Funds](#)," *Washington Post*, August 1, 1972; U.S. Department of Energy, "[Energy Department Sells Historic Teapot Dome Oilfield](#)," January 30, 2015.

<sup>546</sup> See *Wood*, 2020.

<sup>547</sup> *DOJ*, December 2019. Khawaja is a Lebanese-American financial executive who is now in Beirut, where the U.S. government considers him a fugitive. *Wood*, 2020. He would also be the ideal financier to engineer private infrastructure needed to facilitate secret retail payments. His California-based company, Allied Wallet, processes credit card payments for "high risk" online retailers that traditional financial institutions avoid (e.g., not just online gambling or pornography websites, but those that apparently break the law in underhanded and odious ways). *Pearson and Horwitz*, 2018. Allied Wallet has had multiple run-ins with federal law enforcement, from a \$13 million forfeiture in 2010 to being indicted alongside Khawaja and Nader in 2019 for funneling foreign money to the 2016 Clinton campaign. United States Attorney for the Southern District of New York, "[Arizona Bank That Received TARP Funds Agrees to Forfeit Profits from Processing Online Gambling Payments](#)," Press Release, September 15, 2010; *DOJ*, December 2019.

<sup>548</sup> See *Wood*, 2020.

<sup>549</sup> *Ibid.*

<sup>550</sup> *Ibid.*

<sup>551</sup> *Ibid.*

<sup>552</sup> *Ibid.*

asking why a foreign power would go through all this trouble when they could instead utilize a few sizable straw donors, shell companies, dark money non-profits, and the other loopholes discussed in this report.

Although it remains unproven, there continues to be intense focus on this possibility—by good and bad actors alike, across the United States and Europe.

The U.K. Brexit Party funds itself almost entirely from donations below the £500 threshold for public disclosure.<sup>553</sup> The party was criticized by the U.K. Electoral Commission for not having any system to ensure that big funders are not illegally splitting their contributions into many small donations.<sup>554</sup> One of the regulator's recommendations was to make donors complete Captcha security prompts to stop bots from automating multiple payments.<sup>555</sup> Former Prime Minister Gordon Brown warned that the Brexit Party could be abusing the small donor exemption to get funding from foreign powers.<sup>556</sup> However, in the British campaign finance system, political parties only have to “satisfy themselves” that they have done sufficient diligence.<sup>557</sup>

We cannot continue to fly blindly into the risk of hostile foreign powers secretly distributing large amounts of political contributions through networks of small donors.

## Crypto donations

Whereas the small donor landscape shows smoke but no fire, the Russian intelligence services were caught red-handed using another emerging technology to anonymously fund election interference: The GRU mined, acquired, laundered, and spent bitcoin in order to secretly buy its hack-and-dump infrastructure in 2016.<sup>558</sup>

While the formal international financial system continues to suffer from major cases of money laundering, particularly in Europe, big banks have become better at identifying laundered money and terrorist financing over the past two decades.<sup>559</sup> Thus, for the most secret missions, bad actors turn to mediums of ex-

change that (in the words of Mueller's indictment of the GRU) “avoid direct relationships with traditional financial institutions, allowing them to evade greater scrutiny of their identities and sources of funds.”<sup>560</sup>

That is why, in 2016, most of the GRU's transactions to buy servers, register domains, and otherwise facilitate its hacking activity occurred in the form of bitcoin.<sup>561</sup> Each bitcoin transaction is added to a public ledger called the Blockchain, but it only identifies the parties by numbers known as bitcoin addresses.<sup>562</sup>

To avoid a paper trail that could tie back to Russia, the GRU spent its bitcoin with hundreds of different email addresses, sometimes creating a new email account for each purchase.<sup>563</sup> They also used related emerging payment processes and technologies to further obscure the origin of their funds for hacking.<sup>564</sup> These included buying bitcoin on peer-to-peer exchanges, layering transactions with the help of third-party exchangers, converting through digital currencies other than bitcoin, and using pre-paid cards.<sup>565</sup>

While terrorist financing is separate from and not covered in our work on malign finance, a development over the past year is notable for our purposes here: Hamas and the self-proclaimed Islamic State group developed a way of fully anonymizing themselves on the Blockchain.<sup>566</sup> By creating funding websites that generate a new unique bitcoin address every time the page is refreshed, terrorist organizations can now keep their bitcoin activity secret.<sup>567</sup> This tool could be added to the arsenal of authoritarian regimes looking to cover their tracks when interfering in democracies.

In terms of outdated campaign finance regulations, cryptocurrency is another area where U.S. policymaking has been hampered by partisan gridlock. In 2014 the FEC voted 6-0 to allow bitcoin donations.<sup>568</sup> But then after the meeting, the Democratic and Republican FEC commissioners released very different statements about what they had just agreed to, leaving it unclear whether the limit for bitcoin donations was \$100 or \$2,800.<sup>569</sup> At first the \$100 limit appeared to hold, but now campaigns are willing to accept amounts up to \$2,800.<sup>570</sup>

553 See BBC, “*Brexit Party at high risk of accepting illegal donations*,” June 12, 2019.

554 Ibid.

555 U.K. Electoral Commission, *Recommendations for The Brexit Party — financial procedures for incoming funds*, FOI-159-19, June 17, 2019.

556 See BBC, “*European elections 2019: Electoral Commission reviewing Brexit Party funding*,” May 21, 2019.

557 The Brexit Party was founded by Nigel Farage in January 2019. Four months later, it won the largest share of the U.K. vote in the May 2019 E.U. parliamentary election, picking up 29 seats. Ninety percent of its nearly £3 million of funding came from supporters each paying £25. Because such donations are below £500, it is legal to accept this money without demonstrating where it came from, including whether its origin is domestic or foreign. British political parties are required to ensure donors are “permissible,” which for the purpose of small donors means each person's aggregate donations should not add up to £500 or more. A month after the election, in June 2019, the U.K. Electoral Commission warned that the Brexit Party's online funding system left it open to a “high and on-going risk” of accepting impermissible donations. There is no way the party could have ensured donor permissibility because it did not properly collect donor information (addresses and contact details were requested but not required), track aggregations, check names against bank accounts, or keep written procedures. Their website also did not allow donations of more than £500, which the Electoral Commission warned “may encourage those who want to make a payment in excess of £500 to make multiple payments.” The Brexit Party also allowed supporters to register without paying the £25 fee, which could have enabled them to attribute large secret donations to many registered supporters (who need not be disclosed). The Commission told the party to go back and look at all the money it received and “satisfy themselves” that it is from permissible sources. See BBC, June 2019; U.K. Electoral Commission, 2019.

558 See *Netyshko Indictment*, pp. 21-24.

559 See U.S. Department of the Treasury, *National Strategy For Combating Terrorist And Other Illicit Financing*, Washington, 2020, pp. 12, 36-37.

560 *Netyshko Indictment*, pp. 22.

561 *Netyshko Indictment*, pp. 21-24.

562 *Netyshko Indictment*, pp. 22.

563 Ibid.

564 *Netyshko Indictment*, pp. 23.

565 Ibid.

566 See Brenna Smith, “*The Evolution Of Bitcoin In Terrorist Financing*,” Bellingcat, August 9, 2019.

567 Ibid.

568 Leo E. Goodman, Chairman of the Federal Election Commission to Make Your Laws PAC, Inc., Federal Election Commission, May 8, 2014, “*ADVISORY OPINION 2014-02*.”

569 Statement of Chairman Lee E. Goodman On Advisory Opinion 2014-02 before the Federal Election Commission, *In the matter of Make Your Laws PAC, Inc.*, Advisory Opinion 2014-02, May 8, 2014 (“Goodman *Make Your Laws PAC* Statement”); Statement of Vice Chair Ann M. Ravel and Commissioners Steven T. Walther And Ellen L. Weintraub before the Federal Election Commission, *In the matter of Make Your Laws PAC, Inc.*, Advisory Opinion 2014-02, May 8, 2014 (“Ravel, et al., *Make Your Laws Pac* Statement”).

570 The Democratic commissioners said bitcoin's untraceability makes it “most like cash” and thus should only be permissible in donation amounts limited to \$100 (the statutory limit for contributions of physical currency). They noted that the advisory opinion (allowing bitcoin donations) may only be relied upon for transactions that are materially indistinguishable from this approved proposal, and the requestor's plan to limit bitcoin donations to \$100 was a material aspect of the proposal. Republican commissioners described bitcoin as “in-kind contributions” and thus permissible up to the \$2,800 limit that applies to other forms of contributions. For a couple years after 2014, most campaigns accepting

We do not yet have solid proof of bitcoin being abused to anonymously donate to U.S. political campaigns, but there are signs that some unknown actors are trying.

Last year, an anonymous LLC incorporated in Delaware tried (and mostly failed) to convince the FEC to permit unlimited donations by mining cryptocurrencies and giving the proceeds to U.S. political candidates.<sup>571</sup>

As mentioned in the chapter on media outlets, the U.S. neo-Nazi publication The Daily Stormer received a large bitcoin donation in 2017 from a secret, wealthy, sophisticated donor with possible ties to Russia.<sup>572</sup>

With all this probing activity, it is simply not worth the risk to allow cryptocurrency spending on U.S. politics.

## Good news: Conduit PACs usher in transparency

Financial innovation is not all bad. In some cases, it can facilitate broader participation in democracy and through more transparent channels. Combined with a nuanced artifact within U.S. campaign finance law, that is what is happening with the expansion of online platforms for small donations.

ActBlue and WinRed provide state-of-the-art online fundraising infrastructure to process donation payments for Democrats and Republicans respectively.<sup>573</sup> Both are legally organized as conduit PACs, which are political action committees that serve as intermediaries to pass along earmarked contributions.<sup>574</sup> The regulations that remain in force today for conduits were written more than 30 years ago.<sup>575</sup> At the time, conduits were not widely used and the regulators' animating concern was that they could facilitate end runs around campaign finance disclosure.<sup>576</sup> As such, the FEC required conduits to report on forms that become public the names and addresses of *all* earmarked contributions, even those below \$200.<sup>577</sup> Nobody was anticipating the historic

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cryptocurrency adhered to the \$100 maximum out of caution. Then there were a couple years during which some Republican PACs were more willing to exceed \$100, and now the two Democratic presidential candidates who accepted cryptocurrency donations in 2019 (Eric Swalwell and Andrew Yang) were willing to accept amounts up to \$2,800, so the attempt by FEC Democrats to impose a \$100 limit has clearly failed. See *Goodman Make Your Laws PAC Statement; Ravel, et al., Make Your Laws Pac Statement*; Kirill Bryanov, “*Bitcoin For America: Cryptocurrencies In Campaign Finance*,” Cointelegraph, May 31, 2018; Talib Visram, “*For most 2020 candidates, bitcoin campaign contributions are too much of a headache*,” Fast Company, July 11, 2019.

<sup>571</sup> The mysterious LLC was incorporated in August 2018 under the name “OisiaNetwork.” Less than a month later, it submitted to the FEC its proposal to enable people to pool their computing power to mine cryptocurrencies and give them to political campaigns. While the FEC said such services are permissible, they importantly rejected OisiaNetwork LLC’s argument that it should be considered “volunteering,” instead ruling that it is a “contribution.” That is a critical distinction, not because unlike volunteering, campaign contributions have limited amounts, reporting requirements, and a ban against participation by foreign nationals. In other words, OisiaNetwork LLC tried to create a loophole that would have—intended or not—enabled foreigners to mine cryptocurrencies and funnel them to U.S. political campaigns without any limitations or reporting requirements. See Ellen L. Weintraub to Jonathan S. Sack and Brian A. Hurn (OisiaNetwork LLC). Federal Election Commission, *Advisory Opinion 2018-13*, April 25, 2019.

<sup>572</sup> See O’Brien, 2019.

<sup>573</sup> See Talib Visram, “*To help Trump raise even more millions in 2020, the GOP is copying Democratic fundraising tools*,” Fast Company, September 9, 2019.

<sup>574</sup> U.S. Federal Election Commission, “*Earmarked contributions*,” April 23, 2018.

<sup>575</sup> *Earmarked contributions (2 U.S.C. 441a (a)(8))*, 54 Fed. Reg. 34,113 (August 17, 1989).

<sup>576</sup> See David M. Primo, “*Personal Data About Small-Donor Democrats Is All Over the Internet*,” *The New York Times*, August 18, 2019.

<sup>577</sup> FEC, April 23, 2018.

wave of small donations, which was facilitated by ActBlue over the past six years.<sup>578</sup> Together with ActBlue’s new twin for Republican fundraising, WinRed, these two conduit PACs are now being used by most lawmakers and nearly all presidential candidates on both sides.<sup>579</sup> The side effect of this development is greater transparency. The vast majority of donor identities have quickly become publicly accessible information (representing 94 percent of money raised and an even higher portion of individual donors, essentially everything except for small checks sent in the mail and some purchases of campaign swag).<sup>580</sup>

While ActBlue and WinRed are now used by most political candidates, these platforms have yet to be universally adopted.<sup>581</sup> Similarly, cryptocurrency donations are shunned by most major candidates but accepted by a certain fringe.<sup>582</sup> Rather than backing into a system whereby candidates are permitted to effectively opt out of what has now become the standard donor disclosure and payment regime, the same basic legal requirements should be imposed upon all campaigns and committees as a matter of national security.

## U.S. Recommendation:

**Report the identities of small donors to the FEC and make the information publicly accessible through a secure, limited, and conditional gating process.**

**Prohibit cryptocurrency contributions.**

The two elements of our reform proposal—donor identities of all sizes must be publicly accessible and cryptocurrency donations should be prohibited—would essentially codify what has recently become the de facto payment and disclosure regime with the advent of conduit PACs like ActBlue and WinRed. That change in the campaign finance landscape provides a current window to legislatively extend that prevailing transparency regime to all. However, we only recommend doing so together with the establishment of a secure access system developed and administered by the FEC to protect the personal privacy of small donors.

## Small donors

As a matter of national security, the time has come to eliminate the blanket exemption for small donor disclosures. However, a

<sup>578</sup> See Carrie Levine and Chris Zubak-Skees, “*How ActBlue Is Trying to Turn Small Donations Into A Blue Wave*,” FiveThirtyEight, October 25, 2018; Eric Wilson, “*Republicans Should Not Ignore the Small Dollar Donor Gap*,” The Republican Standard, April 17, 2019.

<sup>579</sup> See Levine and Zubak-Skees, 2018; WinRed, *Twitter post*, January 6, 2020, 6:46 AM.

<sup>580</sup> ActBlue or WinRed have opted to file their reports semi-annually to avoid front-running the quarterly reports filed by the campaigns themselves. These two types of filings overlap in the cases of donors giving more than \$200, which are reported by both the campaigns (which only report >\$200 donors, including big checks that are not processed online) and the conduits PACs (which also report small donors). Journalists conduct analyses semi-annually that combine these two sources and remove duplicates. For Democratic presidential candidates in 2019, the two sources of disclosure included 94 percent of all money raised (and a higher portion of donors). The 6 percent that remained undisclosed came from donors giving candidates \$200 or less and not through the main donation form on the websites (processed by ActBlue). That undisclosed residual of unreported small donations is thought to mainly entail one-time checks of less than \$200 sent in the mail and purchases of campaign swag. See Josh Katz, et al., “*Detailed Maps of the Donors Powering the 2020 Democratic Campaigns*,” *The New York Times*, August 2, 2019; Rachel Shorey, *Twitter post*, November 4, 2019, 11:49 AM.

<sup>581</sup> See WinRed, 2020.

<sup>582</sup> See Visram, July 2019.

new regime for handling small donor data should be designed in a nuanced manner that weighs national security-driven transparency objectives against important privacy concerns. We will review these considerations and then lay out our proposal to make small donor information publicly accessible through a secure, limited, and conditional gating procedure.

***“ Congress certainly was not aware that hostile kleptocrats might develop bots capable of automating thousands of donations in the names of stolen identities.***

When Congress created the \$100 threshold above which donor identities must be disclosed in 1925, they were focused on domestic corruption. When lawmakers increased it to \$200 in 1979, they were trying to reduce the paperwork burden on campaigns, a reporting process that most campaigns have now largely automated. Congress certainly was not aware that hostile kleptocrats might develop bots capable of automating thousands of donations in the names of stolen identities. This unaddressed national security risk is straightforward.

On the other hand, donor privacy is very important for reasons of security, liberty, and democratic enfranchisement. Everyday citizens should be able to participate in democracy, whether it is through voting or small donations, without having their name, address, and political preferences listed on the internet.

Fiercely divided societies such as Northern Ireland during the late 20<sup>th</sup> century have had to limit public disclosure to avoid donor intimidation.<sup>583</sup> While U.S. polarization has not reached those extreme heights, it has increased to such a degree that donor disclosures have threatened people’s livelihoods. In 2014 the CEO of Mozilla had to step down due to the revelation that he had donated \$1,000 in support of California’s Proposition 8 against gay marriage.<sup>584</sup> In 2019 Rep. Joaquin Castro (D-Texas) publicized the names of small business owners in San Antonio who donated to President Donald Trump, accusing them of funding a hate campaign against Hispanic immigrants.<sup>585</sup>

Furthermore, risks could extend beyond personal privacy and economic security to physical security, such as for people protected by restraining orders or otherwise intent on keeping their mailing addresses unlisted. Some donors who are aware of conduit PAC disclosures have gotten personal post office boxes just to make political contributions while keeping their address off the internet. Worse, most donors probably do not read the privacy policies buried on the ActBlue and WinRed websites disclaiming that the conduit is legally required to report donors’ names, addresses, occupations, employers, and contribution details to the FEC, which in turn posts it on the internet.<sup>586</sup>

This status quo is unbefitting of a modern democracy and another example of how campaign finance laws have not kept pace with a rapidly evolving landscape.

The first element of our proposal is to codify what is already a common internal recordkeeping practice: Campaigns, parties, and super PACs should have to collect and retain information about all donors, including those who give less than \$200.

The main new requirement would be that committees report such small donor data to the FEC. It should be filed on a separate form as donors who give more than \$200, a new filing that will not be simply posted online in a PDF and machine-readable database. The rules for conduits should be updated accordingly, putting them under the same disclosure regime as campaigns and parties.

The FEC should be charged with establishing a system of sharing the data through a carefully circumscribed and secure gating process. For starters, this should include providing unencumbered digital access to law enforcement agencies, which should be required to randomly audit and investigate the data for possible criminal activity and report back to Congress about the effectiveness of the disclosure system.

Importantly, the FEC gating process should also make small donor data publicly accessibility in a limited way, because the best hope for spotting patterns of possible straw donor schemes is analysis by investigative journalists, public interest advocates, and academics. At the same time, stalkers, snoops, and other bad actors should be deterred from abusing personal data. These considerations should be balanced by having to formally request access to the data through a security-check process that involves the requester identifying their purpose, providing their own identifying information to be kept on record by the FEC, and committing not to misuse individual small donor information or make it publicly available, or else they will face severe penalties. Organizations that regularly access large amounts of the data—such as national media outlets, major watchdog agencies, or university research programs—should be able to do so electronically if they are able to maintain special FEC approval based on demonstration of strong internal controls. Smaller one-off requestors should have to come in person to do the security check and access the data at the public records room (which the FEC still maintains and was the only way to access donor disclosures before the internet).

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they can receive mail. The FEC’s searchable online database only discloses donor addresses down to the level of the city in which the donor receives mail, but the underlying forms with full addresses are also uploaded on the FEC website in a machine-readable format (and can be looked up rather easily if you know the person’s name and you first search the date of their donation in the FEC database so that you then know which semi-annual ActBlue or WinRed report the full address appears in).

<sup>583</sup> See U.K. Electoral Commission, “[Political donations in Northern Ireland](#),” accessed June 18, 2020, pp. 2.

<sup>584</sup> See USA Today, “[Mozilla CEO resignation raises free-speech issues](#),” April 4, 2014.

<sup>585</sup> See Joaquin Castro, [Twitter post](#), August 5, 2019, 11:13 PM.

<sup>586</sup> Act Blue, “[Privacy Policy](#),” accessed June 12, 2020; WinRed, “[Privacy Policy — Your Privacy Rights](#),” March 2, 2020. FEC disclosures include the full address that donors provide as a place where

## Crypto donations

We recommend prohibiting all donations and political ad purchases in the form of cryptocurrencies. Again, this codifies the ActBlue and WinRed regime because those widespread platforms do not accept crypto donations.

As a policy matter, our proposal goes further than the \$100 limit advanced by FEC Democratic commissioners. They argued that cryptocurrency's untraceability presents similar risks as physical currency.<sup>587</sup> And while it is true that crypto and cash are similarly used to evade the anti-money laundering controls of the U.S. banking system, crypto also offers the ability to spend money in larger amounts around the world (as demonstrated by the GRU in 2016) and potentially in a more covert and automated fashion.<sup>588</sup> And there is ample evidence that crypto is—among other things—an increasingly favored tool of the criminal underworld.<sup>589</sup>

By contrast, we believe that cash donations up to \$100 should remain permitted due to both their more limited risk profile and their important role in the enfranchisement of unbanked Americans. As noted in the context of small donors, arguments about democratic participation and privacy rights are important to us and call for developing carefully balanced policies. We do not see similarly meritorious arguments in favor of allowing cryptocurrencies to be spent in any size on donations, independent expenditures, or other political ads.

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<sup>587</sup> See [Ravel, et al., Make Your Laws Pac Statement](#).

<sup>588</sup> See [Netyshko Indictment](#), pp. 21-24.

<sup>589</sup> See Gertrude Chavez-Dreyfuss, “[Cryptocurrency crime surges, losses hit \\$4.4 billion by end-September: CipherTrace report](#),” Reuters, November 27, 2019.

# 8. Illegal Activities and Multi-vector Campaigns

We noticed something when cataloguing instances in which the central thrust of cases appears to involve illegal activity: They are rarely standalone operations.

It is not always the case. But when an authoritarian regime gets caught breaking the law in ways that involve large amounts of money (funding violence, paying outright bribes, funneling big laundered foreign-sourced political contributions, etc.), that boldness often reflects a broader multi-vector malign influence campaign also utilizing legal loopholes discussed in this paper as well as non-financial tools of interference. Such aggressive campaigns also tend to be seen by the authoritarian regime's top leadership as essential to its perceived strategic interests. Because this context is important to stopping these dangerous operations, this chapter will include more discussion of regional foreign policy campaigns, often approved by a head of state such as Putin.

China has also been conducting sweeping illegal influence campaigns, particularly in the Asia-Pacific region. In a few cases, Chinese bribery also makes its way as far west as the Belt and Road Initiative does.

But the westward march of illicit finance as a weapon of geopolitical hostility is mainly a Russian story, starting in Ukraine and now driving deep into the halls of power in Western capitals.

## Central and Eastern Europe

On top of Moscow's military occupation of neighboring countries, Russian criminal activity has been undermining democracies in the former Soviet Union even before the last decade, from energy corruption in Kyiv to rampant money laundering through the Baltic countries to Russian fiscal leverage over Georgia's breakaway regions.<sup>590</sup> But three cases in the past decade around the frontlines of Europe—eastern Ukraine, Montenegro, and North Macedonia—show an increasingly aggressive Kremlin secretly funding multi-vector destabilization activities on the ground meant to block these peoples from choosing their own paths toward European institutions.

Since the spring of 2014, in addition to direct military action in Ukraine and the seemingly legal media influence described in the prior chapter, Russia has funded separatist armed forces in eastern Ukraine. The form of this malign financial support evolved over the first year of the war as Russia developed in-

creasingly sophisticated channels for plausibly deniable funding. At first, when the Kremlin wanted to quickly install loyal and well-funded leaders in the Donbas region, it relied on oligarch Konstantin Malofeev.<sup>591</sup> Later in 2014, financial regulators in Moscow allowed an online network of over a dozen purportedly humanitarian aid groups in Russia to raise millions of rubles to buy weapons and other military equipment to “crowdfund the war.”<sup>592</sup> In the spring of 2015, Russia instituted more formal fiscal and financial arrangements to secretly move rubles across borders, both of which continue to operate today.<sup>593</sup> First, Russian military supply lines transport newly printed rubles worth more than a billion dollars a year to fund from 70 percent to 90 percent of the Donetsk and Luhansk fiscal needs.<sup>594</sup> Second, a Russian-supported breakaway region of Georgia created a shadow banking system to funnel billions of rubles electronically from Moscow to the Donbas region of eastern Ukraine in order to evade Western sanctions and provide the separatists with “financial, trade, economic, legal and organizational infrastructure.”<sup>595</sup> Since 2017, Russia has also propped up the separatists’ coal industry by laundering their illegal exports through networks of cross-border trains and shell companies based in Georgia.<sup>596</sup> The UN’s highest court is in the process of considering whether this malign financial support constitutes a Russian violation of a terrorist financing treaty.<sup>597</sup>

Russian influence campaigns have been particularly aggressive toward countries making plans to join NATO, simultaneously firing all five tools of foreign interference to hit the two most recent entrants to the Western military alliance.

First, when Montenegro’s 2016 election became a de facto referendum on NATO membership, it was all hands on deck for Russian interference. The Kremlin-tied oligarch with the deepest strategic economic ties in the country, Oleg Deripaska, helped bankroll the pro-Russian political opposition.<sup>598</sup> Cyberattacks hit government and news websites.<sup>599</sup> Russia coordinated a disinformation campaign on social media alleging widespread voting irregularities, such as dead people being registered to vote.<sup>600</sup> Most brazenly of all, GRU officers in Belgrade tried to foment

<sup>591</sup> See U.S. Department of the Treasury, “Treasury Targets Additional Ukrainian Separatists and Russian Individuals and Entities,” Press Release, December 19, 2014; ‘Council Regulation (EU) No 825/2014 amending Regulation (EU) No 692/2014 concerning restrictions on the import into the Union of goods originating in Crimea or Sevastopol, in response to the illegal annexation of Crimea and Sevastopol’ (2014) Official Journal L 226/2.

<sup>592</sup> See Jo Becker and Steven Lee Myers, “Russian Groups CrowdFund the War in Ukraine,” *The New York Times*, June 11, 2015.

<sup>593</sup> See *Memorial Submitted by Ukraine, Ukraine v. Russian Federation*, International Court of Justice, June 12, 2018 (“Ukraine Memorial”).

<sup>594</sup> See Julian Röpcke, “How Russia finances the Ukrainian rebel territories,” *Bild*, January 1, 2016.

<sup>595</sup> See *Troianovski*, 2018.

<sup>596</sup> See Joby Warrick and Steven Mufson, “Dirty Fuel,” *Washington Post*, June 12, 2020.

<sup>597</sup> See Mike Corder, “UN court says it has jurisdiction in Ukraine-Russia case,” AP News, November 8, 2019.

<sup>598</sup> See *Treasury*, December 2018

<sup>599</sup> See David Shimer, “Smaller Democracies Grapple with the Threat of Russian Interference,” *The New Yorker*, December 8, 2018.

<sup>600</sup> See Ken Dilanian, et al., “Exclusive: White House Readies to Fight Election Day Cyber Mayhem,” NBC, November 3, 2016.

<sup>590</sup> In 2004, Putin and Ukrainian President Leonid Kuchma established in Switzerland a key intermediary used to fund pro-Russian political interference in Ukraine, RosUkrEnergo, co-owned by Dmitry Firtash and Gazprom. See *Grey, et al.*, 2014. In 2008, Georgia became the first target of modern Russian hybrid warfare, from military invasion to fiscal aid to generate leverage over breakaway governments. See Anton Troianovski, “To avoid sanctions, Kremlin goes off the grid,” *Washington Post*, November 21, 2018. The Baltic states are the only part of the European Union to have been regularly targeted by modern Russian active measures before 2014, with the Kremlin’s toolkit including information manipulation in Lithuania, cyberattacks in Estonia, and money laundering in Latvia that sometimes flowed to the country’s pro-Russia Harmony Party. See *Shekhovtsov*, pp. xxi, footnote 19; *Springé and Shadrofsky*, 2019.

a violent coup by spreading rumors of voter fraud on election day and sending Serbian nationalists to try to impersonate police officers, fire upon crowds, occupy parliament, assassinate the prime minister, and install pro-Russian leadership.<sup>601</sup> The Russians funded the covert operation with a Western Union wire transfer listing the sender's address as the GRU headquarters in Moscow.<sup>602</sup> Fortunately, the authorities were tipped off by an informant and thwarted the coup hours beforehand.<sup>603</sup> The Kremlin-backed political parties lost the election and Montenegro carried out the will of its people by joining NATO in 2017.<sup>604</sup>

Second, North Macedonia has similarly been the target of all five tools of Russian interference. Over the decade leading up to 2018, instruments of Russian malign influence included gas pipelines, cultural centers, Orthodox churches, and funding for Macedonian media outlets aimed at the country's Albanian minority.<sup>605</sup> Russia also broadly supported the nationalist political party, whose leader ran the country from 2006 to 2017 and was indicted for money laundering and extortion, causing him to flee to Hungary.<sup>606</sup> As with Montenegro, the Kremlin launched a multi-vector interference campaign against a Macedonian referendum that would enable the country to join NATO if it renamed itself North Macedonia. Russian-backed online groups directed disinformation on social media through hundreds of new websites and Facebook profiles originating outside the country purporting to be Macedonians urging ballot burning and retweeting a #Boycott campaign.<sup>607</sup> There were also official warnings of "malicious cyber activity" and allegations of cyberattacks during the election period from Russian intelligence centers in Bulgaria.<sup>608</sup> Most nefariously, a Kremlin-connected oligarch secretly funded violent protests against the name change in both Macedonia and Greece.<sup>609</sup> As is often the case with Russian active measures, they arguably achieved a partial or tactical win rather than a sustained strategic advantage. While 94 percent of voters backed the name change, a 37 percent turnout meant the issue was forced back to parliament, which met the two-thirds requirement for ratification in October 2018. North Macedonia joined NATO in March 2020.

The strategic failure of both Balkan operations demonstrates the propensity of foreign interference to backfire, particularly when operatives are caught. But that has not stopped the Kremlin from continuing to interfere in these democracies after the 2016 and 2018 elections while also expanding Russian usage of the interference toolkit beyond Europe.

## Africa and the Asia-Pacific

Before turning to the West, two vast malign influence campaigns in other regions have been notable over the past couple of years: Russia in Africa and China in the Asia-Pacific. Both are part of initiatives approved by heads of state—Putin and Xi—and implemented by plausibly deniable proxies.

As touched upon in the previous chapter, the broadest expansion of Russian hybrid warfare in the past couple years has been in Africa, conducted by Yevgeny Prigozhin's Wagner Group.<sup>610</sup> The plausible deniability that Wagner provides the Russian government has been thoroughly pierced by investigative journalists, who have revealed the company's operations to be tightly integrated with the Russian military and its intelligence arm, the GRU.<sup>611</sup> Prigozhin speaks or texts extremely frequently with the entire leadership of Putin's presidential administration, while coordinating as an equal with the Russian Defense Ministry's top man in Africa: Konstantin Pikalov.<sup>612</sup>

Prigozhin's interest in Africa reportedly arose around the end of 2017, when he sold Putin on the idea of ousting Chinese influence from Africa and showcasing Russia as a great power around the world.<sup>613</sup> Africa also offered an ideal testing ground for new tactics of foreign interference, given its relatively weak democratic institutions and less intensive monitoring by Western social media platforms and intelligence agencies.<sup>614</sup> Prigozhin may also have been interested in profiting from the anticipated Africa campaign, with a new mining company tied to the Russian Defense ministry being registered in St. Petersburg in November 2017.<sup>615</sup> By summer 2018, Putin was talking about the prospects of Russian business on the continent and a Russia–Africa summit (which took place in October 2019).<sup>616</sup>

In the spring of 2018, Prigozhin's staff prepared an extensive reference guide to twenty African countries.<sup>617</sup> In March 2018, the then-president of Madagascar met with Putin and Prigozhin, who both agreed to help him get re-elected in November.<sup>618</sup> A few weeks later, Prigozhin flew 15–20 operatives to Madagascar.<sup>619</sup> When the incumbent was not polling well, Russia switched allegiances by diversifying their support across six other presiden-

<sup>610</sup> Russian independent outlet Proekt notes that Russian malign activity in Africa has risen so much that it seems to be visible in official statistics. According to data from the Russian border service, the number of Russians visiting African countries jumped by nearly 70 percent in 2018. The increase cannot be explained mainly by tourist flows, which only grew by 20 percent at popular destinations. The sudden and unexplained difference amounts to a few hundred Russians, as the statistical increase in 2018 was 441 people (more than double other past increases on record). Proekt attributes the increase in Russian travelers to the large numbers of political strategists, trolls, mercenaries, geologists, media specialists, and other operatives sent by Wagner and related entities. The Dozhd channel counted known Prigozhin political technologists in Africa and identified up to 200. Proekt believes the number is considerably higher, based on their reporting that Prigozhin has given at least 700 encrypted phones to his subordinates (each Prigozhin employee in Africa has a phone with a unique number, starting with Prigozhin's "1" and adding up to at least 700). *Rozhdestvensky, et al.*, 2019.

<sup>611</sup> See *Bellingcat*, 2020.

<sup>612</sup> Ibid.

<sup>613</sup> See *Rozhdestvensky and Badanin*, 2019.

<sup>614</sup> See *Alba and Frenkel*, 2019.

<sup>615</sup> See *Rozhdestvensky and Badanin*, 2019.

<sup>616</sup> See CGTN Africa, "Russia considering holding Russia-Africa summit," YouTube video, 1:16, July 28, 2018.

<sup>617</sup> See *Schwartz and Borgia*, 2019; *Rozhdestvensky and Badanin*, 2019.

<sup>618</sup> See *Schwartz and Borgia*, 2019; *Rozhdestvensky and Badanin*, 2019.

<sup>619</sup> See *Schwartz and Borgia*, 2019; *Rozhdestvensky and Badanin*, 2019.

<sup>601</sup> See *Hopkins*, 2017.

<sup>602</sup> Ibid.

<sup>603</sup> Ibid.

<sup>604</sup> Ibid.

<sup>605</sup> See Aubrey Belford, et al., "Leaked Documents Show Russian, Serbian Attempts to Meddle in Macedonia," OCCRP, June 4, 2017.

<sup>606</sup> See Maja Jovanovska, "Macedonian Prosecutor Implicates Former Political Leaders in Money Laundering, Extortion, Illicit Land Deals," Investigative Reporting Lab Macedonia, January 29, 2019.

<sup>607</sup> See Marc Santora and Julian E. Barnes, "In the Balkans, Russia and the West Fight a Disinformation-Age Battle," *The New York Times*, September 16, 2018.

<sup>608</sup> See Idrees Ali, "U.S. Defense Secretary warns of Russian meddling in Macedonia referendum," Reuters, September 17, 2018; *Skopje Diem*, "Dronzina: North Macedonia Was Target of Russian Cyber-threats," October 7, 2019.

<sup>609</sup> See Helene Cooper and Eric Schmitt, "U.S. Spycraft and Stealthy Diplomacy Expose Russian Subversion in a Key Balkans Vote," *The New York Times*, October 9, 2018.

tial contenders.<sup>620</sup> In addition to media support enabled by the legal loophole discussed in the prior chapter, the Russians bribed the six candidates with backpacks full of enough cash to fund their electoral campaigns.<sup>621</sup> All they asked for in return was a pledge to drop out if they were not ahead in the final weeks and endorse whichever candidate the Russians tell them to support at that time.<sup>622</sup> It turned out to be another bad bet when none of the six were in the lead near the end, so the Russians adapted again and paid the ultimate winner of the presidential election.<sup>623</sup> Although the St. Petersburg mining company was invited into a joint venture to extract chromite, its operations were suspended by the end of 2018 due to a strike.<sup>624</sup> All things considered, the results of Prigozhin's Malagasy test case were mediocre but the strategy was good enough to replicate and adapt across Africa.

The Wagner Group has interfered in elections in 20 African countries since 2018 and had interest in another 19.<sup>625</sup> Arguably the most sweeping foreign interference campaign yet to be taken down by Facebook was Prigozhin's trio of African networks.<sup>626</sup> Many times larger than his 2016 operation against the United States, this campaign involved making or buying media organizations, funding protestors, paying for favorable articles about the Kremlin's preferred candidates, using WhatsApp and Telegraph groups alongside social media, and subcontracting to local native speakers to use their Facebook accounts and write content that was promoted across eight African countries.<sup>627</sup> In addition to providing media support, Wagner packages together various vectors of hybrid warfare to support leaders and presidential candidates.<sup>628</sup> While the operations are uniquely tailored to each country, they typically combine security forces, corrupt dealings and strategic leverage over natural resources, subversion of civil society by paying protestors (and sometimes telling dictators when it is time to shoot protestors), malign financial influence in elections, and information manipulation advancing Russian narratives.<sup>629</sup> Russian messaging often exploits Africans in order to stoke animosities against historic European colonialism, revive old territorial disputes, and fuel sentiments of injustice experienced by African Americans.<sup>630</sup>

**“ When authoritarian regimes are caught breaking the law in ways that involve large sums of money, that boldness is often reflective of broader regional strategic influence campaigns authorized at the highest levels.**

In a nod to the likelihood of Russia deploying this tradecraft in Western democracies, the Africa campaign was referenced in a February 2020 memo from the U.S. Department of Homeland Security and FBI about possible Russian interference tactics ahead of the 2020 election.<sup>631</sup> The memo raised eyebrows by warning in its first bullet that Russia could covertly advise political candidates and campaigns, a concern U.S. officials had not previously highlighted when warning the public of Russian election interference.<sup>632</sup> The memo went on to explain that such covert advice has been a feature of Prigozhin's political campaigning in twenty African countries.<sup>633</sup>

Turning away from Russia for a moment, over the past decade, Xi Jinping has revived China's long-dormant penchant for malign financial interference in elections.

The Chinese government has prior experience with malign finance, having allegedly funneled foreign money to the Democrats to interfere in the 1996 U.S. presidential election. U.S. signals intelligence showed that the Chinese Embassy was used for planning contributions to the DNC.<sup>634</sup> Some longtime friends and funders of Bill Clinton and Al Gore were allegedly tied to Chinese intelligence agencies. One donor claimed that the Chinese general in charge of military intelligence funneled \$300,000 through him to support the Clinton-Gore re-election campaign.<sup>635</sup> China denied the allegations, but the U.S. government won convictions against the main players for illegal fundraising schemes.

Such subversive methods of foreign influence were not usually pursued so aggressively under the rule of the Chinese Communist Party (CCP) until Xi Jinping came to power in 2012.<sup>636</sup> In 2014 and 2015, Xi used speeches, conferences, new bureaucratic structures, and redirection of resources to promote the importance of China's United Front work.<sup>637</sup> Adopting a Leninist strategy of uniting with lesser enemies to defeat greater enemies, China's United Front co-opts and neutralizes sources of potential opposition to CCP policies and authority at home and abroad.<sup>638</sup> The CCP's United Front Work Department coordinates affiliated organizations, ranging from cultural associations in foreign cities to Confucius Institutes on college campuses, in order to harness overseas Chinese communities and cultivate prominent

<sup>631</sup> See [Tucker](#), AP News, 2020.

<sup>632</sup> See Eric Tucker, [Twitter post](#), May 4, 2020, 2:41 PM.

<sup>633</sup> See [Tucker](#), AP News, 2020.

<sup>634</sup> See Bob Woodward and Brian Duffy, “[Chinese Embassy Role In Contributions Probed](#),” *Washington Post*, February 13, 1997.

<sup>635</sup> See Bob Woodward, “[Findings Link Clinton Allies To Chinese Intelligence](#),” *Washington Post*, February 10, 1998; Wolf Blitzer, “[China denies Chung's claim it gave money to influence U.S. presidential campaign](#),” CNN, April 5, 1999.

<sup>636</sup> Finding systematic parallels for CCP subterfuge to co-opt different elements of society arguably requires looking back before 1949, when the CCP was a suppressed proletarian opposition party that was often in need of allies. That was the context in which Mao Zedong referred to the United Front, armed struggle, and the building of a Leninist party as the three “magic weapons” for defeating not only foreign invaders but also the Republican government of Chiang Kai-shek. After the CCP consolidated power, Mao lost interest in United Front work, although it had to be revived periodically when the CCP needed to rebuild societal ties after crises such as the Great Leap Forward, Cultural Revolution, and the 1989 Tiananmen Square massacre. The United Front mainly focused on preventing the emergence of domestic interest groups such as a disaffected capitalist class or disgruntled ethnic or religious groups. The United Front also discouraged the Chinese diaspora from supporting Beijing's perceived opponents, from the Dalai Lama to Taiwanese democracy, but it did not play a major role in Chinese foreign policy. See Mao Tse-Tung, *Selected Works of Mao Tse-Tung*, Vol. 2, Beijing: Foreign Languages, 1967; Brady, 2017; Gerry Groot, “[The United Front in an Age of Shared Destiny](#),” The China Story, 2014.

<sup>637</sup> See Brady, pp. 7; Bowe, pp. 3-7.

<sup>638</sup> See Bowe, pp. 3-4.

<sup>620</sup> See [Schwartz and Borgia](#), 2019; [Rozhestvensky and Badanin](#), 2019.

<sup>621</sup> See [Schwartz and Borgia](#), 2019; [Rozhestvensky and Badanin](#), 2019.

<sup>622</sup> See [Schwartz and Borgia](#), 2019; [Rozhestvensky and Badanin](#), 2019.

<sup>623</sup> See [Schwartz and Borgia](#), 2019; [Rozhestvensky and Badanin](#), 2019.

<sup>624</sup> See [Schwartz and Borgia](#), 2019; [Rozhestvensky and Badanin](#), 2019.

<sup>625</sup> See [Rozhestvensky, et al.](#), 2019.

<sup>626</sup> See [Alba and Frenkel](#), 2019; [Stanford Internet Observatory](#), 2019; [Gleicher](#), March 12, 2020.

<sup>627</sup> See [Alba and Frenkel](#), 2019; [Stanford Internet Observatory](#), 2019; [Gleicher](#), March 12, 2020.

<sup>628</sup> See [Harding and Burke](#), June 2019.

<sup>629</sup> Ibid.

<sup>630</sup> See [Rozhestvensky, et al.](#), 2019.

individuals.<sup>639</sup>

While the United Front mainly targets potential opposition within China, it also carries out influence operations that undermine the sovereignty of nearby democracies. This “overseas Chinese work” is a growing focus of the United Front, as a 2018 restructuring increased the number of overseas bureaus from one to three of twelve total.<sup>640</sup> Taiwan has been a repeated target of Chinese malign influence.<sup>641</sup> But the CCP’s most flagrant interference in democracies has been the political donations flowing from United Front leaders in Australia and New Zealand.

In 2014 Australia Labor Party Senator Sam Dastyari started accepting Chinese assistance in the form of debt repayment and other gifts from CCP-linked organizations.<sup>642</sup> One of the benefactors was Huang Xiangmo, a Chinese property developer who moved to Australia in 2011 and led several groups tied to the United Front.<sup>643</sup> Together with people and entities associated with him, Huang donated \$2.7 million to Australian political parties.<sup>644</sup> In one case, Huang allegedly walked into Labor Party headquarters and handed the party boss a shopping bag with \$100,000 of cash withdrawn by his employee at a casino, which was then laundered through 12 straw donors at a Chinese Friends of Labor fundraising dinner.<sup>645</sup> In another case, the day after Labor’s defense spokesman criticized the Chinese territorial aggression in the South China Sea, Huang threatened to withdraw a promised \$400,000 donation to the Labor party and then stood next to Dastyari as he took China’s side over his own party and country.<sup>646</sup> Huang also put several senior government or political party officials on his payroll or on retainer soon after they left office, while also lavishing sitting government officials gifts.<sup>647</sup> The Australian government deported Huang as a matter of national security (as discussed in the chapter on foreign agents and straw donors) and is prosecuting him for an alleged \$140 million unpaid tax bill.<sup>648</sup>

Over the past two years, New Zealand has joined Australia in uncovering malign finance operations tied to the United Front. A key figure is Zhang Yikun, a wealthy Chinese national who founded the largest and most important United Front proxy organization in New Zealand.<sup>649</sup> Zhang was allegedly the source of funds behind two \$100,000 donations, one in 2017 and another in 2018, distributed among eight straw donors to evade disclosure before being paid to the National Party.<sup>650</sup> Zhang was indict-

ed early in 2020, along with former National Party MP Jami-Lee Ross and two others.<sup>651</sup> Ross accused party leader Simon Bridges of involvement and said another \$150,000 of undocumented donations came from Zhang’s sister.<sup>652</sup> Zhang apparently advocated the National Party to support the parliamentary candidacy of his Chinese friend and business partner, Colin Zheng.<sup>653</sup> Separately, Zhang was a bidder at a 2016 charity auction and dinner with Auckland’s Chinese community that Phil Goff used to raise the majority of his campaign funds.<sup>654</sup>

Chinese influence operations differ from Russian hybrid warfare in a few notable ways. While China wields all five tools of foreign interference, it is less common to see evidence of them all being deployed in unison like the Kremlin does on the front lines of NATO. China appears to more readily use human agents and straw donors, whereas Russia often leads online (both cyber and information) and its malign finance tends to be shrouded in shell companies and other sophisticated techniques to launder oligarch money. Finally, China generally does not appear to be aiming its weapons of malign finance as far west as Russia (the furthest known major financial case being the Czech Republic). That said, Chinese information operations have ratcheted up to look more Russian amid international pressure around Hong Kong protests and coronavirus. It remains unclear whether this is a temporary surge (like after 1989) or the next stage in Xi’s United Front revival, while it is also difficult to predict whether Chinese malign finance will similarly go global. It bears watching.

## Western Europe and the United States

Before 2014, Putin built political ties with Western Europe through friendly heads of state like Gerhard Schröder, Silvio Berlusconi, and to a lesser extent, Nicolas Sarkozy.<sup>655</sup> Cooperation between Moscow and peripheral Western politicians was limited to electoral observation and engagement with Russian state media, activities that fringe European populists and the Kremlin both use to legitimize their own politics and policies.<sup>656</sup>

Putin’s disappointment with mainstream Western politicians built up over a decade—from 2003 to 2013.<sup>657</sup> His belief that Russia is owed “privileged interests” to violate the national sovereignty of its former imperial conquests within Russia’s so-called

<sup>639</sup> See Matt Schrader, *Friends and Enemies: A Framework for Understanding Chinese Political Interference in Democratic Countries*, Washington: The Alliance for Securing Democracy, April 22, 2020.

<sup>640</sup> See Alex Joske, “*Reorganizing the United Front Work Department: New Structures for a New Era of Diaspora and Religious Affairs Work*,” Jamestown Foundation, May 9, 2019.

<sup>641</sup> See June Teufel Dreyer, “*China’s United Front Strategy and Taiwan*,” University of Nottingham Taiwan Studies Program, February 19, 2018.

<sup>642</sup> See *Henderson and Anderson*, 2016.

<sup>643</sup> See *Cave*, 2019.

<sup>644</sup> See Christopher Knaus, “*‘Give back my money’: banned billionaire Huang Xiangmo hits out at political parties*,” *The Guardian*, February 8, 2019.

<sup>645</sup> See *Grigg*, 2019.

<sup>646</sup> See *McKenzie*, 2019.

<sup>647</sup> See Neil Chenoweth, “*Where Huang Xiangmo really spent his money*,” *Financial Review*, October 11, 2019.

<sup>648</sup> See A. Odysseus Patrick, “*This Chinese mogul made powerful friends in Australia. Now he’s a case study on worries over Beijing’s influence*,” *Washington Post*, October 7, 2019.

<sup>649</sup> See Anne-Marie Brady, *Twitter post*, March 4, 2020, 11:01 PM.

<sup>650</sup> See *Hurley*, 2020.

<sup>651</sup> See Tim Murphy, “*Jami-Lee Ross one of 4 charged by SFO*,” Newsroom, February 19, 2020.

<sup>652</sup> See *Walters*, 2018.

<sup>653</sup> Ibid.

<sup>654</sup> Zhang bought “an item or two,” but almost half of the auction proceeds came from an undisclosed Chinese national who dialed in remotely from Beijing to buy a book owned by Goff and signed by Xi Jinping. Another guest said many people attended and bid strongly because they believed Goff would be the next mayor of Auckland. See *Anthony et al.*, 2018.

<sup>655</sup> Putin generally lacked similar direct top-level contacts in the United States. He started out engaging constructively with U.S. presidents Bush and Obama, although in both cases the relationships ended disappointingly because the United States refused to accept Moscow’s violations of the sovereignty of smaller nations in Russia’s neighborhood. See *Hill and Gaddy*, pp. 278–282, 309–311; *Betton*, pp. 434–435.

<sup>656</sup> See *Shekhovtsov*, Chapters 4–5; *Arfi et al.*, 2014; Ben Protess, et al., “*Bank at Center of U.S. Inquiry Projects Russian ‘Soft Power’*,” *The New York Times*, June 4, 2017; Evelyn N. Farkas, “*Jared Kushner’s Not-So-Secret Channel to Putin*,” *The New York Times*, June 8, 2017.

<sup>657</sup> Putin repeatedly perceived Western plots against him with the U.S. intervention in Iraq in 2003 (or at least a U.S. seeking pretexts to intervene against hostile states), the color revolutions in Georgia in 2003 and Ukraine in 2004, the Arab Spring in 2010–2013, the anti-Putin protests in Moscow and other Russian cities in 2011–2013, and the onset of another crisis in Ukraine in 2013–2014. Putin also chafed at criticism of Russian brutality, such as the murder of Sergei Magnitsky, the Kremlin’s crackdown on domestic opposition, and Russia’s unwavering support for Syrian President Bashar al-Assad. See *Hill and Gaddy*, pp. 303–311; *Shekhovtsov*, pp. 222.

“near abroad” turned out to be fundamentally at odds with the post-war order.<sup>658</sup> Feeling rebuffed, Putin started aggressively promoting non-mainstream politicians and parties. This was done in part to develop alternative political allies to serve as front organizations advocating for Western acceptance of aggressive Russian policies.<sup>659</sup> However, those allies can also be seen as combatants in a form of political warfare: bought-and-paid-for human assets meant to serve—wittingly or not—as active measures to destabilize the liberal-democratic consensus.<sup>660</sup>

While invading Ukraine in April 2014, the Russian government also began interfering in Western politics, with malign finance as the tip of the spear.<sup>661</sup> On April 17, Putin publicized his growing support for anti-establishment politicians in Europe, applauding the electoral victory of Viktor Orban’s Fidesz party and the strong showings by Jobbik and Le Pen’s party as “rethinking the values in European countries” with “conservative values” and “national sovereignty” being more effective than E.U. governance in Brussels.<sup>662</sup> The following day, a Cypriot shell company described as an offshoot of VEB (a Russian state-owned bank regularly used by the Kremlin to finance politically important projects) wired €2 million from its Swiss bank account to Jean-Marie Le Pen’s fundraising association for National Front campaigns.<sup>663</sup> Konstantin Malofeev helped set up the deal.<sup>664</sup> It was only a month after Marine Le Pen publicly endorsed Russia’s annexation of Crimea and a senior Kremlin official privately agreed that “it will be necessary to thank the French in one way or another.”<sup>665</sup> In September 2014, the National Front itself would borrow another €9.4 million from First Czech Russian Bank, which was ultimately owned by Putin’s close friend Gennady Timchenko.<sup>666</sup>

In 2015 a “Russian who works for Putin” appears to have funded Thierry Baudet’s new think tank in the Netherlands, Forum for Democracy (FvD), which organized a referendum against an

E.U. association agreement with Ukraine.<sup>667</sup> FvD campaigned against Ukraine’s deal, assisted by disinformation seeded by Russian state TV and amplified by a St. Petersburg troll farm.<sup>668</sup> It is unclear whether the secret funding, which Baudet denies entirely, continued flowing to FvD after it transformed into a political party in September 2016. Dutch political parties may accept foreign money but must disclose the identities of donors giving more than €1,000.<sup>669</sup>

In 2015 and 2016, the Leave.EU campaign received the largest donation in British political history from Arron Banks, who was at the time being offered lucrative business opportunities by Russian spies, diplomats, oligarchs, and state-owned firms, while also allegedly profiting from illicit diamond trading in Africa believed to be controlled by Russia intelligence services (which Banks denies).<sup>670</sup>

In 2017 Alternative for Germany (AfD) lawmaker Markus Frohnmaier reportedly sought “material support” and “media support” from the Kremlin. Frohnmaier was elected and then proceeded to “immediately start operating in the foreign policy field,” as he had pledged to do in his request for help from the Russian government, which internally viewed him as an “absolutely controlled MP.”<sup>671</sup> Calls for an official investigation have gone unheeded, even though it is illegal in Germany to receive more than €1,000 in foreign support.<sup>672</sup>

## **“Putin authorized campaigns against Europe in 2014, the United States in 2016, and Africa in 2018.**

In 2018 Italy’s most prominent politician reportedly negotiated a deal in Moscow to secretly funnel Russian oil profits to support his political party in the 2019 European election campaign.<sup>673</sup> It appears the deal was uncovered by journalists before it was closed. If it had been completed though, it likely would have been illegal as the approximately \$130 million price discount far exceeded the €100,000 limit for political contributions in Italy at the time.<sup>674</sup>

These cases typically involve Western politicians (e.g., Marine Le Pen, Thierry Baudet, Markus Frohnmaier, and Matteo Salvini) allegedly arranging Kremlin support through intermediaries (e.g., Aleksandr Babakov, Vladimir Kornilov, Manuel Ochsenreiter, and Gianluca Savoini, respectively). This shows how Russian government relationships with the Western European far

<sup>658</sup> See [Shekhtsov](#), Chapter 6.

<sup>659</sup> Supporting non-mainstream political allies in the West is means to an end, which Anton Shekhtsov describes as “not only to consolidate the authoritarian kleptocratic regime at home and impose Moscow’s geopolitical objectives in the post-Soviet space, but also to counteract the growing isolation of Russia in the Europeanized world and, in particular cases, to disrupt the liberal-democratic consensus in Western societies and, thus, destabilize them.” [Shekhtsov](#), pp. 247. See also Polyakova, et al., *Trojan Horses*, 2016; Polyakova, et al., *Trojan Horses 2.0*, 2017; Polyakova, et al., *Trojan Horses 3.0*, 2018.

<sup>660</sup> In trying to see Putin within the context of Russian history, Henry Kissinger says “He is the head of a state that for centuries defined itself by its imperial greatness, but then lost 300 years of imperial history upon the collapse of the Soviet Union ... Russia must be dealt with by closing its military options but in a way that affords it dignity in terms of its own history. By the same token, Russia must learn a lesson it has so far refused to consider: that the insistence on equivalence goes both ways and that it cannot gain respect by making unilateral demands or demonstrations of power.” Jeffrey Goldberg, *“World Chaos and World Order: Conversations With Henry Kissinger.”* *The Atlantic*, November 10, 2016.

<sup>661</sup> See [Belton](#), pp. 435-440.

<sup>662</sup> See Presidential Executive Office of the Russian Federation, *“Direct Line with Vladimir Putin.”* April 17, 2014. During this period, Putin was as focused as ever on his conspiracy theories of secret Western plots against him. He decided to annex Crimea on February 23, a few hours after his helicopter had a very rough landing in Sochi that he was convinced was a CIA assassination attempt. In March, Putin argued that color revolutions and the Arab Spring are imposed upon countries by the West, a perspective we will address directly in the conclusion chapter. See Meduza, *“Vladimir Putin decided to annex Crimea in a paranoid huff, late at night, believing the CIA had just tried to kill him, says the one Russian lawmaker who voted against it.”* February 14, 2018; *Hill and Gaddy*, pp. 306. Separately, there are allegations that Bela Kovacs—the Hungarian businessman who worked for years in Russia and then returned to Hungary to bankroll Jobbik in 2005—is a KGB agent. See Andrew Higgins, *“Foot Soldiers in a Shadowy Battle Between Russia and the West.”* *The New York Times*, May 28, 2017; *Belton*, pp. 428, 430. We have not included this case in our analysis because its main activity is dated before our time horizon of the past ten years.

<sup>663</sup> See [Arfi](#), et al., 2014; [Shekhtsov](#), pp. 196-197.

<sup>664</sup> See [Shekhtsov](#), pp. 197; [Belton](#), pp. 434.

<sup>665</sup> See David Chazan, *“Russia ‘bought’ Marine Le Pen’s support over Crimea.”* *The Telegraph*, April 4, 2015.

<sup>666</sup> See [The Alliance for Securing Democracy and C4ADS](#), 2018.

<sup>667</sup> See [Zembla and De Nieuws BV](#), 2020.

<sup>668</sup> See Andrew Higgins, *“Fake News, Fake Ukrainians: How a Group of Russians Tilted a Dutch Vote.”* *The New York Times*, February 16, 2017.

<sup>669</sup> International IDEA, *“Political finance database.”*

<sup>670</sup> See [Cadwalladr and Jukes](#), 2018; [Harper, et al.](#), 2019; Luke Harding and Mark Townsend, *“Timid, incompetent ... how our spies missed Russian bid to sway Brexit.”* *The Guardian*, July 26, 2020; [Lucas](#), pp. 177-179.

<sup>671</sup> [Gatehouse](#), 2019; [Amann, et al.](#), 2019; [Frontal 21](#), 2019.

<sup>672</sup> See [Applebaum](#), 2019; [Acosta, ed.](#), 2019.

<sup>673</sup> See [Nardelli](#), July 10, 2019.

<sup>674</sup> This is reportedly not the first time a foreign government funneled secret donations worth millions to a populist Italian political party. In 2010, the Venezuelan government allegedly used its consul in Milan as an intermediary to give a suitcase with €3.5 million to the founder of the Five Star Movement. See Marco Mensurati, *“Il quotidiano spagnolo ABC: ‘Il governo di Chavez finanziò il M5S con 3,5 milioni nel 2010.’ Caracas: ‘Il documento è un falso,’* *La Repubblica*, June 15, 2020.

right are no longer centralized within the KGB, like in the Cold War, but instead managed by individuals hoping to impress the Kremlin.<sup>675</sup> Another difference is that Russia is far more financially integrated into Western markets than the Soviet Union ever was, so it can act more covertly and effectively than ever before.<sup>676</sup>

Lastly: Russian interference in the United States. The most famous example of a multi-vector foreign interference campaign is summed up in the this key line of the Mueller report: “The Russian government interfered in the 2016 presidential election in sweeping and systematic fashion.”<sup>677</sup> And of course, it was illegal, with Mueller charging Russians for perpetrating the social media campaign and hacking operations.<sup>678</sup>

Importantly, Russian interference never stopped.<sup>679</sup> In fact, social media activity by the Internet Research Agency (IRA) increased, rather than decreased, after the 2016 election.<sup>680</sup>

A month before the 2018 U.S. midterm elections, the DOJ charged the IRA’s chief accountant with the same offense as the IRA committed in 2016: conspiracy to defraud the United States. Spending more than \$10 million in 2018, the IRA was still impersonating Americans and buying political advertisements on Facebook, Twitter and Instagram. In September 2019, the U.S. Treasury sanctioned six IRA employees for partaking in the 2018 interference.<sup>681</sup> To this day, Facebook takes down another inauthentic IRA-linked network every few months, with two thirds of those being Russian operations that target Americans.<sup>682</sup>

Throughout 2019, two wealthy pro-Kremlin oligarchs paid more than \$2 million to Lev Parnas and Igor Fruman (associates of Donald Trump and Rudy Giuliani) as they sought information that could potentially tarnish Trump’s leading opponent in the 2020 presidential election.<sup>683</sup>

In February 2020, U.S. intelligence officials warned Congress that Russia is interfering in the 2020 election, a report that received a lot of attention because it concluded that Russia aimed to help re-elect Trump, who became angry that the assessment

<sup>675</sup> See *Shekhovtsov*, pp. 221. The role of intermediaries and Russian intelligence under non-traditional cover extends to other important political influence operations beyond malign finance. For example, Russia’s main conduit to Julian Assange seems to have been journalists from RT in London while Carter Page was cultivated by SVR officers at the Manhattan branch of VEB. See House of Commons of the United Kingdom, Intelligence and Security Committee of Parliament, *Russia*, HC 632, July 21, 2020, *Submission of Christopher Steele*, July 21, 2020 (“Steele Submission”), Luke Harding, *Collusion: Secret Meetings, Dirty Money, and How Russia Helped Donald Trump Win*, New York: Knopf Doubleday, 2017, pp. 43.

<sup>676</sup> See *Belton*, pp. 15-16, 165, 279, 296-297, 352, 497.

<sup>677</sup> *Mueller Report*, Vol. I.

<sup>678</sup> *Internet Research Agency Indictment; Netyshko Indictment*.

<sup>679</sup> See Maggie Miller, “*FBI director says foreign disinformation campaigns ‘never stopped’ after 2016 elections.*” The Hill, February 5, 2020.

<sup>680</sup> Bipartisan analysis conducted by the Senate Intelligence Committee found that activity by IRA-associated accounts spiked significant after the election, increasing across Instagram (238 percent), Facebook (59 percent), Twitter (52 percent), and YouTube (84 percent). *SSCI Report Vol. 2*, pp. 8.

<sup>681</sup> Prigozhin was already sanctioned in December 2016 and indicted in February 2018. The U.S. Treasury action following the 2018 midterm elections also sanctioned three planes and a yacht owned by Prigozhin, which is far from enough pressure to deter continued aggression by the Kremlin and its proxies. See U.S. Department of the Treasury, “*Treasury Targets Assets of Russian Financier who Attempted to Influence 2018 U.S. Elections*,” Press Release, September 30, 2019.

<sup>682</sup> See, e.g., *Stamos*, 2018; *Facebook*, July 31, 2018; *Gleicher*, January 17, 2019; *Gleicher*, “Removing more,” October 21, 2019; *Gleicher*, October 30, 2019; *Gleicher*, March 12, 2020. Of these six IRA-linked takedowns, four targeted U.S. audiences, one operated in 13 Central and Eastern European countries, and one spanned eight African countries.

<sup>683</sup> See *Parnas Filing*, pp. 5-6.

was disclosed to Democrats.<sup>684</sup> Less noticed in that report was the U.S. finding that the Russians recognize they need a new playbook of as-yet-undetectable methods. Even less attention was generated by an Associated Press report three months later based on a public records request that revealed what those new methods might be. A week before the Congressional briefing, the U.S. Department of Homeland Security and the FBI sent states a memo warning of eight possible Russian interference tactics ahead of the 2020 election.<sup>685</sup> In addition to various forms of information manipulation and cyberattacks such as seen in 2016, the memo warns that Russia may use three methods of malign finance covered in this report: provide financial support to candidates or parties, covertly advise political candidates and campaigns, or use economic and business levers to develop influence within a campaign or administration.

The clear implication is that Russia is continuing its illegal and multi-vector campaign against U.S. democracy. The U.S. executive branch needs to meet this challenge by similarly coordinating all the related components of law enforcement, the intelligence community, and policy “in a sweeping and systematic fashion.”

## U.S. Recommendation:

**Administrative reforms are needed to reorganize the U.S. government around the threat of malign finance in order to coordinate efforts against both legal and illegal activities.**

The U.S. government departments and agencies that should be responsible for countering malign finance—Treasury, the FEC, Commerce, economics components at State and the DOJ, etc.—need to dramatically enhance the extent to which they prioritize foreign interference in politics.

A crucial finding of our survey is that authoritarian regimes—whether through master planning or decentralized adhocracy—run multi-vector campaigns in a gray zone occupied by multiple tools, actors, motives, and messages in ways that are overt and covert, legal and illegal, public and private, true and false, online and offline, etc.

As Western responses need to be similarly wide-ranging and coordinated, our recommendations start with a set of coordination proposals in the Policy Blueprint for Countering Authoritarian Interference in Democracies published by the Alliance for Securing Democracy (ASD).<sup>686</sup> Then we will turn specifically to reform proposals for malign finance.

<sup>684</sup> See *Goldman et al.*, 2020.

<sup>685</sup> See *Tucker*, AP News, 2020.

<sup>686</sup> See *Rosenberger et al.*, 2018

## Executive branch coordination: policy, intelligence, and diplomacy

When Special Counsel Robert Mueller testified to Congress about his investigation, he assiduously kept to his written report. The only new comments he made were in response to questions about how to organize U.S. efforts to stop similar foreign attacks in the future.<sup>687</sup>

With regards to policy and enforcement, Mueller advised: “The first line of defense really is the ability of the various agencies who have some piece of this to not only share information, but share expertise, share targets and we use the full resources that we have to address this problem.”

ASD recommends the U.S. president appoint a foreign interference coordinator at the National Security Council (NSC) to direct policy formulation and task agencies across the full spectrum of tools and threats. To maintain prominent interagency standing, the president should appoint a former senior official, ideally cabinet-level or a former member of Congress to be named a deputy assistant to the president and entrusted as the president’s advisor and voice on all things foreign interference. The coordinator would also work closely with Congress, the private sector, civil society, and allies.

Asked by a lawmaker about a specific proposal around intelligence sharing, Mueller responded: “The ability of our intelligence agencies to work together in this arena is perhaps more important than that. And adopting ... whatever legislation will encourage us working together—by us, I mean the FBI, CIA, NSA, and the rest—it should be pursued aggressively early.”

ASD recommends establishing a Hybrid Threat Center at the Office of the Director of National Intelligence (ODNI) to bring together experts across the intelligence community to track individual tools, actors, or regions. Foreign interference should be elevated on the list of intelligence collection and analytic priorities, and the Threat Center should coordinate holistic assessments of malign foreign influence operations targeting the United States and its allies.

On the related topic of intelligence assessments and attributions, Russia’s successes in 2016 and its campaigns against new entrants to NATO that arguably backfired collectively serve to demonstrate the importance of publicly exposing foreign interference operations in an apolitical national security frame. The internal process set forth by the Trump administration in November 2019 reserves the right for the president to decide whether to inform the public about threats the government identifies.<sup>688</sup> By contrast, Canada leaves the decision about public notifications in the hands of senior non-partisan bureaucrats, a model Congress should consider formalizing in legislation.<sup>689</sup> More-

over, the Trump administration’s process of notifying Congress and campaigns about foreign interference appears to be uncoordinated at best and seemingly corrupted by personal political motives, which leaves the public uninformed, undermines faith in elections, and weakens deterrence efforts against foreign interference.<sup>690</sup> ASD recommends Congress introduce mandatory reporting requirements for both the intelligence community and Department of Homeland Security to release information about foreign interference to Congress in unclassified formats, and when appropriate, to the public.

Lastly, only the executive branch is capable of coordinating the kind of collaboration required among democracies to stand up to authoritarian regimes and promote an open, transparent, and secure arena for political finance. While getting the U.S. financial security house in order by addressing the vulnerabilities reviewed in this report, the President of the United States should host a global summit of democracies broadly framed as renewing the resilience of the free world. The White House, State Department, and other departments and agencies should work beforehand to secure new country commitments around fighting corruption and defending against authoritarian interference, including closing the seven loopholes of malign finance and reorganizing administrative structures around this threat.<sup>691</sup> The summit should include civil society groups working to defend democracies around the world from corruption and authoritarianism, while also calling on the private sector to do its share. The U.S. government should then lead the implementation of that leader-level mandate through all manner of multilateral forums and bilateral relationships.

## Malign finance: Treasury and the FEC

From college majors to long careers in government service, most people do not work extensively across both national security and finance/economics. Within the executive branch, the handful of teams focused on both areas tend to err one way or the other in their professional expertise and policy views. Within the Treasury Department, for example, International Affairs (IA) is staffed by economists while the sanctions side of the house is mostly run by lawyers and intelligence analysts with a national security mandate.

To help break down those silos, an NSC foreign interference coordinator should have a senior director for malign finance, with a staff of detailees from Treasury, State, and the intelligence community to better combine expertise in finance and national

<sup>687</sup> See The Alliance for Securing Democracy, “*Mueller Hearings: Policy Recommendations on Combating Foreign Interference*,” July 26, 2019.

<sup>688</sup> See U.S. Office of the Director of National Intelligence, et al. “*Overview of the Process for the U.S. Government to Notify the Public and Others Regarding Foreign Interference in U.S. Elections*,” November 12, 2019.

<sup>689</sup> See Amanda Connolly, “*Here are the rules for when Canadians will learn about election interference attempts*,” Global News, July 9, 2019.

<sup>690</sup> See Shane Harris, et al., “*Bernie Sanders briefed by U.S. officials that Russia is trying to help his presidential campaign*,” Washington Post, February 21, 2020; Ellen Nakashima and Seung Min Kim, “*No evidence yet that Russia has taken steps to help any candidate in 2020, intelligence official tells Congress*,” Washington Post, March 10, 2020; Draper, 2020.

<sup>691</sup> Another ASD recommendation that will be particularly relevant for these country commitments is to formalize government-to-government channels to share information about foreign interference among allies. Such coordination is currently conducted sporadically in technical stovepipes. For example, cyber experts conduct exchanges with each other, as do specialists in disinformation or illicit finance, but rarely do governments share intelligence around and jointly develop assessments of and responses to the overall threat landscape. Additionally, the U.S. government should consider explicitly prohibiting its intelligence community from conducting foreign interference operations. Such an undertaking would involve manifold risks around public messaging and how narrowly to define interference, but it could be important to establish an international consensus around what constitutes foreign interference that shall not be tolerated. See Robert K. Knake, “*Banning Covert Foreign Election Interference*,” Council on Foreign Relations, May 29, 2020.

security.<sup>692</sup> The Hybrid Threat Center should similarly include a team focused on financial intelligence, including representation from Treasury's component of the intel community, the Office of Intelligence and Analysis (OIA). The need to improve intelligence around malign finance is supported by the data found in our research: Out of the roughly \$300 billion taken out of Russia by Kremlin cronies, we have identified \$300 million specifically spent on malign finance, which underscores the urgency of investigating what the other 99.9 percent was spent on.<sup>693</sup> Specialists in Russian money laundering and shell company structuring should sit next to experts in campaign finance law, real estate, media, investments, and other industries, combining public and private experience.

In addition to sending staff to work at the recommended coordinating bodies at the NSC and ODNI, administrative reforms are needed within the Treasury Department and the FEC to meet the challenge of malign finance. We will address each of the two agencies in turn.

First, Treasury should reorganize its Office of Terrorism and Financial Intelligence (TFI) in such a manner as to dedicate the same degree of administrative priority to countering authoritarian influence (CAI) as it does to combatting the financing of terrorism (CFT).

**“Treasury should reorganize to dedicate as much administrative priority to fighting authoritarian influence as it does to combatting terrorist financing.”**

As background, in the weeks after September 11, 2001, the Treasury Department added CFT to its traditional focus on anti-money laundering (AML). The United States then got the rest of the world to do the same through international standards developed by the Financial Action Task Force (FATF) that were later adopted by the United Nations, the International Monetary Fund, and the World Bank. Treasury reinforced the importance of CFT through bilateral engagements and provided partner countries and international bodies with training and technical assistance to enhance their own capabilities.

<sup>692</sup> One of the few teams in the U.S. Government traditionally positioned to integrate perspectives on matters of economic statecraft (a much broader field than malign finance) is the International Economics directorate at the NSC. When coordinating the development of sanctions programs, financial assistance, energy policies, or trade deals, the International Economics staff would convene the economists and analysts from Treasury, Commerce, the U.S. Trade Representative (USTR), the Department of Energy, and other agencies around the same table as the national security experts from State, Defense, and the intelligence community. Specialists would meet (often for the first time) at the White House, debate the relative importance of economic and security trade-offs, and develop well-vetted policy options that incorporate a wide range of considerations. For example, a typical productive exchange of viewpoints might involve the security hawks advocating for tough sanctions against an adversarial country while Treasury IA cautions about unintended macro-financial systemic consequences and Commerce warns of costs to U.S. businesses, with the White House International Economics team at the head of the table brokering the process. But this group is also susceptible to erring one way or the other depending on the interests of the President and his or her top staff. Dating back to when the National Economic Council (NEC) was established in 1993, the International Economics staff always had dual-hatted reporting to both the NEC and the NSC in order to balance economic and security interests. The team was run by a Deputy Assistant to the President who most often but not always came from Treasury. Given its intensive focus on trade relations, the Trump Administration appointed a string of trade negotiators (often coming from USTR) to run International Economics and in November 2019 the White House broke the team's ties with the NSC altogether, such that it now reports exclusively to the NEC. See Nahal Toosi, “[Trump's plan to shrink NSC staff draws fire](#),” Politico, November 11, 2019.

<sup>693</sup> Since 2006, Putin's crony group has transferred some \$195 billion to \$325 billion out of Russia, with half that presumably belonging to Putin himself. See [Åslund](#), pp. 174. The Russian government and its proxies launder such vast sums offshore partly to create parallel black-cash budgets for the Kremlin's strategic purposes, from bribery to election interference. See [Belton](#), pp. 404. There is some anecdotal and circumstantial evidence suggesting that the biggest money laundering channels into the West are controlled by the FSB's Directorate K. See [Belton](#), pp. 408-410.

The U.S. Treasury Department has not led any kind of similar expansion of its priorities around malign authoritarian influence in the four years since it so clearly became a top national security threat in 2016. Instead, Treasury used its 2018 update of its national strategy to add the risk of financing the proliferation of weapons of mass destruction (WMD).<sup>694</sup> At the time, the United States held the rotating presidency of the FATF for the first time in 23 years and so Assistant Secretary Marshall Billingslea used that agenda-setting role to get the FATF to correspondingly add WMD to its own mandate, although at the same time the FATF adopted an “open-ended mandate” toward all threats.<sup>695</sup> The UN, IMF and World Bank remain focused on AML/CFT.<sup>696</sup>

WMD proliferation financing is very important and should remain on Treasury's radar along with persistent threats such as drug trafficking, human trafficking, and organized crime. It is, though, a risk that the international security system has been addressing—sometimes effectively, sometimes not—for decades. By contrast, the surge in authoritarian influence operations over the past four years merits more urgent and proactive policy focus. As such, the alphabet soup of top-level threat finance priorities should be AML, CFT, and CAI. In this context of financial regulation, we would define CAI by its objective to deter, detect, disrupt, and defund abuse of the U.S. financial system by authoritarian governments and their proxies as they work to undermine democracies.<sup>697</sup>

Congress can help prod the administration in this direction with legislation like the *REPEL Act*, which would mandate that Treasury add CAI to its national strategy, similar to AML and CFT. Drafted by the House Financial Services Committee and the Helsinki Commission but not yet formally introduced, the *REPEL Act*, would require Treasury to create a cross-border payments database, regulate money transmitters, streamline AML targeting authority, and broaden coverage of AML/CFT/CAI compliance obligations to include the real estate sector, law firms, investment advisors, accounting firms, and trust and company service providers, as recommended by the FATF.<sup>698</sup>

However, this work can only really be done well by an enthusiastic executive branch. Beyond publishing a public strategy document, Treasury should give CAI just as much focus as CFT by reprioritizing administrative goals, resource planning, internal processes and structures, and patterns of external engagement.

<sup>694</sup> See U.S. Department of the Treasury, [National Proliferation Financing Risk Assessment 2018](#), Washington, 2018.

<sup>695</sup> See Financial Action Task Force, “[FATF Ministers give FATF an open-ended Mandate](#),” April 12, 2019.

<sup>696</sup> See United Nations Office on Drugs and Crime (UNODC), “[UNODC on money-laundering and countering the financing of terrorism](#),” accessed June 17, 2020; International Monetary Fund, “[Assessments: An Overview](#),” accessed June 15, 2020; World Bank, “[Financial Integrity](#),” accessed June 18, 2020.

<sup>697</sup> For clarity and focus, the definition should also explicitly cover efforts made by authoritarian regimes to connect their own networks of oligarchs, princelings, organized criminals, current and former intelligence professionals, energy companies, state media, and other corrupt intermediaries together with witting or unwitting U.S. persons, including political actors (parties, campaigns, candidates, donors, advisors, etc.), wealthy elites, banks, shell companies, domestic subsidiaries, non-profits, academic programs, social movements, media outlets, and other individuals or groups. Such authoritarian influence operations are meant to undermine democracies by influencing policy and political outcomes, making the rest of the world as corrupt as they are, and sustaining their kleptocratic systems of maintaining power.

<sup>698</sup> This would probably require a process of negotiating with interest groups, similar to the work that was required to finish drafting the *AML Act*.

Making CAI a top priority at Treasury would require major contributions from each of the four offices under the umbrella of TFI.<sup>699</sup> The Office of Foreign Assets Control (OFAC) administers sanctions, including those freezing the assets and financial networks of human rights abusers and oligarchs who fund authoritarian influence operations as well as sectoral sanctions meant to deter countries from pursuing policies of aggression. The Office of Terrorist Financing and Financial Crimes (TFFC) is TFI's policy and outreach team, which quarterbacked Treasury's drive to get the interagency and international partners to focus on CFT after the Sept. 11, 2001 attacks, a job that must now be replicated for CAI.<sup>700</sup> OIA is responsible for intelligence at Treasury, so they would do the vital mapping of financial networks used by proxies of authoritarian regimes to undermine democracies. The Financial Crimes Enforcement Network (FinCEN) administers the Bank Secrecy Act, which includes the receipt of suspicious activity reports from U.S. financial institutions and making the data accessible to law enforcement and other domestic and foreign partners.

The planning process for the CAI mission should bring in at an early stage Treasury's partners throughout the interagency. Intelligence and law enforcement agencies need to brainstorm with FinCEN and OIA about why it has been difficult to track authoritarian money even within the U.S. financial system and which new financial intelligence data sources should be collected, made accessible, and analyzed. The State Department and other policy agencies need to work closely with OFAC (responsible for sanctions) and TFFC (developing policies for the full range of financial enforcement tools) around how to ratchet up pressure on authoritarian regimes. All this would ideally be done through the Hybrid Threat Center and an NSC Foreign Interference Coordinator, but Treasury should not wait for those coordinating bodies to get up and running before taking the initiative to start prioritizing CAI together with its interagency partners—the coordination could always be formalized later.

Second, the other regulatory agency needed in the fight against malign finance is in dire need of structural reform: The FEC.

In September 2019, when the FEC lost its quorum of commissioners and therefore its formal authority to act, not much changed in practice. For most of the past decade, there has been virtually no enforcement of U.S. campaign finance laws.<sup>701</sup> In the decade ending in 2016, the amount of civil penalties imposed by the FEC declined by roughly 90 percent.<sup>702</sup>

The main driver of FEC dysfunction is that it cannot pursue its most important functions without a majority of commissioners agreeing. However, by law, only half of the commissioners can come from each major party, requiring compromises to get FEC commissioners from either party to take action against

a politician from their own party.<sup>703</sup> But over the past decade, extreme partisan division on Capitol Hill has infected the FEC too, largely because commissioners are chosen by Congressional leaders.<sup>704</sup> The result is that one of the two parties has developed ideological opposition to campaign finance law and its enforcement, becoming reluctant to uphold rules against either party out of concern that it would lead to a slippery slope of enforcement against both parties.<sup>705</sup> By 2016, the portion of regular enforcement cases that were blocked by party-line deadlocked votes had jumped seven-fold to a level that includes most matters of significance.<sup>706</sup>

Gridlock has prevented meaningful FEC investigation or action in response to interference in support of either side during the 2016 election. Instead, the known cases were discovered and pursued by the FBI, criminal prosecutors, Congress, and civil society—everyone except the FEC. The \$3.5 million of illegal contributions that George Nader helped funnel from the U.A.E. to the Hillary Clinton campaign were identified as part of the Mueller probe, investigated by the FBI's D.C. field office, and prosecuted by the DOJ's criminal division.<sup>707</sup> The as yet unconfirmed possibility that Putin-allied money man Alexander Torshin may have funneled laundered donations to the NRA to help Trump in 2016 was investigated by the FBI and Congress while a related case involving Maria Butina was prosecuted by the U.S. attorney's office for D.C. but later explicitly rejected through a 2-2 vote at the FEC.<sup>708</sup> This pattern has continued beyond matters involving the 2016 election, such as Lev Parnas and Igor Fruman's straw donor scheme, which was spotted by the *Daily Beast*, became the subject of a complaint by the Campaign Legal Center, and was later prosecuted (together with allegations of Russian funding) by the Southern District of New York.<sup>709</sup>

The FEC is similarly missing in action when it comes to providing guidance to political actors on novel or unclear areas of campaign finance law. The rulemaking process has virtually ground to a halt, while advisory opinions (based on requests to which the FEC is required to respond) have similarly been stymied by dysfunction. Over the decade ending in 2017, the rate at which advisory opinions have ended in unclear partisan deadlock has risen five-fold.<sup>710</sup>

<sup>703</sup> While this has always been a challenge, throughout most of the FEC's existence deadlocked votes were unusual, only happening between one and three percent of the time. See Preet Bharara, host, "[Free and Fair Elections \(with Ellen Weintraub\)](#)," Stay Tuned with Preet (podcast), July 9, 2020.

<sup>704</sup> Extreme gridlock has undermined the FEC ever since 2008, when a particularly partisan batch of commissioners who were less interested in finding common ground came into office. See [Bharara-Weintraub](#), 2020.

<sup>705</sup> See Karl Evers-Hillstrom, "[Republican FEC commissioners let Clinton campaign off the hook for super PAC coordination](#)," Center for Responsive Politics, July 22, 2019.

<sup>706</sup> Technically, the portion of deadlocked votes rose from 4.2 percent in 2006 to 37.5 percent in 2016. But the 37.5 percent statistic understates the problem because almost all votes on which commissioners reached consensus in 2016 were housekeeping matters, minor violations, or dismissal of frivolous allegations. See [Weiner](#), pp. 3.

<sup>707</sup> See [DOJ](#), December 2019.

<sup>708</sup> See Matter Under Review before the Federal Election Commission, [American Democracy Legal Fund v. NRA, et al.](#), MUR 7314, 2018-2020; Statement of Reasons of Chair Ellen L. Weintraub Before the Federal Election Commission, [In the matter of National Rifle Association of America, Alexander Torshin, Maria Butina, et al.](#), MUR 7314, Federal Election Commission, August 16, 2019.

<sup>709</sup> See [Marritz](#), 2020.

<sup>710</sup> As with decisions around enforcement, the portion of votes ending in deadlock climbed from 4.9 percent in 2008 to 24.1 percent in 2017, which the 24.1 percent understating the problem because most of the advisory opinions the FEC does issue deal with straightforward matters like whether campaigns can use funds for particular purposes or when professional associations may operate a federal PAC. See [Weiner](#), pp. 5.

<sup>699</sup> See U.S. Department of the Treasury, "[Terrorism and Financial Intelligence](#)," May 23, 2018.

<sup>700</sup> TFFC also interfaces with other components of the U.S. Treasury Department, including Treasury offices beyond TFI that will also be involved in CAI, such as International Affairs (IA). After 9/11, Treasury IA stood up a new office to track what different countries and multilaterals were doing to cooperate on CFT, from bilateral commitments to G7 action plans to IMF and World Bank frameworks to tabulations of frozen assets. See [Zarate](#), pp. 32.

<sup>701</sup> See Ann M. Ravel, "[Dysfunction and Deadlock at the Federal Election Commission](#)," *The New York Times*, February 20, 2017.

<sup>702</sup> See [Weiner](#), 2019.

Our report documents six policy loopholes exploited by foreign actors that could be closed or at least clarified by FEC guidance. These include the scope of a “thing of value,” the fact that campaigns do not have to report contact with foreign nationals offering assistance, donations by U.S. subsidiaries of foreign parent companies, disclosure requirements around non-profit funding, the permissibility of crypto-currency donations, and the open question of whether the foreign-source ban covers electioneering.

This is not how the U.S. campaign finance system was designed to work. After Watergate, Congress established the FEC with balanced party membership to prevent partisan enforcement, expecting commissioners to enforce the laws fairly with good faith.<sup>711</sup> The FEC is supposed to do more—not less—enforcement than the DOJ. Violations that are either unwitting or do not exceed statutory minimums for criminal prosecution (like Mueller’s treatment of the Trump Tower meeting or the DOJ’s view of the solicitation of investigations by Ukraine) are supposed to be handled through civil enforcement by the FEC.<sup>712</sup> Partisan gridlock has broken the FEC, which must be fixed as a matter of national security.

The leading FEC reform proposal was developed in 2019 by the Brennan Center.<sup>713</sup> Their first and most important recommendation is to change the number of commissioners to an odd number (i.e., five rather than six), with no more than two from each party and at least one being a political independent. The reform agenda also includes an overhaul of the FEC’s civil enforcement process by creating an independent enforcement bureau with a director authorized to initiate investigations and issue subpoenas.<sup>714</sup> The Brennan Center also recommends a bipartisan blue-ribbon advisory panel to help vet nominees, the designation by the president of one commissioner to manage budgetary approvals and staff appointments, and an end to the practice of allowing commissioners to remain in office indefinitely. Some of these proposed structures, such as changing the number of commissioners to five, are based on what works well at other multimember independent regulators such as the Federal Trade Commission and Securities and Exchange Commission. Most of these proposals were included in *H.R. 1*.

Finally, we would add that clear protocols for coordination between the FEC and the DOJ are particularly important in the context of malign financial interference by foreign powers. While the FEC administers campaign finance reporting, the DOJ is better integrated with the intelligence community and the rest of the national security interagency through its National Security Division and the FBI’s Foreign Influence Task Force. For purposes of enabling strong enforcement of the foreign-source ban and avoiding intrusion by the foreign policy apparatus into the

democratic political process, the FEC and the DOJ need clear guidelines around information sharing, the process of case referral, and the scope of their respective jurisdictions and responsibilities.

Unfortunately, coordination between the DOJ and the FEC has gone in the wrong direction, with the DOJ no longer adhering to a 1977 memorandum of understanding around how to coordinate. This became controversial in 2019 when the DOJ declined to prosecute President Trump’s request for a Ukrainian investigation, a probable violation that the DOJ, under the 1977 memo, would be required to refer to the FEC.<sup>715</sup> The GAO recently recommended that the FEC and the DOJ review and update their guidance for coordination, including the 1977 memo.<sup>716</sup> Given the rise of malign finance over the past four years, we recommend that review includes the process of coordinating enforcement of the foreign-source ban by the FEC and the DOJ.

<sup>715</sup> See Office of Senator Amy Klobuchar, “*Klobuchar Expresses Concern over Reported Justice Department Failure to Notify Federal Election Commission of Campaign Finance Complaint*,” Press Release, October 3, 2019; Office of Senator Amy Klobuchar, “*Klobuchar Requests Additional Information from Federal Election Commission Regarding Foreign Contribution Ban*,” Press Release, October 8, 2019; Ellen L. Weintraub to Amy Klobuchar, *Correspondence*, Office of Senator Amy Klobuchar, October 18, 2019.

<sup>716</sup> U.S. Government Accountability Office (GAO), *Campaign Finance: Federal Framework, Agency Roles and Responsibilities, and Perspectives*, Washington, February 3, 2020, pp. 54.

<sup>711</sup> See *Ravel*, 2017.

<sup>712</sup> See *Pilger, ed.*, pp. 4.

<sup>713</sup> See Tim Lau, “*How Congress Can Help Fix the Federal Election Commission*,” Brennan Center for Justice, April 30, 2019.

<sup>714</sup> The most important goal in restructuring the FEC enforcement process should be that if the non-partisan professional staff think an investigation is warranted then it should require a majority vote of the commission to *block* the initiation of such an investigation, versus the current structure whereby it takes a majority vote to *approve* the initiation of an investigation. While the final determination around enforcement actions should continue to require approval by a majority vote, switching the presumption around initiating investigations would result in there much more often being a factual record on which to base such final determinations. See *Bharara-Weintraub*, 2020.

# Conclusion

Having surveyed 115 cases of authoritarian malign finance, observed that about 83 percent of them operate through legal loopholes, and categorized them accordingly, we propose eight carefully scoped U.S. policy reforms to thwart covert foreign money:

1. **Broaden the definition of in-kind contributions:** “Thing of value” should be broadly defined, interpreted, and enforced to unambiguously include intangible, difficult-to-value, uncertain, or perceived benefits.
2. **Report campaign contacts with agents of foreign powers:** Make campaigns report to law enforcement any contacts they have reason to believe might be operating as intermediaries to a foreign power aiming to funnel support to the campaign.
3. **Outlaw anonymous shell companies and restrict political activity by U.S. subsidiaries of foreign parent companies:** End anonymous shell companies. Take targeted steps to restrict foreign donations funneled through U.S. subsidiaries, such as CEO certifications and limited prohibitions around adversarial foreign powers.
4. **Disclose funders of non-profits:** Require non-profits engaged in politics to publicly disclose the identities of both domestic and foreign donors. Require all U.S. non-profits to publicly disclose foreign funders.
5. **Disclose online political ad buyers and ban foreign purchases:** Adopt legislation like the *Honest Ads Act* requiring broad public disclosure of who pays for online political ads as well as legislation like the *PAID AD Act* prohibiting foreign individuals and governments from purchasing campaign ads.
6. **Disclose media outlets’ foreign funding:** Online media outlets should have to publicly disclose their beneficial owners in “outlet libraries” maintained by U.S. technology companies, while the United States should return to banning more than 25 percent foreign ownership of television and radio licenses and should require foreign agents to make clearer on-air disclosures.
7. **Ban crypto-donations and report small donor identities to the FEC:** Prohibit cryptocurrency contributions. Report the identities of small donors to the FEC and make the information publicly accessible through a secure, limited, and conditional gating process.
8. **Coordinate across the executive branch and reform the FEC and Treasury:** Administrative reforms are needed to reorganize the U.S. government around the threat of malign finance in order to coordinate efforts against both legal and illegal activities.

The remainder of this final chapter will provide more context—data, arguments, and precedents—to underscore the urgency of meeting this challenge.

## Global surge of malign finance

Over the first four years of our survey (2010-2013), we identify only a couple cases per year, as shown in the chart on the next page. Two well-known examples are long-time wealthy proxies of Moscow and Beijing, respectively: Dmytro Firtash operating in Kyiv and London and Huang Xiangmo in Sydney.<sup>717</sup>

Malign financial activity jumped up to nine new cases in 2014, many of which involved either forms of Russian financial support for the separatists in eastern Ukraine or related activity in Europe, such as two multi-million-euro loans to Marine Le Pen’s party.<sup>718</sup> Around this time, Russian government-connected foundations were also non-transparently funding more than 40 NGOs promoting subversive Kremlin propaganda in Latvia, Lithuania, and Estonia.<sup>719</sup> Many Western observers still viewed all this Russian hostility as an Eastern European problem that would remain focused on Russia’s borders, a more aggressive extension of its 2008 invasion of Georgia.

But the 2014 burst of activity turned out to be the leading edge of a global wave of malign finance that came fully into view with 30 new cases in 2016. A handful of these cases involved the financial aspects of Russia’s “sweeping and systematic” campaign against the U.S. election, including IRA ads, GRU bitcoin, Veselnitskaya and WikiLeaks dirt, and some degree of NRA cultivation.<sup>720</sup> Russian activity in Europe also escalated with payments to the campaign against the Dutch referendum on Ukraine, financial ties to the top Brexit donor, funding political parties and an attempted coup in Montenegro, lavish gifts to a top Swiss law enforcement official, gifts of debt repayment for Czech President Miloš Zeman’s pro-Russian economic advisor, and Swiss bank accounts making transfers to Moldova’s pro-Russian Socialist Party.<sup>721</sup> Meanwhile, China’s Huang Xiangmo continued operating in Australia while other Beijing proxies funded the winning mayoral campaign in Auckland, New Zealand.<sup>722</sup> And the biggest proven case of foreign money infiltrating the 2016 U.S. election did not involve Trump, Russia, or China: It was the Emiratis bankrolling George Nader’s secret mission to buy potential influence with Hillary Clinton.<sup>723</sup>

Another striking takeaway from the time series of malign financial activity is that it did not cease after 2016. It barely even

<sup>717</sup> See Grey, et al., 2014; Faucon and Marson, 2014; McKenzie, 2019.

<sup>718</sup> See The Alliance for Securing Democracy and C4ADS, 2018; Arfi, et al., 2014.

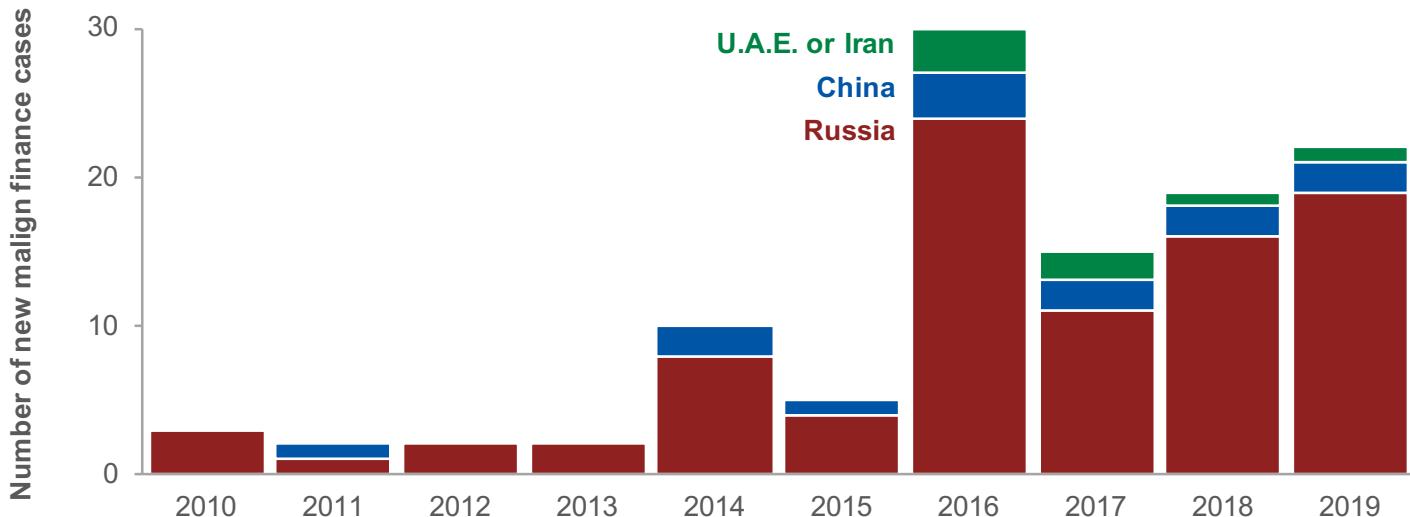
<sup>719</sup> See Sanita Jemberga, et al. “Kremlin’s Millions,” Re:Baltica, August 27, 2015.

<sup>720</sup> See Mueller Report, Vol. I, pp. 25-26, 36-37, 44-49, and 110-123; Butina Plea Agreement, pp. 2.

<sup>721</sup> See Zembla and De Nieuws BV, 2020; Cadwalladr and Jukes, 2018; Treasury, December 2018; Hopkins, 2017; Jones, June 2020; MacFarguhar, 2016; Sanduta, 2016.

<sup>722</sup> See Nick McKenzie, et al., “It isn’t our place: New tape of pro-Beijing comments puts more heat on Dastyari,” The Sydney Morning Herald, November 30, 2017; Anthony et al., 2018.

<sup>723</sup> See DOJ, December 2019; Kirkpatrick and Vogel, 2019.



slowed down in 2017, when Russia backed ethno-nationalists in elections in Germany, Sweden and elsewhere, while Chinese United Front operatives orchestrated straw donor schemes in New Zealand and bribes related to Belt and Road corruption made its way as far afield as Chad and Uganda.<sup>724</sup> Hoping to oust China from Africa, the Kremlin interfered in twenty elections on the African continent in 2018 and early 2019, activities that have continued since.<sup>725</sup> Of course, that has not distracted Russia from trying to contain the free, whole, and peaceful institutions of Europe, such as by spending money in both North Macedonia and Greece ahead of the 2018 referendum on NATO.<sup>726</sup> Meanwhile Moscow's big, bold, illegal operations are driving further into Western halls of power, with oil profits for the League in Italy, donations to the Tories in Britain, and oligarch funding behind operations to tarnish Joe Biden the year before the 2020 election.<sup>727</sup>

**“The pace of malign financial activity is accelerating: Of the 115 cases we have identified over the past decade, 78 percent have occurred since 2016 and 92 percent since 2014.**

The pace of malign financial activity is accelerating: Of the 115 cases we have identified over the past decade, 78 percent have occurred since 2016 and 92 percent since 2014.

Some will question whether the underlying activity has really increased or whether investigative reporting has simply dedicated more scrutiny to Russian aggression since 2014 and election interference since 2016. We have wrestled with this question as well and have developed confidence that the activity has spiked, for two reasons. One is how extensively the caseload exploded in 2014 and 2016, as shown in the chart. Two is the reporting we covered in the chapter on multi-vector campaigns detailing

how regional expansions have been approved by Putin (Europe in 2014, the United States in 2016, and Africa in 2018) and Xi (elevating the United Front in 2014 and 2015).

Malign finance is also going global, as shown in the map on the next page. About half of the cases involve Russia operating in Europe, although, this share has been decreasing, not because Europe is targeted any less, but because the Kremlin has been busy in Africa and elsewhere, while China and Middle East actors are using these tools more frequently. The most common target of malign finance—hit more than 25 times—is the United States.

The globalized nature of malign finance is also apparent in the evolution of the toolkit, with the cutting edge being covert funding support for information operations—including inauthentic social media manipulation and online media outlets—that sometimes target multiple countries at once and can be difficult for democracies to shut down quickly.

This global surge in malign finance cannot be accepted as a new normal, as it represents an abrupt and dangerous departure from the post-Cold War norms of democratic sovereignty.

## Whataboutism

Because our analysis is supported by irrefutable evidence and it excludes speculative cases, the most likely critical response will probably be to deflect attention from authoritarian malign finance by alleging that the United States does the same thing. We split this argument into two crucially different time periods and address each in turn chronologically: first the history of U.S. electoral interference during the Cold War, and then the ongoing Western funding of democracy promotion.

We agree with and even underscore this critical perspective toward U.S. foreign policy to the extent that it is limited to a historical observation about the Cold War era. During that period, both the Soviet Union and the United States are marred with a dark history of interfering in elections around the world.

<sup>724</sup> See Gatehouse, 2019; Becker, 2019; Higgins, May 2017; Hurley, 2020; SDNY, 2019.

<sup>725</sup> See Rozhdestvensky and Badanin, 2019; Rozhdestvensky, et al., 2019.

<sup>726</sup> See Saska Cvetkovska, “*Russian Businessman Behind Unrest in Macedonia*,” OCCRP, July 16, 2018; Cooper and Schmitt, 2018.

<sup>727</sup> See Nardelli, July 10, 2019; Harper and Wheeler, 2019; Parnas Filing, pp. 5-7; Berthelsen, 2019.

## LEGEND



The KGB's tool of choice was disinformation, which can be wielded more aggressively by authoritarian states with tightly controlled media ecosystems and more cynical political instincts. By contrast, democracies are reliant on objective information and constrained by how much information manipulation the public will tolerate from its intelligence agencies.<sup>728</sup>

As such, the more natural tool for the CIA became covert campaign financing. By one count, the United States interfered in 81 foreign elections between 1946 and 2000, with 59 of those operations involving the provision of campaign funding to the side favored by the United States.<sup>729</sup> That is, money was a vector in nearly three quarters of U.S. election interference operations, which was roughly four times more frequent than U.S. usage of disinformation.<sup>730</sup>

U.S. interference was typically meant to prevent electoral victories by communists or other parties sympathetic to Moscow. It started with a series of Italian elections through the late 1940s and 1950s, when the CIA handed bags of cash amounting to tens of millions of dollars to pro-Western political parties.<sup>731</sup> Four years after the CIA carried out a 1954 coup in Guatemala, they secretly provided \$97,000 in campaign funding for the U.S.-backed incumbent government standing for election.<sup>732</sup> A decade before the CIA supported the coup that deposed Salvador Allende (President of Chile, 1970-1973), the CIA spent \$3 million keeping Allende from winning the 1964 election by funding over half the campaign of his opponent (Eduardo Frei Montalva,

<sup>728</sup> Thomas Rid documents how after World War II the CIA led the way into Cold War disinformation by providing covert funding and content to media fronts in Berlin (such as Kampfgruppe and LCCAS-SOCK) publishing aggressive disinformation against the Soviet Union. But then in the 1960s, the CIA retreated from the disinformation battlefield. Over time, Soviet “active measures” escalated to become increasingly aggressive, with racially charged operations fueled by increasing political cynicism and bound by fewer moral limitations. By contrast, the CIA was not able to keep up because democracies have self-imposed limitations that grow stronger over time with oversight (e.g., laws and regulations prohibiting CIA operations from having redounding effects on free speech in the United States). See Thomas Rid, *Active Measures: The Secret History of Disinformation and Political Warfare*, New York: Profile, 2020, pp. 7, 61-179, 312; Jack Goldsmith, host, “Thomas Rid on ‘Active Measures,’ Part 1,” Lawfare Podcast (podcast), 29:30.

<sup>729</sup> See Dov H. Levin, “*Partisan electoral interventions by the great powers: Introducing the PEIG Dataset*,” *Conflict Management and Peace Science*, 36(1), 88–106. Levin defines “partisan electoral intervention” as “a situation in which one or more sovereign countries intentionally undertakes specific actions to influence an upcoming election in another sovereign country in an overt or covert manner which they believe will favor or hurt one of the sides contesting that election and which incurs, or may incur, significant costs to the intervener(s) or the intervened country.” This includes six subcategories, the most prevalent of which involves “providing campaign funding to the favored side.” Levin notes: “Such funding can be given either directly or indirectly (such as ‘independent’ organizations bringing likely voters of preferred side to the polls on election day etc.). Examples of direct funding to preferred candidate/parties include the provision of cash (such as in bags /suitcases full of money etc.), in kind material aid (office equipment, newsprint for party newspaper/leaflets, vehicles for the parties’ campaign etc.), or via a ‘padded’ contract with a firm affiliated with that party.”

<sup>730</sup> See Levin, 2016. We compute from Levin’s dataset a ratio of 3.9x U.S. campaign funding cases (59) for every U.S. disinformation case (15). However, this may be a conservative estimate (i.e., the true ratio is skewed even further toward financial measures than is observable in this dataset) for a couple reasons relating to Levin’s classification of tools. First, disinformation is only one element of a tool Levin calls “dirty tricks” (which the United States engaged in 15 times), defined as “dissemination of scandalous exposes/disinformation on the rival candidate/parties, physically harming/disabling rival candidates, damaging/destroying a rival’s offices or campaigning materials, breaking in/spying on rival’s campaign activities and plans, disruption of rival’s fundraising efforts by threatening would be donors, encouraging the breakup of the rival sides political coalition/party in the run up to the election/bribing some rival candidates to leave/stay in the race etc.” Second, while Levin’s “campaign funding” tool includes in-kind services, some “dirty tricks” and other tools such as “campaign assistance” also have elements of what we broadly define as malign finance.

<sup>731</sup> See Scott Shane, “*Russia Isn’t the Only One Meddling in Elections. We Do It, Too.*” *The New York Times*, February 17, 2018; Sarah-Jane Corke, *US Covert Operations and Cold War Strategy: Truman, Secret Warfare and the CIA, 1945-53*, New York, Routledge, 2007, pp. 49-50. The first and most aggressive case was the 1948 election, in which the CIA worked with the pro-Western Italian prime minister to funnel “several million” to his party, in conjunction with overt interference of the State Department threatening to cut off Marshall Plan aid if the Communist Party won the election while the DOJ announced it would not permit Italians who supported the Communist Party to enter the United States. See David Shimer, *Rigged: America, Russia, and One Hundred Years of Covert Electoral Interference*, New York: Knopf Doubleday, 2020, pp. 28-29, 34. Over the twenty years following 1948, the CIA funneled another \$65 million to non-communist parties, which is a staggering \$582 million in 2020 values. See Shimer, pp. 40.

<sup>732</sup> See Stephen C. Schlesinger et al., *Bitter Fruit: The Story of the American Coup in Guatemala*, Cambridge, MA: David Rockefeller Center for Latin American Studies, 1999, pp. 237.

President of Chile, 1964-1970).<sup>733</sup> When the U.S.-allied government in Thailand faced a parliamentary election at the height of the Vietnam War in 1969, the United States gave millions of dollars to fund the campaign of the ruling party.<sup>734</sup> The list goes on and on, including ten cases throughout the 1980s, eight of which were in Latin America.<sup>735</sup>

This program of systematic U.S. interference in elections stopped with the end of the Cold War.<sup>736</sup> There have been a couple debatable cases, such as the provision of economic assistance apparently timed to bolster the governments of Boris Yeltsin in 1996 and Mahmoud Abbas in 2006.<sup>737</sup> The Bush administration formulated a plan to funnel covert funds to favored Iraqi candidates and parties ahead of the 2005 election, although it ran into bipartisan resistance in Congress, arguably showing that the norm against interference was solidifying.<sup>738</sup> But whereas our survey of activity spanning the past decade identified 115 cases of authoritarian interference, we could not find a single similar case perpetrated by the United States or any other democracy since 2010. Some will speculate that such activities remain covert, but we find it highly implausible that Western intelligence agencies are pulling this off without leaving a trace while authoritarian regimes have gotten caught 115 times.<sup>739</sup>

The second “whataboutism” argument, which we find far less convincing than the historic criticism, is that U.S. election interference after the Cold War took on the more subtle form of funding efforts to promote democracy. The leading proponent of this conspiracy theory is Vladimir Putin, who adamantly believes that U.S. funding for NGOs that monitor elections while demanding greater transparency and accountability is a secret CIA plot to undermine political systems like Russia’s.<sup>740</sup> Putin’s cynical skepticism toward democracy promotion is best de-

<sup>733</sup> See Shimer, pp. 55; T.F. Schmidt, “*The Election Operation in Chile*,” U.S. Central Intelligence Agency, approved for release September 12, 2014. The CIA funneled the money through third-party cutouts meant to give Frei a sense that the funds originated with the United States while permitting plausible deniability. See Shimer, pp. 53. In addition to campaign funding, the CIA corrupted Chilean media by recruiting friendly journalists and financing an array of magazines, wire services, a weekly newspaper, and twenty radio spots. See Shimer, pp. 54.

<sup>734</sup> See *Foreign relations of the United States, 1969-1976, V. 20: Southeast Asia, 1969-1972*, Daniel J. Lawler, ed., Washington: Government Printing Office, 2006, pp. 6-7; Levin, 2016.

<sup>735</sup> See Levin, 2016.

<sup>736</sup> See Shimer, pp. 118-121; Thomas Carothers, “*Is the U.S. Hypocritical to Criticize Russian Election Meddling?*” *Foreign Affairs*, March 12, 2018.

<sup>737</sup> See Shimer, pp. 127-128; Peter Beinart, “*The U.S. Needs to Face Up to Its Long History of Election Meddling*,” *The Atlantic*, July 22, 2018; Steven Erlanger, “*U.S. Spent \$1.9 Million to Aid Fatah in Palestinian Elections*,” *The New York Times*, January 23, 2006.

<sup>738</sup> There are mixed reports as to whether the Bush administration backed down after lawmakers objected. As background, most Sunnis were planning to boycott the 2004 Iraqi election while Iran was covertly funding to Shiites candidates, so the CIA was very concerned that the resulting Iraqi parliament would not have any semblance of national unity. The White House made a highly classified Presidential finding authorizing the CIA to provide money or other covert assistance to candidates in certain countries who sought to spread democracy. Such a finding is legally required to be submitted to Congressional leadership. Then-House minority leader Nancy Pelosi reportedly threatened to go public and fiercely objected in a phone call with National Security Advisor Condoleezza Rice, saying something to the effect of, “Did we have eleven hundred Americans die so they could have a rigged election?” At first, *Time* reported that the Bush administration scaled down its original plans and limited itself to overt programs to support the electoral process. Timothy J. Burger and Douglas Waller, “*How Much U.S. Help?*” *TIME*, September 27, 2004. Two recent accounts concur that the CIA plan was indeed shelved after Congressional resistance. See Shimer, pp. 115-118; Carothers, 2018. But six months after the election, *The New Yorker* was told that the Bush administration overrode Pelosi by taking the operation “off the books,” run by retired CIA officers and other non-government personnel doling out funds not necessarily appropriated by Congress (circumventing the need to brief lawmakers). Seymour M. Hersh, “*Get Out the Vote*,” *The New Yorker*, July 18, 2005. If that report is true, it illustrates the risk that a still-fragile norm against electoral interference could be violated under the auspices of leveling the playing field and getting out the vote. The fact that Pelosi and Rice were presumably also motivated by partisan domestic political considerations around the Iraq war (and whether it is viewed as a success) supports the argument that the non-interference norm should be codified, which would place an additional hurdle in front of political actors seeking to violate it. See Robert K. Knake, *Banning Covert Foreign Election Interference*, Council on Foreign Relations, May 29, 2020.

<sup>739</sup> See Carothers, 2018; Shimer, pp. 119-122.

<sup>740</sup> See Hill and Gaddy, pp. 306.

scribed by Fiona Hill and Clifford Gaddy in *Mr. Putin: Operative in the Kremlin*.<sup>741</sup>

Putin's analysis of the fall of the Berlin Wall, which he experienced as a KGB officer in Dresden, is that the West spent the 1980s orchestrating political revolution in Eastern Europe.<sup>742</sup> Turning to the 1990s, Putin refers—without offering proof—to “the fact” that many Americans who came to Russia on technical assistance projects in the 1990s secretly worked for the CIA or other U.S. security agencies.<sup>743</sup> Putin similarly assumes the color revolutions in Georgia in 2003 and Ukraine in 2004 were fomented by the CIA with support from the civil society partners that Western nations fund as part of their democracy promotion programming.<sup>744</sup> Putin's return to the presidency in 2012 was marred by large Russian protests, triggered by Russian civil society finding evidence of fraud in recent elections, unrest that led Putin to envision a U.S. plot to take him down.<sup>745</sup> In July 2012, a new law required all Russian organizations that received foreign money or grants to register with the government as “foreign agents.”<sup>746</sup> Then government inspection and tax agencies raided civil society groups that had monitored Russian elections to look for malfeasance.<sup>747</sup> The government soon ousted from Russia the U.S. Agency for International Development (USAID) and other U.S. and European democracy-promotion groups.<sup>748</sup> In March 2014, when the Russian government tried to justify its annexation of Crimea, it launched an unprecedented propaganda campaign claiming—again, without evidence—that Moscow was protecting its interests from a U.S.-backed coup in Kyiv.<sup>749</sup> Putin lambasted Western support for “a whole series of controlled ‘color’ revolutions … Standards were imposed on these nations that did not in any way correspond to their way of life, traditions, or these peoples’ cultures. As a result, instead of democracy and freedom, there was chaos, outbreaks in violence and a series of upheavals. The Arab Spring turned into the Arab Winter.”<sup>750</sup> As discussed in the previous chapter, it was just a month later that the Kremlin launched a multi-vector campaign of support for anti-establishment politicians in Europe, starting with payments to back Marine Le Pen’s political party.<sup>751</sup>

Thus, Putin seems to believe that after decades of Western countries secretly funding a fifth column of opposition NGOs, media, dissidents, and politicians in Russia and other post-Soviet countries, the Kremlin is finally hitting back with the same tools of malign finance.<sup>752</sup>

This is probably a classic case of mirroring by a former KGB case officer who sees counterespionage threats everywhere.<sup>753</sup> In Dresden, Putin ran agents deep in German neo-Nazi groups (which stoked the rise of the far right after the Berlin Wall fell) and the far-left Red Army Faction (which murdered U.S. military officers and West German industrialists to sow chaos and instability).<sup>754</sup> Putin also served as handler for so-called illegals blending into everyday civilian life, a tactic Russian intelligence still uses to penetrate target societies, as shown by discoveries of sleeper cells of Russian spies in the United States in 2010 and Germany in 2011.<sup>755</sup> Putin is convinced the CIA is doing the same thing and Russian counterintelligence must not be looking hard enough.<sup>756</sup> The presumption that modern warfare includes covert financial support for chaos agents in target countries is also described by Putin's chief of the general staff, Valery Gerashimov, who says Western nations use “political, economic, informational, humanitarian, and other nonmilitary measures” against Russia, “implemented through the involvement of the protest potential of the population.”<sup>757</sup> With that outlook, Putin instinctively imagines pro-democracy advocates in Russia to be covert CIA sleeper cells and front groups secretly plotting regime change in Moscow.<sup>758</sup>

It is true that ever since the 1990s democracy promotion has been a core foreign policy interest of the United States, starting with support for the democratic transitions of Eastern European and former Soviet states.<sup>759</sup> And while U.S. law prohibits development assistance from being used to directly or indirectly influence election outcomes, it is also true that it shapes countries' political direction toward good governance (with high participation, transparency, accountability, effectiveness, and equity), authentic political competition, apolitical rule of law, robust civil society, protection of human rights, and the free flow of information.<sup>760</sup> Recent examples include training election monitors in Afghanistan, digitizing judicial records in Jordan, establishing anti-corruption agencies in Ukraine, providing technical assistance to municipal governments in Columbia, and supporting workshops on human and democratic rights in Ethiopia.<sup>761</sup>

But in several important respects, democracy promotion is the *opposite* of malign finance, which seeks to surreptitiously undermine self-determination by favoring particular candidates, fueling sociopolitical divisions, corrupting well-connected elites, and advancing manipulative narratives. Three important differences between malign finance and democracy promotion are worth examining closely, both to draw out the distinctions and to highlight complications that deserve disciplined attention by

741 See *Hill and Gaddy*, pp. 306, 344-348.

742 See *Hill and Gaddy*, pp. 343; *Belton*, pp. 388.

743 Putin is particularly insistent that the Yeltsin-era privatization program managed by Harvard University was staffed by CIA operatives. The assumption that university faculty are spies is probably a case of mirroring, as Putin himself was assigned to work at Leningrad State University by the KGB after he returned from Dresden. See *Hill and Gaddy*, pp. 344-345.

744 See *Hill and Gaddy*, pp. 305-306.

745 See *Belton*, pp. 371, 374.

746 See *Hill and Gaddy*, pp. 347.

747 Ibid.

748 See *Hill and Gaddy*, pp. 347-348.

749 See *Belton*, pp. 396.

750 Vladimir Putin, “Address by President of the Russian Federation,” Presidential Executive Office of the Russian Federation, March 18, 2014.

751 See *Arfi, et al.*, 2014; *Shekhovtsov*, pp. 196-197.

752 See *Hill and Gaddy*, pp. 347-348.

753 See *Hill and Gaddy*, pp. 342-343.

754 See *Belton*, pp. 36-42, 427.

755 See *Belton*, pp. 35, 446; *Hill and Gaddy*, pp. 344.

756 Ibid.

757 See *Hill and Gaddy*, pp. 342-343.

758 See *Hill and Gaddy*, pp. 343-345.

759 Whereas U.S. foreign aid for democratic development rarely exceeded \$100 million during the Cold War, the budget jumped to \$900 million by 1993 and has exceeded \$2 billion annually over the past decade. See Catharine E. Dalpino, “*Promoting Democracy and Human Rights: Lessons of the 1990s*,” Brookings Institution, September 1, 2000; Marian L. Lawson and Susan B. Epstein, *Democracy Promotion: An Objective of U.S. Foreign Assistance*, Washington: Congressional Research Service, January 4, 2019, pp. 1-3, 5-6.

760 See *Lawson and Epstein*, pp. 1, 3.

761 See *Lawson and Epstein*, pp. 2-3.

policymakers.

First, democracy promotion is available to all sides of the political spectrum. Rather than picking and choosing preferred parties or candidates, it focuses on building up a country's institutional capacity to administer free and fair democratic processes under the rule of law. Even when U.S. diplomats have had close relationships with autocrats or certain political parties, the quasi-independent U.S. organizations engaged in democracy promotion have been able to do their work at odds with the administration's policy preferences.<sup>762</sup>

The problem is that in the eyes of an authoritarian strongman who sees democracy itself as a threat to his power, civic groups promoting democracy look like political opposition.<sup>763</sup> Moreover, when the autocrat tries to choke off political competition, control the media, and suppress voting, Western support for a level playing field necessarily helps the opposition more than the ruling regime.<sup>764</sup> This has led to accusations of partisan Western influence in a couple rare cases, such as the 1988 Chilean referendum against Augusto Pinochet and the 2000 Yugoslavian election that brought down Slobodan Milosevic.<sup>765</sup>

The second key distinction is that whereas we define malign finance as flowing "often through non-transparent structures designed to obfuscate ties to a nation state or its proxies," U.S. funding of democracy promotion is transparently accounted for in the federal budgets for the State Department and USAID, as well as a few non-profits operating more independently of U.S. policy priorities such as the National Endowment for Democracy (which was the first organization blacklisted under Russia's "undesirable" organizations law in 2015).<sup>766</sup> Aid providers publicly disclose information about grantees and how funds are spent in detailed quarterly and annual reports.<sup>767</sup>

The complication here is that some aid providers occasionally become less transparent in a few select "closed spaces" where grant recipients face risks of harassment and persecution by government crackdowns, such as Iran in the past decade.<sup>768</sup> USAID shuts down programs when the dangers become so great that implementing organizations must go to "undue lengths" to minimize their association with U.S. assistance. But until then, aid providers sometimes reduce transparency to protect the security of grantees, which feeds a vicious circle of increasingly repressive regimes accusing Western countries of covert political med-

dling, which drives civil society to become less transparent.<sup>769</sup>

Third, rather than violating the sovereignty of unwilling and uninterested target populations, democracy promotion is welcomed and voluntarily accepted by countries. If the recipient nation wants to kick out election monitors and repress the rights of its civil society to receive grants from abroad, it can pass laws to that effect, which will be honored by aid providers. Even after USAID and other providers left Russia from 2012 onwards, the Kremlin has continued to cry foul about U.S. democracy promotion in other countries such as Ukraine, which shows that the violation of sovereignty goes the other way.<sup>770</sup> Rather than respecting the popular democratic evolution in sovereign nations like Ukraine, Putin has said Ukraine is "not even a country" and Russia continues to occupy its territory.<sup>771</sup>

In addition to Russia's perceived sphere of influence where the Kremlin purports to enjoy privileged interests over these countries' sovereignty, there are two other complications on the matter of legitimate willingness. First, structural reforms to strengthen the rule of law and competitive markets are often attached as conditions to macroeconomic assistance through IMF and World Bank lending programs, in order to ensure official loans are only temporary bridges to sustainable economic growth. While aid programs are voluntary, lenders do have negotiating leverage when borrowers face economic crises and desperately need assistance, which may be why Putin says "standards were imposed on" post-colored revolution nations.<sup>772</sup> That is one reason why country ownership over their aid programs is critical.<sup>773</sup> Second, while interference in most mature democracies is entirely unwelcome, some authoritarian interference—particularly in Africa—is conducted in partnership with the ruling regimes. But that is not a strong argument for the legitimacy of interfering in elections, as the measures are typically secret arrangements to undemocratically prop up and enrich corrupt elites.

The cessation of U.S. interference in elections since the Cold War was made possible by an alignment of values and interests. Thomas Rid makes the case that the key is the value system embedded in constitutional democracy. Having surveyed the history of active measures, Rid argues that authoritarian regimes trend toward more aggressive foreign interference, fueled by political cynicism which erodes moral limitations.<sup>774</sup> Autocrats also often aim to justify their grip on power by stoking fears of foreign enemies at the gates, while the population lives in fear

<sup>762</sup> For example, U.S. funding for groups promoting democracy has continued even when it is opposed by autocratic rulers such as Indonesian president Suharto, Kazakh president Nursultan Nazarbayev, Egyptian presidents Hosni Mubarak and Abdel Fattah el-Sisi, and the Aliyev family that rules Azerbaijan. See *Carothers*, 2018.

<sup>763</sup> See *Carothers*, 2018.

<sup>764</sup> Ibid.

<sup>765</sup> See *Carothers*, 2018; *Shimer*, pp. 109-115.

<sup>766</sup> See *Lawson and Epstein*, pp. 9-12; National Endowment for Democracy, "*Statement on Russian Undesirable Organizations*," Press release, July 28, 2015. In full disclosure, the German Marshall Fund of the United States is on a list of undesirable organizations by Russia's Justice Ministry. The German Marshall Fund of the United States, "*GMF Responds to Placement on Russian Undesirable Organizations List*," Press Release, March 21, 2018.

<sup>767</sup> See USAID, "*Performance and Financial Reporting*," Accessed July 9, 2020; U.S. Department of State, Office of Foreign Assistance, "*Resources and Reports*," accessed July 9, 2020; National Endowment for Democracy, "*Featured Publications*," accessed July 9, 2020.

<sup>768</sup> See *Lawson and Epstein*, pp. 8-9; *Carothers*, 2018.

<sup>769</sup> See *Lawson and Epstein*, pp. 8-9; *Carothers*, 2018.

<sup>770</sup> See *Hill and Gaddy*, pp. 347-348.

<sup>771</sup> See Angela Stent, "*Putin's Ukrainian endgame and why the West may have a hard time stopping him*," CNN, March 4, 2014.

<sup>772</sup> Sometimes structural reforms are not broadly popular and the recipient government uses the IMF or World Bank as cover to justify policy adjustments (such as reductions in subsidies). And while Putin regularly evokes the mixed reputation of loan conditionality, the "standards" that he finds most problematic probably relate to anti-corruption, which tend to be popular with the broader public (although not with corrupt elites of course). See *Putin*, 2014.

<sup>773</sup> The IMF defines "country ownership" as "a willing assumption of responsibility for an agreed program of policies, by officials in a borrowing country who have the responsibility to formulate and carry out those policies, based on an understanding that the program is achievable and is in the country's own interest." James Boughton, "*Who's in Charge? Ownership and Conditionality in IMF-Supported Programs*," International Monetary Fund, September 2003.

<sup>774</sup> Rid also notes that democracies rely upon objective truth, which is fundamentally at odds with active measures. We would add that modern kleptocracies are held together by corruption, which is a natural avenue for malign finance, whereas democratic capitalism thrives under the rule of law. See *Rid*, pp. 7, 61-179, 312; *Goldsmith*, 29:30.

of its intelligence communities. By contrast, robust democracies have oversight functions that grow stronger over time, which imposes limitations on how much malign activity the public will tolerate from the intelligence agencies charged with serving the public by supporting and defending constitutional order.<sup>775</sup> Key examples of such oversight include the 1975 Church Committee (motivated not only by Watergate but also by CIA interference in Chilean elections and assassination attempts on foreign leaders), the Iran-Contra investigation, and the Senate report on CIA torture.<sup>776</sup> This helps explain why the rate of U.S. interference in elections generally declined throughout the Cold War (the 1950s being the most aggressive period).<sup>777</sup>

## **“U.S. interests and values advance together, and it would be disastrously short-sighted to engage in retaliatory malign finance.**

Others argue the United States stopped interfering because it was no longer in its interest after the end of the Cold War. Thomas Carothers, the Vice President for Studies at the Carnegie Endowment for International Peace, says “interventionism has decreased significantly because U.S. policymakers no longer view the world as enmeshed in a global ideological struggle in which every country, no matter how small, is a critical piece on a larger strategic chessboard.”<sup>778</sup>

We have reviewed the “whataboutism” arguments not only to preempt criticism but also to promote learning from this perspective. To the extent the United States has stopped interfering in elections simply because it is no longer in its strategic interest, that norm could be foolishly broken now that great-power geopolitical competition has returned.<sup>779</sup> A particularly hawkish minority within the U.S. national security establishment will argue that the end justifies the means.<sup>780</sup> U.S. interference in elections could come in the form of either a resumption of the CIA campaign funding programs from the Cold War era or the

perversion of democracy promotion in a partisan manner that Putin imagines but in reality has not been seen before.

In our view, U.S. interests and values advance together, and it would be disastrously short-sighted to respond to the surge in authoritarian interference documented in this report in ways that undermine the integrity of democracy. Our policy recommendations center around building resilience by closing loopholes and improving coordination. Deterring foreign interference is beyond the scope of this report, except to say it should not come in the form of retaliatory malign finance. Allowing foreign interference to become a new normal would end up sacrificing democracy everywhere, which is far too great a cost.

## **Why it matters**

While authoritarian aggression was slaughtering millions in World War II, British philosopher Karl Popper wrote what was arguably the 20<sup>th</sup> century’s most influential defense of liberal democracy: It is the only form of government reliably capable of dismissing bad rulers without bloodshed.<sup>781</sup> Voters and leaders make mistakes, so the best way to avoid revolutions, coups, war, persecution, terror, famine, and squalor is to protect voters’ right to correct mistakes by getting rid of their leaders, and to do that by enshrining the rule of law with constitutional checks and balances into robust institutions of democracy not easily destroyed by those in power.<sup>782</sup> Two years later, in 1947, after helping to save liberal democracy, Winston Churchill agreed that it is the best system yet invented: “No one pretends that democracy is perfect or all-wise. Indeed, it has been said that democracy is the worst form of government except for all those other forms that have been tried from time to time.”<sup>783</sup>

Through the second half of the 20<sup>th</sup> century, democracies delivered the most peaceful and prosperous era of human history. As political rights and stability created space for human and economic rights and a reliable legal environment for long-term investment, democracies grew affluent and “consolidated” with vibrant civil societies, independent state institutions, and political norms that precluded regressions toward authoritarianism. No modern democracy with an income level higher than \$15,000 (the level in today’s currency at which Argentina suffered a military coup in 1975) has ever collapsed.<sup>784</sup> And while democracies make tragic mistakes (think the U.S. wars in Vietnam and Iraq), they never go to war with each other. Meanwhile, the worst mass atrocities of the 20<sup>th</sup> century—Hitler’s Holocaust, Stalin’s Red Famine and Great Purge, Mao’s Cultural Revolution and Great Leap Forward, and more than a dozen other genocides around the world—were all perpetrated by governments that were not accountable to voters.<sup>785</sup>

<sup>775</sup> See Rid, pp. 7, 61-179, 312; Goldsmith, 29.30.

<sup>776</sup> See United States Senate, Select Committee on Intelligence, “*Intelligence Related Commissions, Other Select or Special Committees and Special Reports*,” accessed July 9, 2020; United States Senate, Select Committee to Investigate Covert Arms Transactions with Iran, *Report Of The Congressional Committees Investigating The Iran-Contra Affair: With Supplemental, Minority, And Additional Views*, Washington: Government Printing Office, 1987; United States Senate, Select Committee on Intelligence, *Committee Study of the Central Intelligence Agency’s Detention and Interrogation Program, together with Forward by Chairman Feinstein and Additional and Minority Views*, Washington: Government Printing Office, December 9, 2014.

<sup>777</sup> See Levin, 2016.

<sup>778</sup> See Carothers, 2018.

<sup>779</sup> See Beinart, 2018.

<sup>780</sup> Outside the domain of finance and elections, there is a report that the U.S. government may have already started in the direction of “hacking back” with a 2018 presidential finding loosening prior restrictions on the CIA to conduct cyber-enabled covert operations, including hack-and-dump activities and intrusions against media organizations, charities, and religious institutions believed to be working on behalf of adversarial governments. See Zack Dorfman, et al., “*Exclusive: Secret Trump order gives CIA more powers to launch cyberattacks*,” Yahoo News, July 15, 2020. It is possible that this finding was driven by a small cadre of Iran hawks amid a broken interagency process. The National Security Advisor at the time was John Bolton, who even before great-power politics had returned once lamented, “We once had a capacity for clandestine efforts to overthrow governments. I wish we could get those back.” John Bolton, “*John Bolton: Surrender Is Not An Option*,” Interview by Diane Rehm, WAMU 88.5, November 12, 2007; Beinart, 2018. The Yahoo News article also reported that “the CIA has wasted no time in exercising the new freedoms won under Trump,” conducting hack-and-dump operations aimed at both Iran and Russia, while the report quoted a former U.S. official saying “People were doing backflips in the hallways” at CIA when it was signed. Dorfman, et al., 2020. As separate context, after Russia interfered in the 2016 election, former director of CIA’s Russia House, Steven L. Hall, said “If you ask an intelligence officer, did the Russians break the rules or do something bizarre, the answer is no, not at all.” Regarding the U.S. history of election interference, Hall said “I hope we keep doing it.” Hall only rejects a moral equivalence between American and Russia interference because it would be “like saying cops and bad guys are the same because they both have guns — the motivation matters.” Shane, 2018.

<sup>781</sup> See Karl Raimund Popper, *The Open Society and Its Enemies: The spell of Plato*, Princeton, NJ: Princeton UP, 1971, pp. 120-127.

<sup>782</sup> Ibid.

<sup>783</sup> See Richard Langworth, “*Democracy is the worst form of Government....*,” Hillsdale College, June 26, 2009.

<sup>784</sup> See Yascha Mounk, *The People Vs. Democracy - Why Our Freedom Is in Danger and How to Save It*, Cambridge, MA: Harvard UP, 2019, p. 4.

<sup>785</sup> See R.J. Rummel, *Death by Government*, New Brunswick, NJ: Transaction, 1994, *table 1.2*.

All of that represents the first of two related reasons why we must defend democracy from authoritarian interference: Our ability to vote out disappointing leaders has been the fount of the freedoms, security, and prosperity that we hold dear.

The other reason has only become clear in recent years: The theory that democratic consolidation is a one-way street toward the end of history appears to be woefully naïve and over-confident. The troubling return of history means that we are now living through a rare moment when liberal democracy could fail—and our authoritarian adversaries know it.

After democracy spread dramatically through the final quarter of the 20<sup>th</sup> century, the number of democracies peaked in 2006.<sup>786</sup> Larry Diamond estimates that to be the time when the world entered a decade of “democratic recession,” with autocrats destroying constitutional checks and balances in countries such as Venezuela, Nicaragua, Turkey, Hungary, and the Philippines.<sup>787</sup> Diamond warns that in 2016 the democratic recession gave way to something much worse: a crisis of full-on retreat from democracy.<sup>788</sup>

Yascha Mounk describes most democratic history as “ordinary times,” when political decisions are important but democracy itself is not in jeopardy.<sup>789</sup> Both sides play by the basic rules of the political game: settle differences in free and fair elections, accept the legitimacy of electoral losses, reject foreign interference, uphold the rule of law and the rights of political opponents, and adhere to other widely political norms.<sup>790</sup> Losing a political battle only means redoubling efforts at peaceful persuasion to live on in hopes of winning the war.<sup>791</sup>

Mounk uses polling data—showing disillusion with public institutions and sinking attachment to democracy—to argue that over the past couple decades, liberal democracies have entered into “extraordinary times,” when the basic contours of politics and society are being renegotiated.<sup>792</sup> History teaches that during these rare times divisions become so fierce that politicians become willing to undermine elections, flout political norms, and vilify their opponents.<sup>793</sup> The stakes of politics become existential, with both sides fearing that electoral losses could translate into new political rules that will permanently set the country on a path of injustice.<sup>794</sup>

Mounk’s evidence suggests that the underlying problem and solutions come from within free societies: liberal democracies are struggling to deliver widely distributed prosperity, a sense of secure ethnic identity, and shared facts and values broadcast

through traditional mass media.<sup>795</sup> If these policy mistakes are not corrected but rather compounded by the continued election of populists, liberal democracy could die.<sup>796</sup>

For our purposes, the vulnerability of liberal democracy represents an important backdrop, because this is also the time when a global surge in malign finance is undermining democracy around the world. Diamond describes the “ill winds” filling the sails of authoritarian leaders as they become nakedly dictatorial.<sup>797</sup> He argues that these global winds are not simply exhaust fumes of decaying democracies, but are blowing hard from the two leading authoritarian power centers: Moscow and Beijing.<sup>798</sup> Russia and China, each in their own way and focused on different time horizons, are investing heavily in the subversion of democratic norms and institutions, including the malign financial activity documented in this report.<sup>799</sup>

If the United States does not reclaim its place as a beacon for global democracy and organize a strong international response to authoritarian interference, Putin and Xi and their admirers could turn autocracy into the driving force of the 21<sup>st</sup> century.<sup>800</sup>

## We have done this before

This is not the first time the U.S. government has had to reorganize itself and rally the world’s democracies to confront a new threat to our way of life. Historic successes over the past century have been marked by financial and economic tools playing critical defensive and offensive roles.

First, it took a series of historic disasters to wake the U.S. government to the strategic importance of international financial policy: poor management of Germany’s economic rise, failure to provide global monetary leadership in the interwar period and thus allowing Germany to descend into hyperinflation and the world economy to collapse, and imposition of embargoes on oil and iron sales to Japan which led to its surprise attack on Pearl Harbor.<sup>801</sup>

During World War II, President Franklin Roosevelt led the United States to first become the “Arsenal of Democracy” with the Lend-Lease program and then to liberate Europe militarily. The U.S. government deftly used its economic strength and assistance as leverage to promote an open, rules-based order, which soon emerged with the principals of the Atlantic Charter, the decline of imperialism, and the formation of the Bretton Woods institutions, the United Nations, NATO, and the General Agreement on Tariffs and Trade (which later became the WTO).<sup>802</sup>

<sup>786</sup> See Larry Diamond, “*Facing up to the Democratic Recession*,” *The Journal of Democracy*, January 2015.

<sup>787</sup> Ibid.

<sup>788</sup> See Larry Diamond, *Ill Winds: Saving Democracy from Russian Rage, Chinese Ambition, and American Complacency*, New York: Penguin, 2019, p. 5, 11.

<sup>789</sup> Mounk, p. 135

<sup>790</sup> Mounk, p. 20, 265.

<sup>791</sup> Diamond, pp. 11.

<sup>792</sup> Ibid.

<sup>793</sup> Diamond, pp. 12, 124.

<sup>794</sup> Diamond, pp. 11-12.

<sup>801</sup> See Lawrence H. Summers, “*U.S. Economic Statecraft and the Global Order*,” Speech, Washington, DC, January 28, 2016, Center for Strategic and International Studies; Robert Zoellick, “*The Currency of Power*,” *Foreign Policy*, October 8, 2012.

<sup>802</sup> See Benn Steil, *The Battle of Bretton Woods: John Maynard Keynes, Harry Dexter White, and the Making of a New World Order*, Princeton, NJ: Princeton UP, 2013, chapters 5, 11.

With the onset of the Cold War, U.S. Presidents Harry Truman and Dwight Eisenhower focused on bolstering the free and open economic system that reinforced democracy at home, underwrote U.S. military power abroad, and resurrected the economies of Western Europe and Japan.<sup>803</sup> They invested in the international financial institutions, the Marshall Plan, and the European Union, which together with good domestic policies created the most successful quarter century in global economic history.<sup>804</sup> The United States led whole-of-alliance policies around containment and deterrence, backing up words and weapons with a sophisticated financial toolkit, from sticks of sanctions to carrots of assistance.<sup>805</sup> All of this culminated in the Cold War unexpectedly ending without a shot being fired—the greatest success of economic statecraft over the past century.<sup>806</sup>

However, the most recent and relevant precedent for whole-of-government efforts to confront a new threat is the response to the Sept. 11, 2001 attacks. The U.S. government reorganization included a half dozen major structural reforms: coordinating and integrating intelligence functions through the director of national intelligence role (as recommended by the 9/11 Commission), establishing the National Counterterrorism Center to ensure no terrorism threats get lost in the seam between domestic and foreign intelligence, transforming the FBI into the world's first truly global law enforcement agency integrated with an intelligence service, shaping a national security prosecution strategy through the DOJ's first new litigating division since civil rights in 1957, and bringing homeland security agencies and policy together under the Department of Homeland Security and the White House Homeland Security Council. These efforts, among others, contributed to the prevention of another terrorist attack on the same scale or worse than the Sept. 11, 2001 attacks. But another critical component was finance, as seen in the documents found in Osama bin Laden's Abbottabad compound reflecting a terrorist leader and movement in search of new sources of money because their old lines of financial assistance were cut off after Sept. 11, 2001.<sup>807</sup>

The success of combatting the financing of terrorism (CFT) was a decade in the making, a story told in Juan Zarate's book, *Treasury's War*.<sup>808</sup> It started two weeks after the Sept. 11, 2001 attacks, when President George W. Bush announced, "At 12:01 this morning a major thrust of our war on terrorism began with the stroke of a pen. Today, we have launched a strike on the financial foundation of the global terror network ... We will starve the terrorists of funding."<sup>809</sup> Bush was unveiling an executive order authorizing sanctions not only against the financial supporters of terrorism but also of entities owned or controlled by them or even those unknowingly associated with them.<sup>810</sup> Bankers and

passive investors who turned a blind eye to terrorist financing, often as a small but deadly sliver of otherwise legitimate cash flows, were put on notice that the U.S. government would be making them choose one side or the other.<sup>811</sup> Evidentiary standards had to be met, but the new authorities opened the spigot for potential targets throughout terrorists' broader financial infrastructure.<sup>812</sup>

Treasury got to work using sanctions to freeze terrorist assets and take down their financial networks. They designated financiers, front companies, corrupted charities, remitters, banks, and other key actors and nodes operating in Saudi Arabia, Qatar, Kuwait, and elsewhere.<sup>813</sup> A flurry of designations in the fall of 2001 were followed up by a number of longer investigations into facilitation networks over the following decade.<sup>814</sup> Policy and implementation were coordinated by new NSC committees and other interagency task forces dedicated to terrorist financing, all supported by renewed efforts across the intelligence community to track cash couriers, access SWIFT data, and chase down money trails.<sup>815</sup> Aggressive financial intelligence and enforcement posture closed off the international financial system to terrorist funding, both directly by designating bad actors and indirectly by deterring financiers from going near potential targets. Treasury organized around these priorities with a structure that remains in place today, including offices like Terrorist Financing and Financial Crimes reporting up (along with the sanctions and intelligence offices) to an Under Secretary for Terrorism and Financial Intelligence.<sup>816</sup>

Congressional action was also key to closing loopholes to build resilience against foreign money. Fortunately, after billions of dirty money reportedly tied to Russian mafia boss of bosses Semyon Mogilevich was found in 1999 to be flowing through the Bank of New York, Senator Carl Levin had his Permanent Subcommittee on Investigations staff spend more than a year investigating how foreign financial institutions exploit gaps in the U.S. anti-money laundering (AML) system.<sup>817</sup> Five weeks before the Sept. 11, 2001 attacks, Levin introduced what would become the basis of the most sweeping AML expansion since the 1970 Bank Secrecy Act, but at that point it still faced an uphill political battle.<sup>818</sup> After the 9/11 hijackers were shown to have withdrawn money from U.S. banks in broad daylight, Levin's AML bill was immediately reinforced with counter-terrorism provisions and passed in October as title III of the Patriot Act.<sup>819</sup> The law authorized Treasury to expand AML-CFT coverage to non-bank financial institutions, impose know-your-customer requirements on U.S. banks (including the need to collect beneficial ownership information), designate banks as AML concerns, and develop many other powerful enforcement tools.<sup>820</sup>

<sup>803</sup> See Leslie H. Gelb, "[GDP Now Matters More Than Force](#)," *Foreign Affairs*, November/December 2010.

<sup>804</sup> See [Summers](#). 2016.

<sup>805</sup> See [Gelb](#), 2010.

<sup>806</sup> See [Summers](#). 2016.

<sup>807</sup> See [Zarate](#), pp. x.

<sup>808</sup> See [Zarate](#), ch. 1-4.

<sup>809</sup> Washington Post, "[Text: Executive Order Freezing Terrorists' Assets](#)," September 24, 2001.

<sup>810</sup> [Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten To Commit, or Support Terrorism](#), E.O. 13224 of September 23, 2001.

<sup>811</sup> See [Zarate](#), pp. 27.

<sup>812</sup> See [Zarate](#), pp. 27.

<sup>813</sup> See [Zarate](#), ch. 1-4.

<sup>814</sup> See [Zarate](#), ch. 1-4.

<sup>815</sup> See [Zarate](#), pp. 34, 39, 49-65.

<sup>816</sup> See U.S. Department of the Treasury, "[Terrorism and Financial Intelligence](#)," accessed July 9, 2020.

<sup>817</sup> See Raymond Bonner and Timothy L. O'Brien, "[Activity At Bank Raises Suspicions Of Russia Mob Tie](#)," *The New York Times*, August 19, 1999; [Bean](#), pp. 66-78; [Belton](#), pp. 412-413, 416.

<sup>818</sup> See [Bean](#), pp. 78-80.

<sup>819</sup> Ibid.

<sup>820</sup> See [Zarate](#), pp. 30-31.

Lastly, at the same time as the United States was getting its own financial security house in order, Treasury pushed the rest of the world to do the same in a remarkably short period of time for the usual standards of financial diplomacy. It so happened that on the week of Sept. 11, 2001, the Bush administration was rolling out its 90-page national money laundering strategy.<sup>821</sup> Within days, Treasury liaisons assigned to all relevant multilateral forums got to work steering their respective international organizations to adopt the international components of Treasury's AML strategy, along with the CFT-oriented reforms that Congress was rapidly adding to the Patriot Act.<sup>822</sup> Just three days after Bush signed the Patriot Act, AML officials from around the world descended upon Washington, DC, for a special plenary of the Financial Action Task Force (FATF), a meeting Treasury had organized to call for an update to countries' AML regulations with the addition of CFT.<sup>823</sup> The eight CFT policy recommendations agreed by FATF would later be enacted as new laws, regulations, and processes in many nations and the standards were adopted by the World Bank, the IMF, and the United Nations.<sup>824</sup>

**“ Our hope is that the comprehensive empirical research provided in this report on the financial loopholes exploited for authoritarian interference will jumpstart a policy reform initiative to build resilience against this threat.**

That four-step playbook—presidential leadership, executive coordination, legislative reforms, and international diplomacy—will similarly be the key to integrating financial policies into the response to authoritarian interference in democracies.

It starts with the President of the United States explaining what kind of war we are fighting. As Bush said after 9/11, “[T]he American people must understand this war on terrorism will be fought on a variety of fronts, in different ways. The front lines will look different from the wars of the past. As I told the American people, we will direct every resource at our command to win the war against terrorists, every means of diplomacy, every tool of intelligence, every instrument of law enforcement, every financial influence.”<sup>825</sup> Only the voice of the president marshals the influence needed to educate Americans, corral bureaucracies, mobilize Congress, and rally allies—all at once in the same direction. This is even more important with authoritarian interference than with terrorism because, by definition, tools like malign finance reach political actors and touch upon societal values around transparency, openness, and speech, so this cannot be solved by technocrats alone.

The executive branch must organize around the threat of foreign interference, with a senior coordinator and staff at the NSC and

a hybrid threat center integrating intelligence.<sup>826</sup> Each should be staffed with professionals from across the interagency, including experts in malign finance. Treasury should reorganize to dedicate the same degree of administrative priority to malign finance as it does to CFT, while the FEC desperately needs structural reforms such as an odd number of commissioners with at least one political independent.<sup>827</sup>

Our hope is that this research report into the loopholes that enable malign finance will lay the groundwork for legislative work similar to the role played by Senator Levin’s investigation into AML deficiencies over the year or two before Sept. 11, 2001. About half of the reforms we recommend resemble legislation that has already been introduced in Congress and could be passed as soon as a political window opens, such as the *SHIELD Act*, *AML Act*, *DISCLOSE Act*, *Honest Ads Act*, *PAID AD Act*, and FEC structural reforms in H.R. 1.<sup>828</sup> Some of the other statutory amendments would be straightforward, although five of our proposals would require a fair amount of public debate and drafting work that might take time and so it should begin now in order to be ready when politically feasible: broadening the definition of a “thing of value,” requiring all non-profits to publicly disclose foreign funders, creating “outlet libraries” to identify beneficial owners, improving rules for traditional media, and mandating small donor reporting.

Finally, these U.S. policies of resilience to malign finance should be rolled out to the democracies of the world to promote an open, transparent, and secure arena for political finance. This should start with a U.S.-led global summit of democracies that includes closing the loopholes of malign finance as part of a broader set of commitments around fighting corruption and defending against authoritarian interference. That leader-level mandate should then be acted upon by all manner of multilateral forums, bilateral relationships, political players and technical experts within countries, private sector and civil society actors, and everyone else who has a piece of this.

Authoritarian regimes have spent money interfering in democracies more than 100 times in the past decade, with some 92 percent of those cases occurring since 2014. It should not have taken four years to build defenses against covert foreign money. But democracies draw strength from their ability to reorganize against emerging threats, even if Winston Churchill was right that Americans only do the right thing after trying everything else. The time has come to do the right thing and lead the world in closing the financial loopholes exploited by authoritarian regimes to fund political interference in democracies.

<sup>821</sup> See U.S. Department of the Treasury, Office of Enforcement, *The 2001 National Money Laundering Strategy*, Washington, September 2001.

<sup>822</sup> See *Zarate*, pp. 31.

<sup>823</sup> See FATF and OECD, “*FATF Cracks down on Terrorist Financing*,” Press Release, October 31, 2001; *Zarate*, pp. 31-32.

<sup>824</sup> See *Zarate*, pp. 31-32.

<sup>825</sup> *Washington Post*, 2001.

<sup>826</sup> See *Weiner*, pp. 6.

<sup>827</sup> *SHIELD Act*; *AML Act*; *DISCLOSE Act*; *Honest Ads Act*; *PAID AD Act*; H.R. 1.

# Appendix A: Case Studies

## 1. In-kind contributions from foreign nationals

**French political party of Marine Le Pen borrows from a Russian bank in 2014.** When Le Pen broke with other European politicians by supporting Russia's annexation of Crimea, a senior Kremlin official agreed in a private text message that "it will be necessary to thank the French in one way or another."<sup>829</sup> Months later, the National Front received €9.4 million from First Czech Russian Bank. This obscure bank in Moscow was owned by a Russian construction company that was in turn owned by companies and holdings of Gennady Timchenko, Putin's close personal friend from St. Petersburg.<sup>830</sup> The deal was arranged with the help of Kremlin proxy Aleksandr Babakov, who in turn reportedly worked through intermediaries to give Le Pen further messaging statements about the war in Ukraine.<sup>831</sup> The day after the loan agreement was signed, the E.U. sanctioned Babakov for his activities in Ukraine. Two months later, the debt was revealed by a major investigative news report.<sup>832</sup> The next day, Le Pen publicly acknowledged the existence of the loan and justified it by claiming that French banks would not lend to the party.<sup>833</sup> She denied that the money influenced her political positions.<sup>834</sup> Since then, Le Pen has made no secret of the fact that she took loans from Russia—shifting the financial ties from covert to overt—and even doubled down in 2016 by openly requesting another \$30 million from Russia (which Russia turned down, seemingly because at that time François Fillon had become the leading pro-Russian candidate in public opinion polls).<sup>835</sup> After the First Czech Russian Bank failed, the loan was transferred to a shell company and then bought by Aviazapchast, which is a Russian military aviation exporter whose personnel have reported links to the Russian intelligence services.<sup>836</sup> In December 2019, Aviazapchast filed a lawsuit in Moscow against Le Pen's party to recover the loan.<sup>837</sup>

**Australian lawmaker accepts Chinese gifts in 2014.** Australian senator Sam Dastyari accepted monetary and non-monetary gifts totaling an estimated 1.5 million Australian dollars from Chinese entities in 2014, some of which appear to have been structured to exploit loopholes in restrictions against foreign do-

<sup>829</sup> See *Duparc, et al.*, 2015.

<sup>830</sup> See Paul Sonne, "A Russian bank gave Marine Le Pen's party a loan. Then weird things began happening," *Washington Post*, December 27, 2018.

<sup>831</sup> See *Rouget et al.*, 2017. Babakov is a senior member of the Russian Federation Council (the upper chamber of Russia's legislative assembly) who also serves as Russia's Special Presidential Representative for Cooperation with Organizations representing Russians Living Abroad. For his activities in Ukraine, he was sanctioned by the European Union on September 12, 2014, and by the United States on June 20, 2017. See *Council Implementing Regulation (EU) No 961/2014* implementing Regulation (EU) No 269/2014 concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine (2014), Official Journal L 271/8; U.S. Department of the Treasury, "*Treasury Designates Individuals and Entities Involved in the Ongoing Conflict in Ukraine*," Press Release, June 20, 2017.

<sup>832</sup> See Marine Turchi, "How a Russian bank gave France's far-right Front National party 9mln euros," Mediapart, November 24, 2014.

<sup>833</sup> See The Local.fr, "Le Pen forced to justify €9m loan from Russia," November 24, 2014.

<sup>834</sup> Ibid.

<sup>835</sup> See Charles Bremner, "Le Pen's party asks Russia for €27m loan," *The Times*, February 19, 2016; *Shekhovtsov*, pp. 202-203.

<sup>836</sup> See *The Alliance for Securing Democracy and C4ADS*, 2018.

<sup>837</sup> See RFE/RL, "Russian Firm Seeks To Recover \$11 Million Loan From French Far-Right Leader's Party," February 4, 2020.

nations.<sup>838</sup> A company owned by Huang Xiangmo and non-governmental organizations linked to Beijing paid off a debt incurred by the Senator's office, donated bottles of wine, paid for the Senator's tea catering, and funded his 15-day trip to China.<sup>839</sup> As with the Le Pen loan, there are both overt and covert elements. Some of the contributions were publicly reported by Dastyari, although the senator was repeatedly opaque or deceptive about his interactions with Huang.<sup>840</sup> Dastyari resigned after the leak of audio of a press conference with Chinese media in which he stood next to Huang and took China's side over Australia in a dispute about the South China Sea (the day Labor came out against China's position and Huang threatened to withdraw a \$400,000 donation).<sup>841</sup> Dastyari eventually acknowledged that Huang was probably an "agent of influence" for Beijing, admitting, "You think you're using them, but they're using you."<sup>842</sup>

**Russia gives lavish gifts to a top Swiss law enforcement official for leniency on cases such as Magnitsky in 2016.** Switzerland's most powerful law enforcement and investigatory official, Michael Lauber, resigned amid impeachment proceedings over his mishandling of high-profile corruption and money-launder cases.<sup>843</sup> He held secret, un-minuted meetings with the president of Fifa while leading a what has become a slow and problematic investigation into corruption at Fifa.<sup>844</sup> Lauber's top Russia expert ("Viktor K", whose real identity cannot be revealed but has "fluid" links between Swiss federal prosecutors and Russian officials) accepted gifts from Russia, such as a bear hunting trip to Siberia.<sup>845</sup> Russian officials lobbied Swiss prosecutors on sensitive cases such as the Magnitsky affair during a series of off-book meetings in expensive restaurants and during elaborate vacations and day-trips.<sup>846</sup> Viktor K told the court the lavish trip could have been funded by one of several Russian oligarchs.<sup>847</sup> A key Russian official on the trip was Putin ally deputy state prosecutor Saak Karapetyan, who died in a helicopter crash in October 2018.<sup>848</sup>

**Swedish right-wing party's political secretary sold a house for twice the price he had recently bought it for from a convicted Russian with government ties in 2014.** Egor Putilov was born in Russia and moved to Sweden in 2007, after which he went by at least five different names, published opinion pieces on opposite sides of heated social debates to fuel discord, and became political secretary for the Sweden Democrats (an anti-immigrant

<sup>838</sup> See *ABC*, 2017.

<sup>839</sup> See *Henderson and Anderson*, 2016.

<sup>840</sup> See *ABC*, 2017.

<sup>841</sup> See *McKenzie, et al.*, November 2017.

<sup>842</sup> See Michael Koziol, "'You think you're using them, but they're using you': Dastyari on donors, deceit and depression," *The Sydney Morning Herald*, September 15, 2019.

<sup>843</sup> See Sam Jones, "Swiss prosecutor's resignation strikes at heart of country's judicial system," *Financial Times*, July 27, 2020; *Jones*, June 2020.

<sup>844</sup> *Jones*, July 2020.

<sup>845</sup> *Jones*, June 2020.

<sup>846</sup> Ibid.

<sup>847</sup> Ibid.

<sup>848</sup> See RFE/RL, "Russian Prosecutor Linked to Trump Tower Lawyer, Other Kremlin Intrigue, Dies In Chopper Crash," October 5, 2018.

party with neo-Nazi roots).<sup>849</sup> In 2014 he bought a house from a man who is currently serving a prison sentence in Russia and married to a senior tax official in St. Petersburg.<sup>850</sup> Putilov sold the house for twice the amount two months later, netting a profit of six million kronor.<sup>851</sup> The scandal was seen as an espionage threat given his high-level access to the Swedish parliament, and Putilov had to resign.<sup>852</sup> He accused the Swedish media of “a hate campaign” and says the accusations of him being a security risk are “ridiculous.”<sup>853</sup>

**Czech President Zeman’s financial advisor has his debt paid off by Russian oil giant in 2016.** Czech President Miloš Zeman is known as the most pro-Russian politician in Europe and a close ally of Putin.<sup>854</sup> Vladimir Yakunin courted Zeman long before his election as president in 2013.<sup>855</sup> More than half of the total donations to Zeman’s political party come from employees of a string of companies owned by Fabio Delco, a Swiss lawyer who the Panama Papers revealed to be managing Putin’s wealth in the form of companies connected to Bank Rossiya and Sergei Roldugin.<sup>856</sup> There have also been allegations of financial ties to the Kremlin extending back to a 2001 deal proposed by Russia to intermingle Czech and Russian debt financing using company Falkon Capital.<sup>857</sup> In our view, the evidence about these schemes is not developed to a level of detail required to prove that Zeman is bankrolled by the Kremlin, although the pattern does provide an important backdrop to a verified case of Russian government support for Zeman’s chief advisor, Martin Nejedlý.<sup>858</sup> Nejedlý spent the 1990s working in Russia before returning to the Czech Republic in 2007 to found a Czech subsidiary of Lukoil, a major Russian oil company loyal to the Kremlin.<sup>859</sup> Despite winning no-bid contracts from the Czech government, the business failed and ended up with almost \$7.5 million in debts, including \$1.4 million Czech courts later determined Nejedlý owed personally.<sup>860</sup> In 2013, Nejedlý engineered the financing behind Zeman’s 2013 election campaign.<sup>861</sup> Nejedlý serves as President Zeman’s private advisor.<sup>862</sup> Without a formal Czech government position, Nejedlý did not have a security clearance or have to follow financial regulations for Czech officials.<sup>863</sup> He maintains an office right next to the president’s in the official palace and accompanies him to meetings with Putin.<sup>864</sup> When the \$1.4 million

debt caught up with Nejedlý following a 2015 court judgment, it looked as if he might be unable to pay it and have to step down.<sup>865</sup> His sensitive position with Zeman was saved when a Dutch company owned by Lukoil stepped in to pay the settlement as a gift to Nejedlý.<sup>866</sup>

**Malagasy presidential candidates take Russian cash and media support in 2018.** In March 2018, then-President of Madagascar, Hery Rajaonarimampianina, reportedly traveled to Moscow and met with Putin and Prigozhin, who agreed to support his re-election campaign in the November 2018 national election.<sup>867</sup> A few weeks later, 15 to 20 Russians working for Prigozhin showed up in the capital city of Antananarivo with campaign swag misspelling the incumbent’s name.<sup>868</sup> They started a bespoke troll farm in the country employing 30 Russians and many locals. Most of the Russian operatives do not return requests for comments, but three acknowledged visiting Madagascar in the election year and one admitted to working as a pollster for the president.<sup>869</sup> Prigozhin’s company even printed and distributed the island’s largest newspaper, paying students to write flattering pieces about Kremlin-backed candidates in the local language.<sup>870</sup> By presenting themselves as mere interested individuals, the Russians managed to skirt electoral laws and buy billboards and airtime on television stations.<sup>871</sup> When the incumbent president was not polling well, the Russians switched allegiances with a more diversified strategy: They handed six more candidates backpacks full of enough cash to fund their electoral campaigns, in exchange for their commitments to drop out if they were not ahead in the final weeks and endorse whichever candidate the Russians would tell them to support at that point.<sup>872</sup> It turned out to be another bad bet, as none of those six did well.<sup>873</sup> Near the end of the campaign, the Russians decided to fund the front-runner and ultimate winner, Andry Rajoelina (who denies receiving Russian assistance but was indeed endorsed by the other Russian-supported contenders).<sup>874</sup> While Russia succeeded at backing the current president, the operation was only marginally successful, as Rajoelina was already winning and has the closest ties to other foreign powers as well, not just Russia.<sup>875</sup> Prigozhin’s parallel effort to parlay the political influence into corrupt profits from extracting chromite was also ineffective, because while the key St. Petersburg mining company was invited to form a joint venture in Madagascar in August-September 2018, operations were suspended by the end of 2018 due to a strike.<sup>876</sup> Nevertheless, Prigozhin’s political operatives remain stationed in Madagascar and have since adapted the interference strategy to other African countries.<sup>877</sup>

<sup>849</sup> See EU vs. Disinfo, “*What’s in a Name?*” September 30, 2016; Lisa Röslund, et al., “*Alexander, 34, är SD:s hemliga desinformator*,” *Aftonbladet*, September 3, 2016.

<sup>850</sup> See *The Local.se*, 2016.

<sup>851</sup> See Sveriges Radio, “*Sweden Democrat employee a ‘potential security risk’ for parliament, expert warns*,” September 23, 2016.

<sup>852</sup> See *The Local.se*, 2016.

<sup>853</sup> See Damien Sharkov, “*Russian-born Swedish Official Prompts ‘Security Risk’ Worries*,” *Newsweek*, September 26, 2016.

<sup>854</sup> See *Belton*, pp. 399; *Kirillova*, 2020.

<sup>855</sup> See *Belton*, pp. 430.

<sup>856</sup> See *Belton*, pp. 399; Lukáš Valášek, “*Zemanovce sponzorovala pavučinu firem napojená na Putínova právnická*,” iDnes, November 3, 2018.

<sup>857</sup> See *Kirillova*, 2020; Yuriy Fel’shtinsky, “*Пятый интернационал. Казус Милоша Земана, президента Чехии – расследование историка Фельштинского [Рятыво internasional, Kazus Milosha Zemana, prezidenta Chekhi – rassledovaniye istorika Fel’shtinskogo]*,” GordonUA, May 1, 2020.

<sup>858</sup> See *MacFarquhar*, 2016; *Prague Daily Monitor*, “*MfD: Russian Lukoil pays huge debt of Zeman’s key aide Nejedlý*,” November 7, 2016.

<sup>859</sup> See *MacFarquhar*, 2016, *Belton*, pp. 430.

<sup>860</sup> See *MacFarquhar*, 2016.

<sup>861</sup> Ibid.

<sup>862</sup> Ibid.

<sup>863</sup> Ibid.

<sup>864</sup> Ibid.

<sup>865</sup> Ibid.

<sup>866</sup> See *MacFarquhar*, 2016; *Prague Daily Monitor*, 2016.

<sup>867</sup> See *Schwartz and Borgia*, 2019; *Rozhdestvensky and Badanin*, 2019.

<sup>868</sup> See *Schwartz and Borgia*, 2019; *Rozhdestvensky and Badanin*, 2019.

<sup>869</sup> See *Schwartz and Borgia*, 2019; *Rozhdestvensky and Badanin*, 2019.

<sup>870</sup> See *Schwartz and Borgia*, 2019; *Rozhdestvensky and Badanin*, 2019.

<sup>871</sup> See *Schwartz and Borgia*, 2019; *Rozhdestvensky and Badanin*, 2019.

<sup>872</sup> See *Schwartz and Borgia*, 2019; *Rozhdestvensky and Badanin*, 2019.

<sup>873</sup> See *Schwartz and Borgia*, 2019; *Rozhdestvensky and Badanin*, 2019.

<sup>874</sup> See *Schwartz and Borgia*, 2019; *Rozhdestvensky and Badanin*, 2019.

<sup>875</sup> See *Schwartz and Borgia*, 2019; *Rozhdestvensky and Badanin*, 2019.

<sup>876</sup> See *Schwartz and Borgia*, 2019; *Rozhdestvensky and Badanin*, 2019.

<sup>877</sup> See *Schwartz and Borgia*, 2019; *Rozhdestvensky and Badanin*, 2019.

**Zimbabwe receives Wagner political consultants interfering in 2018 election.** In August 2018, Zimbabwe had its first election after the 30-year reign of Robert Mugabe. The winner was Mugabe's longtime enforcer who seized power in the coup, Emmerson Mnangagwa, continuing four decades of one-party rule.<sup>878</sup> The opposition accused Mnangagwa and his party of employing 64 Russians in a suburb of Harare.<sup>879</sup> While it is not clear how many Russians were involved, nor exactly how they were helping the Mnangagwa campaign (which denies the allegations), one of Prigozhin's consultants told Russian independent outlet *Proekt* that political strategists associated with Prigozhin did participate in the election campaign (including under the cover of the same obscure publication that Prigozhin operatives in St. Petersburg used to interfere in Madagascar's 2018 election: Association for Free Research and International Cooperation or Afric).<sup>880</sup>

**Central African Republic receives extensive security assistance from the Kremlin-linked Wagner Group, along with media ownership, bribes, and various in-kind services.** Russia exerts influence in the war-torn Central African Republic (CAR) by sending mercenaries to protect the government and secure control over the contested diamond trade.<sup>881</sup> The top Putin confidant behind Russia's role in CAR is Yevgeny Prigozhin.<sup>882</sup> His mining companies started working there in the autumn of 2017, and have also been active in pro-Russian public relations.<sup>883</sup> Information operations have included launching a radio station to broadcast Russian narratives, owning a free newspaper publicizing the benefits of Russia's presence, creating pro-Russian Facebook pages, and organizing soccer matches and beauty contests for publicity.<sup>884</sup> In 2018, former GRU official Valeriy Zakharov became the top national security advisor to the country's president.<sup>885</sup> The most important Russian figure on the ground in CAR—the only person who talks with Prigozhin without fear and as an equal—is Col. Konstantin Pikalov, who represents the Russian Defense Ministry or the Kremlin in general.<sup>886</sup> Pikalov first arrived in CAR three weeks before three Russian journalists were murdered there.<sup>887</sup> They had been investigating Prigozhin's ties to the diamond business and his shadowy mercenary outfit called the Wagner Group, which reportedly deploys half its forces in Africa while waging secret wars in Ukraine and Syria.<sup>888</sup> In addition to providing CAR with weapons, supplies, advisors, and trainers, Wagner has bribed media figures and member of parliament with offers of cash, training, and equipment, to remove politicians seen as insufficiently friendly to Russian interests in the country.<sup>889</sup> Prigozhin had a team of approximately 15 social media specialists, political consultants, and information

security technicians in CAR.<sup>890</sup> Russia's foreign ministry and Prigozhin's spokesman dismiss the allegations.<sup>891</sup>

**Russia sends mercenaries and underwrites broad-based media support to back multiple candidates in the next Libyan presidential election.** The eastern side of the Libyan civil war is commanded by warlord Khalifa Haftar, who is trying to overthrow the UN-backed government in Tripoli. Russia provided military support to Haftar, reportedly including regulars, special forces, intelligence, and more than 1,000 mercenaries from the Wagner Group, funded by Putin confidant Yevgeny Prigozhin.<sup>892</sup> Leaked documents from within Wagner show Prigozhin's men alleging that Haftar consolidates territory not by winning battles but by bribing tribal leaders with \$150 million from the U.A.E.<sup>893</sup> And while Wagner has been unimpressed by Haftar, they also advocate for rigging the next Libyan presidential election to help his candidacy.<sup>894</sup> At the same time, Russia has conducted an extensive campaign to bring to power Haftar's opponent, Saif al-Islam Gaddafi, who is the son of the late dictator and a fugitive from the International Criminal Court.<sup>895</sup> Saif offered the Russians kompromat on U.S. politicians he claims got campaign contributions from his family, but Prigozhin was more interested in investing in Saif's presidential bid and thus restoring the Gaddafi regime.<sup>896</sup> In April 2019, Libyan security forces arrested two Russians who had recently met three times with Saif and worked for a Prigozhin-funded troll farm that "specializes in influencing elections that are to be held in several African states."<sup>897</sup> Russian support for the two candidates has spanned four vectors of traditional and social media: (1) recapitalizing the old pro-Gaddafi propaganda channel;<sup>898</sup> (2) creating 12 Facebook pages to support the two candidates and getting millions of views with the support of Prigozhin's troll farms;<sup>899</sup> (3) creating a new pro-Haftar newspaper that prints a circulation of 300,000 copies distributed in territory controlled by Haftar (and uploaded to the Facebook page of a pro-Haftar party);<sup>900</sup> and (4) consulting with Al Hadath TV, a pro-Haftar TV station, to provide recommendations about how to optimize its broadcasting.<sup>901</sup> The Kremlin, Haftar, and the two arrested Russians have all declined to comment.<sup>902</sup>

<sup>878</sup> See Jeffrey Moyo and Norimitsu Onishi, "[Zimbabwe Elects Mnangagwa, the Man Who Ousted Mugabe](#)," *The New York Times*, August 2, 2018.

<sup>879</sup> See Andrey Maslov and Vadim Zaytsev, "[What's Behind Russia's Newfound Interest in Zimbabwe](#)," Carnegie Moscow Center, November 14, 2018.

<sup>880</sup> Ibid.

<sup>881</sup> See [Searcey](#), 2019.

<sup>882</sup> Ibid.

<sup>883</sup> See [Estonian Foreign Intelligence Service](#), pp. 63.

<sup>884</sup> Ibid.

<sup>885</sup> See Florian Elabdi, "[Putin's Man in the Central African Republic: Is Valery Zakharov at the Heart of Russian Skuldugery?](#)" The Daily Beast, December 17, 2018.

<sup>886</sup> See [Bellingcat](#), 2020.

<sup>887</sup> Ibid.

<sup>888</sup> See [Al-Atrash](#), 2020; RFE/RL, "[UN Monitors Say Mercenaries From Russia's Wagner Group Fighting In Libya](#)," May 7, 2020.

<sup>889</sup> See [Weiss and Vaux](#), 2019; [Badanin and Churakova](#), 2019.

<sup>890</sup> See [Weiss and Vaux](#), 2019; [Badanin and Churakova](#), 2019.

<sup>891</sup> See [Al-Atrash](#), 2020.

<sup>892</sup> See [Grossman, et al.](#), 2020. The day after anti-Gaddafi forces captured Tripoli in 2011, they took the Jamahiriya TV station off the air. While it resumed broadcasting from Cairo in 2012, the service was regularly interrupted for 2-3 months at a time and it still looked like the drab and stodgy old pro-Gaddafi programming. Its content expressed nostalgia for Muammar Gaddafi, support for son Saif al-Islam Gaddafi, and criticism of Haftar. Starting in January 2019, the Wagner Group revitalized the channel with technical, financial, and advisory support. Wagner paid off its debts to staff and satellite providers, taking a 50 percent equity stake. Wagner unified Jamahiriya with the Jana news agency, modernized it with glitzy programming (a bit like modern Russian news TV), launched six new regular broadcasts, and built up an extensive social media presence. In December 2019, the tone of the news coverage became supportive of Haftar, which backfired as social media users mocked the "Haftarization" as obvious foreign influence. See [Grossman, et al.](#), 2020.

<sup>893</sup> See [Gleicher](#), October 30, 2019.

<sup>894</sup> See [Grossman, et al.](#), 2020; [Weiss and Vaux](#), 2019.

<sup>895</sup> See [Grossman, et al.](#), 2020; [Weiss and Vaux](#), 2019.

<sup>896</sup> See [Al-Atrash](#), 2020.

**Sudanese dictator Omar al-Bashir gets advice and expertise from Russia in the face of protests.** In late 2018 and early 2019, the Sudanese regime of Omar al-Bashir cracked down violently on pro-democracy protestors.<sup>903</sup> It later became clear that Moscow was advising Bashir to use more disinformation and deadly force.<sup>904</sup> As context, Russia had invested in the relationship with Bashir, who had authorized Yevgeny Prigozhin to explore gold mining in Sudan and who was talking to the Russian government about building a permanent military base with strategic port access to the Red Sea.<sup>905</sup> That public-private combination in Sudan would also help Russia traffic illicit gold and diamonds from the Central African Republic to Russia.<sup>906</sup> With Russian interests threatened by the protests, Russian guidance and support for Bashir came from M Invest, a St. Petersburg-based gold mining company owned or controlled by Prigozhin with an office in Khartoum.<sup>907</sup> M Invest (along with its subsidiary Meroe Gold, two key executives, and three Thailand and Hong Kong-based front companies) would later be sanctioned by the United States for serving as cover for Wagner forces operating in Sudan and developing plans for Bashir to discredit and suppress protestors.<sup>908</sup> In the scramble to quickly draw up the plans, the recommendations appear to have been copied and pasted from tactics used by the Kremlin at home, as one memo mistakenly said “Russia” instead of “Sudan.”<sup>909</sup> The Russian plan involved spreading disinformation on social media, increasing the price of credible newspapers, and smearing protestors as “anti-Islam,” “pro-Israel,” “pro-LGBT,” “looters.”<sup>910</sup> Advisors from both the Russian state and Prigozhin’s companies embedded in several Sudanese ministries and the intelligence service.<sup>911</sup> They were spotted on the streets monitoring the protests.<sup>912</sup> They told Sudan’s military council to hold “public executions” and suppress protests with “minimal but acceptable loss of life.”<sup>913</sup> Prigozhin wrote a letter to Bashir warning that “the lack of active steps by the new government to overcome the crisis is likely to lead to even more serious political consequences.” his “lack of active steps” warning that he was not moving aggressively enough against the protestors.<sup>914</sup> A couple weeks later, Bashir was deposed.

**Bolivian president receives social media help from Rosatom in 2019.** Rosatom is a Russian nuclear energy company building a \$300 million research center in Bolivia.<sup>915</sup> Along with building nuclear infrastructure, Rosatom brings experience influencing election results, having been tasked during the 2016 Russian parliamentary election with ensuring victories for the United

Russia party in 10 cities.<sup>916</sup> Wanting to avoid repeating the political disaster it sowed in South Africa (allegedly secretly enriching associates of the president, only to see him forced out of office and the nuclear contract lost), Rosatom now sends political strategists around the world to create “a favorable information field.”<sup>917</sup> Four months before the 2019 Bolivian election, Rosatom sent 10 social media specialists to La Paz, where they supported the messaging program of then-incumbent Evo Morales and ran “black PR campaigns” against his critics.<sup>918</sup> Rosatom has declined to respond to requests for comment.<sup>919</sup>

**WikiLeaks coordinates with the GRU and potentially the Trump campaign, which develops a press strategy, a communications campaign, and messaging based on expected releases of hacked information.** Shortly after the GRU started releasing hacked documents on dcleaks.com in June 2016, GRU officers contacted WikiLeaks with a Twitter direct message (DM) about coordinating the future release of stolen emails.<sup>920</sup> A week later, on June 22, WikiLeaks sent a DM to the GRU’s Guccifer 2.0 persona similarly suggesting coordination for more impactful distribution.<sup>921</sup> On June 29, the GRU used a Guccifer 2.0 email account to attempt to send a large encrypted file to WikiLeaks, but it went undelivered.<sup>922</sup> On July 6, WikiLeaks sent Guccifer 2.0 another DM urging them to share any negative information about Hillary Clinton before the Democratic National Convention.<sup>923</sup> On July 14, the GRU succeeded at transferring the stolen DNC documents to WikiLeaks through a Guccifer 2.0 email with an encrypted attachment, following up over DM with instructions on how to open it.<sup>924</sup> WikiLeaks confirmed receipt on July 18 and released more than 20,000 emails and other documents on July 22, three days before the Democratic National Convention.<sup>925</sup> On September 19, the GRU staged emails stolen from John Podesta for transfer to WikiLeaks, which appear to have been emailed via a similar encrypted attachment on September 22, although it is also possible that stolen documents were shared through intermediaries in London in the summer of 2016.<sup>926</sup> Over the same summer months, the Trump Campaign developed a press strategy, a communications campaign, and messaging based on the possible release of Clinton emails by WikiLeaks.<sup>927</sup> Starting before WikiLeaks began publicly discussing the emails in June, senior campaign officials including Trump himself spoke regularly to Roger Stone, Trump’s longtime confidant.<sup>928</sup> Stone boasted of his access to Julian Assange and repeatedly gave Trump a heads up about the releases of emails that Assange made and was believed to be planning.<sup>929</sup> Senior campaign officials treated Stone as their intermediary to WikiLeaks, both pressing

903 See Tim Lister et al., “*Fake news and public executions: Documents show a Russian company’s plan for quelling protests in Sudan*,” CNN, April 25, 2019.

904 Ibid.

905 See Samuel Ramani, “*Moscow’s Hand in Sudan’s Future*,” Carnegie Endowment for International Peace, July 11, 2019.

906 See Warsaw Institute, “*Sudan Coup: What’s Next with Russian “Advisers”?*” April 12, 2019.

907 See *Lister et al.*, 2019.

908 U.S. Department of the Treasury, “*Treasury Targets Financier’s Illicit Sanctions Evasion Activity*,” Press release, July 15, 2020.

909 See *Harding and Burke*, June 2019.

910 Ibid.

911 See *Lester et al.*, 2019.

912 Ibid.

913 Ibid.

914 Ibid.

915 See *Badanin, et al.*, 2019.

916 Ibid.

917 Ibid.

918 Ibid.

919 Ibid.

920 See *Mueller Report*, Vol. I, pp. 45.

921 Ibid.

922 See *Mueller Report*, Vol. I, pp. 46.

923 See *Mueller Report*, Vol. I, pp. 45.

924 See *Mueller Report*, Vol. I, pp. 46.

925 Ibid.

926 See *Mueller Report*, Vol. I, pp. 47.

927 See *Mueller Report*, Vol. I, pp. 54.

928 See *Mueller Report*, Vol. I, pp. 51-54.

929 Ibid.

Stone for explanations when expected releases were apparently delayed and then congratulating Stone moments after key releases.<sup>930</sup> Stone operated through his own intermediaries such as right-wing conspiracy theorist Jerome Corsi, who in turn was in contact about Assange with London-based commentator Ted Malloch.<sup>931</sup> For example, when the *Access Hollywood* video was about to come out on October 7, Stone contacted Corsi and they developed a plan to have WikiLeaks release information to counteract the expected reaction to the video's release.<sup>932</sup> Corsi claims he successfully reached Assange through members of his online media outlet, WorldNetDaily, although Mueller was unable to corroborate this claim.<sup>933</sup> In any event, the video was published that afternoon and then 29 minutes later WikiLeaks released the first set of Podesta emails.<sup>934</sup> Shortly after the release, an associate of Steve Bannon (then-chief executive of the Trump campaign) texted Stone "well done."<sup>935</sup> On October 12, WikiLeaks sent Donald Trump Jr. a DM with a link that Trump Jr. publicly tweeted two days later.<sup>936</sup> WikiLeaks continued releasing the stolen Podesta emails in a total of 33 tranches up until November 7.<sup>937</sup>

**U.S. campaign officials meet a Russian lawyer promising information on an opponent in June 2016.** On June 3, 2016, at the request of his then-client Emin Agalarov (son of Russian real-estate developer Aras Agalarov, who Trump knew from the 2013 Miss Universe Pageant in Moscow), Robert Goldstone emailed Don Trump Jr.<sup>938</sup> Goldstone emailed that the "Crown prosecutor of Russia ... offered to provide the Trump campaign with some official documents and information that would incriminate Hillary and her dealings with Russia [as] part of Russia and its government's support for Mr. Trump."<sup>939</sup> Within minutes, Trump Jr. responded that "if it's what you say I love it," and proceeded to arrange a meeting at Trump Tower on June 9, 2016.<sup>940</sup> On June 6 or 7, Trump Jr. allegedly told his father, candidate Donald J. Trump, that the meeting to obtain adverse information about Clinton was still on, although both Trumps deny this and Mueller was unable to find documentary evidence that candidate Trump was aware of the meeting before it occurred.<sup>941</sup> However, on June 7, hours after Don Jr. confirmed the meeting over email with Goldstone, candidate Trump was giving a victory speech after winning primary elections that day, and he announced, "I am going to give a major speech on probably Monday of next week and we're going to be discussing all of the things that have taken place with the Clintons. I think you're going to find it very informative and very, very interesting."<sup>942</sup> On June 9, the meet-

ing lasted 20 minutes, led by Kremlin-connected lawyer Natalia Veselnitskaya, who alleged that the Ziff Brothers broke Russian laws and funneled the profits through Cyprus before donating it to Clinton or the DNC.<sup>943</sup> Trump Jr. asked how the alleged payments could be tied specifically to Clinton, but Veselnitskaya said she could not trace it once it entered the United States before pivoting to a critique of the origins of the 2012 Magnitsky Act.<sup>944</sup> Jared Kushner became aggravated, asking "[w]hat are we doing here?" and texting Paul Manafort "waste of time" before leaving early.<sup>945</sup> Analyzing whether the campaign conspired with Russia to receive illegal contributions, the Special Counsel cited three elements of U.S. campaign finance law (emphasizing the latter two) in his decision not to prosecute: (i) Lack of legal precedent left it uncertain how U.S. courts would resolve whether opposition research is a "thing of value" amounting to a campaign contribution.<sup>946</sup> (ii) No evidence was obtained to prove beyond a reasonable doubt that the campaign officials acted "willfully."<sup>947</sup> (iii) It would be difficult to prove beyond a reasonable doubt that the value of the information exceeded the statutory maximum ( $\geq \$2,000$  is a misdemeanor;  $\geq \$25,000$  is a felony).<sup>948</sup>

**U.S. campaign officials meet envoys from Middle Eastern royals and an Israeli company offering social media manipulation in August 2016.** Senior Trump campaign officials met with George Nader, who conveyed that the princes who led Saudi Arabia and the U.A.E. wanted to help Trump get elected.<sup>949</sup> Also present at this "second Trump Tower meeting" was the head of a firm staffed by former Israeli intelligence officers that had prepared a multimillion-dollar proposal to shape public opinion in favor of Trump. After the election, Nader allegedly paid Zamel up to \$2 million.<sup>950</sup> The New York Times reports, "There are conflicting accounts of the reason for the payment, but among other things, a company linked to Mr. Zamel provided Mr. Nader with an elaborate presentation about the significance of social media campaigning to Mr. Trump's victory."<sup>951</sup> It is unclear whether this incident is being investigated as one of the 14 cases (12 of which were entirely redacted in the public report) that Mueller spun off to other components of DOJ because they extended beyond the scope of his Russia probe.<sup>952</sup>

**U.S. president seeks political investigations from Ukraine.** In a phone call on July 25, 2019, President Trump asked the Ukrainian President Zelensky for a "favor" of two investigations that would potentially influence voter perceptions in the 2020 U.S. presidential election.<sup>953</sup> Trump urged Zelensky to work with U.S. Attorney General Bill Barr.<sup>954</sup> The DOJ then determined

<sup>930</sup> See *Mueller Report*, Vol. I, pp. 51-53. Regarding the role of Roger Stone as an intermediary, he was also in contact with the GRU's Guccifer 2.0 persona, although the known extent of their communications is limited. See *Mueller Report*, Vol. I, pp. 44.

<sup>931</sup> See *Mueller Report*, Vol. I, pp. 54-57.

<sup>932</sup> See *Mueller Report*, Vol. I, pp. 58.

<sup>933</sup> See *Mueller Report*, Vol. I, pp. 59.

<sup>934</sup> David Farenthold, *Twitter post*, October 7, 2016, 4:03 PM; WikiLeaks, *Twitter post*, October 7, 2016, 4:32 PM.

<sup>935</sup> See *Stone Indictment*, pp. 9; *Hsu, et al.*, 2019.

<sup>936</sup> See *Mueller Report*, Vol. I, pp. 60.

<sup>937</sup> See *Mueller Report*, Vol. I, pp. 48.

<sup>938</sup> See *Mueller Report*, Vol. I, pp. 110.

<sup>939</sup> See *Mueller Report*, Vol. I, pp. 113.

<sup>940</sup> See *Mueller Report*, Vol. I, pp. 171.

<sup>941</sup> See *Mueller Report*, Vol. I, pp. 168, 173-174.

<sup>942</sup> See Philip Bump, "*What happened and when: The timeline leading up to Donald Trump Jr.'s fateful meeting*," *Washington Post*, July 11, 2017.

<sup>943</sup> See *Mueller Report*, Vol. I, pp. 117.

<sup>944</sup> See *Mueller Report*, Vol. I, pp. 118.

<sup>945</sup> Ibid.

<sup>946</sup> See *Mueller Report*, Vol. I, pp. 186-187.

<sup>947</sup> See *Mueller Report*, Vol. I, pp. 187-188.

<sup>948</sup> See *Mueller Report*, Vol. I, pp. 188.

<sup>949</sup> See *Mazzetti, et al.*, 2018.

<sup>950</sup> Ibid.

<sup>951</sup> Ibid.

<sup>952</sup> Whereas Nader was mentioned 119 times in the Mueller report, Zamel and Psy-Group were never named. Mueller reportedly seized Psy-Group's computers in Israel and interviewed Zamel and other former employees of Psy-Group. See *Mazzetti, et al.*, 2018.

<sup>953</sup> See *Trump-Ukraine Report*, pp. 98-103; *Trump-Zelensky Memcon*.

<sup>954</sup> See *Trump-Zelensky Memcon*.

that the request did not constitute a campaign finance violation because assistance with an investigation cannot be quantified as a “thing of value” under U.S. law.<sup>955</sup> The operation was made possible by two wealthy pro-Kremlin oligarchs paying more than \$2 million to U.S. political operatives buying access to U.S. politicians and lawyers partly to advocate for removing U.S. Ambassador to Ukraine Marie Yovanovitch.<sup>956</sup>

**U.K. Labour Party receives from suspected Russian intelligence operatives leaked documents detailing U.S.-U.K. trade talks.** In October 2019, ahead of the December 2019 U.K. general election, 451 pages of documents detailing U.S.-U.K. trade talks appeared on Reddit.<sup>957</sup> The account posting the leaked documents characterized them as showing Britain to be in the relatively weaker position vis-à-vis the United States. The documents were later reposted by another Reddit account, while a “pocket of accounts” coordinated to manipulate votes on the original post to amplify it.<sup>958</sup> At this point, however, the effort was not successful, as the post received minimal attention.<sup>959</sup> Pivoting to more direct distribution tactics, whoever was behind the leak started emailing the files directly to campaign groups such as the Labour Party and political activists.<sup>960</sup> In late November, Labour Party leader Jeremy Corbyn revealed to documents in a press conference, making a campaign issue out of the suggestion that the government had offered to privatize the National Health Service.<sup>961</sup> In early December, Reddit announced that it had investigated and concluded that the accounts involved in leaking and promoting the documents on Reddit were part of a sweeping Russian influence operation called “Secondary Infektion.”<sup>962</sup> Labour has declined to reveal where it obtained the documents.<sup>963</sup> The Conservative-led government said, “the government has concluded that it is almost certain that Russian actors sought to interfere in the 2019 general election through the online amplification of illicitly acquired and leaked government documents.”<sup>964</sup>

## 2. Straw donors and agents supported by foreign powers

**Australian officials accept millions in payments from Beijing-linked billionaire Huang Xiangmo.** Huang is a Chinese property developer who moved to Australia in 2011 and led several groups (such as the Australian Council for the Promotion of the Peaceful Reunification of China) tied to the United Front Work Department.<sup>965</sup> Until his money became politically

untouchable in 2016, Huang donated \$2.7 million to political parties in Australia.<sup>966</sup> While some of the donations were made in Huang’s own name, others came from companies owned by him, senior executives who worked for him, or companies controlled by his known associates. Huang separately employed, paid consulting fees, or retainers to at least five senior government or political party officials, in some cases shortly after they left office.<sup>967</sup> He regularly gave sitting officials fine wines, expensive meals, usage of his private plane, payment of their legal expenses, and other gifts. Two cases are particularly noteworthy.<sup>968</sup> First, in order to circumvent a NSW law banning donations by property developers, Huang allegedly (he denies it) walked into Labor party headquarters and handed the party boss an Aldi bag containing \$100,000 of cash withdrawn by his employee at a casino.<sup>969</sup> The black donation was then allegedly laundered through 12 straw donors at a Chinese Friends of Labor fundraising dinner.<sup>970</sup> Second, the day after Labor’s defense spokesman criticized the Chinese territorial aggression in the South China Sea, Huang threatened to withdraw a promised \$400,000 donation to the Labor party (leading Labor senator Sam Dastyari to take China’s side the next day).<sup>971</sup>

**New Zealand lawmaker allegedly hides multiple donations from CCP-tied businessman.** The New Zealand Serious Fraud Office charged four individuals with conspiring to adopt “a fraudulent device, trick, or stratagem whereby [two \$100,000 donations, one in 2017 and another in 2018, each of which were] split into sums of money less than \$15,000 [thus evading disclosure], and transferred into the bank accounts of eight people, before being paid to, and retained by, the National Party.”<sup>972</sup> The true source of funds was Zhang Yikun, a wealthy and politically-connected Chinese national who founded the Chao Shan General Association, the largest and most important proxy organization of the Chinese Communist Party’s United Front work in New Zealand.<sup>973</sup> Zhang apparently advocated the National Party to support the parliamentary candidacy of his friend and business partner, Colin Zheng, a Chinese national.<sup>974</sup> The four defendants are Zhang, Zheng, Zheng Hengjia, and then MP Jami-Lee Ross.<sup>975</sup> When news of the scandal broke in 2018, Ross was kicked out of the National Party, and he released an audio recording of himself speaking to party leader Simon Bridges about how to obscure the provenance of the donation and support Zheng for the party list.<sup>976</sup> In March of 2020, Ross alleged that the National Party had received another \$150,000 of undocumented donations, in this case funneled from Zhang’s sister and another Chinese national.<sup>977</sup>

<sup>955</sup> See [Barrett, et al.](#), 2019.

<sup>956</sup> See [Parnas Filing](#), pp. 5-7; [Berthelsen](#), 2019; [Helderman, et al.](#), October 12, 2019; [Trump-Ukraine Report](#), pp. 38-50.

<sup>957</sup> See Natasha Lomas, “[Reddit links UK-US trade talk leak to Russian influence campaign](#),” TechCrunch, December 7, 2019.

<sup>958</sup> See [Lomas](#), 2019.

<sup>959</sup> See Reddit, “[Suspected Campaign from Russia on Reddit](#),” December 6, 2019.

<sup>960</sup> See [Lomas](#), 2019.

<sup>961</sup> See Kylie MacLellan and Elizabeth Piper, “[Labour’s Corbyn accuses Conservatives of offering up UK health service in U.S. talks](#),” Reuters, November 27, 2019.

<sup>962</sup> See [Reddit](#), 2019; DFR Lab, “[Top Takes: Suspected Russian Intelligence Operation](#),” The Atlantic Council, June 22, 2019.

<sup>963</sup> See Kevin Rawlinson and Aamna Mohdin, “[Russia involved in leak of papers saying NHS is for sale, says Reddit](#),” The Guardian, December 7, 2019.

<sup>964</sup> See BBC, “[‘Almost certain’ Russians sought to interfere in 2019 UK election — Raab](#),” July 16, 2020.

<sup>965</sup> See [Cave](#), 2019.

<sup>966</sup> See [Knaus](#), 2019.

<sup>967</sup> See [Chenoweth](#), 2019.

<sup>968</sup> Ibid.

<sup>969</sup> See [Grigg](#), 2019.

<sup>970</sup> Ibid.

<sup>971</sup> See [McKenzie](#), 2019.

<sup>972</sup> See [Hurley](#), 2020.

<sup>973</sup> See [Brady](#), March 4, 2020.

<sup>974</sup> See [Walters](#), 2018.

<sup>975</sup> See Jenée Tibshraeny, “[Former National MP Jami-Lee Ross and businessmen, Yikun Zhang, Shijia Zheng and Hengjia Zheng, identified as people facing SFO charges over \\$200k of donations made to the National Party](#),” Interest, February 19, 2020.

<sup>976</sup> See NZ Herald, “[Full transcript: The Jami-Lee Ross tape of Simon Bridges](#),” October 17, 2018.

<sup>977</sup> See [Brady](#), March 4, 2020.

**British parliamentary report on Russia names in its classified annex nine elite Russian expatriates who donated to the Conservative Party.** After the 2018 poisoning of ex-Russian spy Sergei Skripal and his daughter, the intelligence and security committee (ISC) of the British parliament embarked on an investigation they had been itching to conduct since 2015 into the threat of Kremlin influence in the U.K.<sup>978</sup> The ISC held a number of evidence sessions with a broad range of witnesses, including the intelligence agencies and several notable outside experts.<sup>979</sup> The resulting 47-page report emphasized malign finance more prominently than other assessments of the Russian threat such as the Mueller report. The ISC report starts with one chapter on cyberattacks and another on influence campaigns.<sup>980</sup> The latter includes not only disinformation but also “illicit funding,” and that chapter mentions the £8 million donation from Arron Banks to the Leave.EU campaign.<sup>981</sup> More importantly, however, the ISC report has a third chapter on “Russian expatriates,” warning that “the U.K. now faces a threat from Russia within its own borders” in the form of “Russian oligarchs and their money.”<sup>982</sup> Its focus is on people who move from Russia to London but remain “members of the Russian elite who are closely linked to Putin.”<sup>983</sup> While the public report did not identify any such Russian expatriates, The Sunday Times reported that the report’s classified annex does name nine Russian business people who have donated to the Conservative Party.<sup>984</sup> Noting that some Russian donors are personally close to Prime Minister Boris Johnson, The Times points to former Russian arms tycoon Alexander Temerko, who moved to Britain by the end of 2004 and gained citizenship in 2011.<sup>985</sup> Temerko speaks proudly of his past work with Russia’s defense ministry and current leadership of Russian intelligence.<sup>986</sup> He has also donated over £1.3 million to the Tories.<sup>987</sup> Temerko was reportedly behind an attempt to oust then-Prime Minister Theresa May out of frustration that she was not taking Britain out of the E.U. quickly enough, while he has also counts Boris Johnson as a “friend.”<sup>988</sup> The Times notes that the parliamentary committee was briefed on Alexander Lebedev, the KGB spy in London who owns Evening Standard and The Independent and whose son Evgeny invited Johnson when he was foreign secretary to parties at the family’s castle in Italy (which Johnson attended in April 2018 without the security detail that normally protects senior ministers).<sup>989</sup> The Times also identifies “the largest Russian Tory donor” to be Lubov Chernukhin, the wife of a former Putin ally and Russian deputy finance minister.<sup>990</sup> Ms. Chernukhin became a U.K. citizen in or around 2009, and since then has given over £1.7 million to become the Con-

servative Party’s biggest donor.<sup>991</sup> Ms. Chernukhin’s largesse seems directed at whoever is the Conservative leader, shifting from £160,000 in 2014 to play tennis with David Cameron and Boris Johnson to a 2019 payment of £135,000 for a dinner with Theresa May.<sup>992</sup> Separately, Private Eye revealed that the Conservative Party treasurer, Ehud Sheleg, began donating what would add up to £3 million to the Conservative Party after his art gallery business struck a deal with a Cypriot company owned by two powerful Russian businessmen in 2015.<sup>993</sup> In 2016 a Labour MP raised concerns that a £400,000 donation to the Tories came from Gérard Lopez, the chairman of a private investment fund that had recently signed infrastructure deals worth billions with Russia and whose managing partner is understood to be close to Putin.<sup>994</sup> There is absolutely no suggestion that any of these individuals have done anything wrong or that they are among the nine business people reportedly named in the parliamentary report. They merely illustrate apparent financial ties to Russia and seemingly legal donations covered in the British press.

**Brexit donor with unexplained funding engaged with Russia about lucrative business deals before the 2016 referendum.** Nigel Farage’s Leave.EU campaign received £8 million, by far the largest political donation in U.K. history, from British businessman Arron Banks.<sup>995</sup> Investigative journalists have had difficulty verifying Banks’s sources of wealth as his businesses are hidden beyond offshore shell companies (some of which were exposed by the Panama Papers), while he has dodged questions about how he was able to afford the donation.<sup>996</sup> In the months before the 2016 Brexit referendum, a Russian spy under diplomatic cover at the Russian embassy in London connected Banks to the Russian ambassador to the U.K., who introduced Banks to a Russian oligarch, who in turn offered Banks limited opportunities to make highly profitable investments in Russian gold and diamond firms.<sup>997</sup> There is no evidence that Banks participated in those deals, but his closest business partner, Jim Mellon (who got rich in Russia in the 1990s and is now based on the Isle of Man) did invest in one of the offerings, which was completed quickly at a discounted price just three weeks after the 2016 U.K. referendum.<sup>998</sup> Banks had raised the funds for his donation by borrowing £6 million from Rock Holdings Ltd., an opaque Isle of Man company that Banks controls and that co-

<sup>978</sup> See Dan Sabbagh and Luke Harding, “PM accused of cover-up over report on Russian meddling in UK politics,” *The Guardian*, November 4, 2019; Edward Lucas, “The Russia report won’t be a damp squib,” *The Times*, July 20, 2020.

<sup>979</sup> See *ISC Russia Report*, pp. 2.

<sup>980</sup> See *ISC Russia Report*, pp. v.

<sup>981</sup> See *ISC Russia Report*, pp. 9-14.

<sup>982</sup> See *ISC Russia Report*, pp. 15-18, 22.

<sup>983</sup> See *ISC Russia Report*, pp. 16.

<sup>984</sup> See *Harper and Wheeler*, 2019.

<sup>985</sup> *Belton*, 2019.

<sup>986</sup> Ibid.

<sup>987</sup> *Harding and Davies*, 2020.

<sup>988</sup> Ibid.

<sup>989</sup> See *Harper and Wheeler*, 2019.

<sup>990</sup> Ibid.

<sup>991</sup> See *Harper and Wheeler*, 2019; *Harding and Davies*, 2020.

<sup>992</sup> *Harding and Davies*, 2020.

<sup>993</sup> See *Private Eye*, “In the back: Ehud Sheleg, Diamond geezers.” February 21 to March 5, 2020.

<sup>994</sup> See Holly Watt, “May must explain Tory donor’s links to Russia, says Labour MP,” *The Guardian*, August 27, 2016; *Belton*, pp. 439.

<sup>995</sup> See *Rudolph*, 2019.

<sup>996</sup> Ibid.

<sup>997</sup> See *Cadwalladr and Jukes*, 2018; *Harding and Townsend*, 2020.

<sup>998</sup> See *Kirkpatrick and Rosenberg*, 2018; *Rudolph*, 2019; *Belton*, pp. 440, 585. The Leave.EU campaign was launched when Banks’s long-time business partner, Jim Mellon, provided funding and an introduction to Farage. See *Campbell*, 2018. A representative for Mellon said during the Brexit campaign that Mellon has not been involved in Russian investments since the 1990s and has no relationship with Russia. See Dominic Kennedy, et al., “Millionaire backer for Leave does not have right to vote,” *The Times*, April 15, 2016. It later turned out that firms in which Mellon held major interests continued to invest in Russia over the years, adopting a strategy of investing in companies with “management close to Putin,” and that Mellon met the Russian ambassador several times in recent years. See *Campbell*, 2018. The *New York Times* reported that three weeks after the referendum one of Mellon’s firms, Charlemagne Capital, participated in the discounted private placement of Alrosa shares that Banks says he turned down. See *Kirkpatrick and Rosenberg*, 2018. Mellon points out that he had no executive role or direct involvement in investment decisions at Charlemagne Capital, although he did serve as a co-founder, non-executive director, and held a 19.4 percent equity share at the time of the Alrosa deal after the referendum (exposure that Mellon points out has declined later in 2016). See *Campbell*, 2018. Mellon says he only learned about the Alrosa deal from a reporter in 2018. See Carole Cadwalladr and Peter Jukes, “Revealed: Leave.EU campaign met Russian officials as many as 11 times,” *The Guardian*, July 8, 2018. There is no allegation that Mellon broke the law.

owns Manx Financial Group together with Mellon.<sup>999</sup> The U.K. Electoral Commission developed reasonable grounds to suspect that Banks knowingly concealed the truth and was not the “true source” of the money, referring the matter to the National Crime Agency (NCA).<sup>1000</sup> The NCA defined its investigation narrowly and found that Banks was legally entitled to take the loan from his Isle of Man company and pass it on to Leave.EU.<sup>1001</sup> However, the NCA also hinted in a postscript that it was still delving into the allegations at the center of its investigation, which involve South Africa and Banks’s assets there.<sup>1002</sup> Having previously worked in the insurance industry, by 2015 Banks had made a foray into South African diamond mining, acquiring four mines (and a license to mine in Lesotho) that were at the end of their productive lives, with few if any diamonds remaining.<sup>1003</sup> A former business partner with which Banks has fallen out alleged in South African court documents that Banks had “unrealistic expectations” for the mines, that Banks “had been dealing with Russians,” and he “attempted to marry … illegally gotten diamonds” from other sources such as Zimbabwe.<sup>1004</sup> Diamonds sales from Zimbabwe are strictly controlled due to corruption and human rights abuses, which leads Zimbabwe to sell them to smugglers at deeply discounted prices.<sup>1005</sup> If Banks has used his South African mines to illegally launder the origin of gems secretly sourced from Zimbabwe (which has been alleged but not proven and Banks denies), such a scheme would require support from Moscow, because South African and Zimbabwean officials believe the Russian intelligence services have indirectly controlled the underground diamond trade in Harare for over a decade.<sup>1006</sup>

**Ukrainian oligarch receives Russian energy deals to fund political subversion.** Dmytro Firtash made more than \$3 billion by buying natural gas well below market prices from Gazprom (which is widely seen to be used by Putin as a geopolitical instrument) and reselling it at higher prices in Ukraine.<sup>1007</sup> Firtash once admitted to a U.S. ambassador (and Firtash now denies) that the real power behind his gas interests is one of Russia’s most notorious mobsters, Semion Mogilevich.<sup>1008</sup> The key intermediary company, RosUkrEnergo, was established in Switzerland in July 2004 based on an agreement between Russian President Putin and then-Ukrainian President Leonid Kuchma.<sup>1009</sup> Then-Energy Minister Yuriy Boyko helped create RosUkrEnergo and it was secretly co-owned by Firtash and Gazprom.<sup>1010</sup> Firtash also borrowed up to \$11 billion from bankers close to Putin, helping him fund the 2010 bid of pro-Russian Ukrainian President Viktor

Yanukovich, who then helped Firtash consolidate his position as a major gas distributor.<sup>1011</sup> Former Prime Minister Yulia Tymoshenko alleged (in a lawsuit that is been thrown out on grounds that it is outside U.S. jurisdiction) that Firtash, Mogilevich, and Paul Manafort also laundered ill-gotten money through “a labyrinth of New York-based shell companies … and then … back into Ukrainian and other European accounts to be used to make illegal kickbacks and bribes to corrupt Ukrainian officials and others.”<sup>1012</sup> When Yanukovich was deposed in 2014, Firtash was arrested in Austria, where he has been fighting extradition to the United States.<sup>1013</sup> In 2018 Firtash’s RosUkrEnergo partner Boyko became the Ukrainian presidential candidate for the pro-Russian political party called Opposition Platform—For Life, an alliance that included the chiefs of staff for Kuchma (Viktor Medvedchuk) and Yanukovich (Serhiy Lyovochkin).<sup>1014</sup>

**Ukrainian oligarch builds ties to London through a British citizen.** Robert Shetler-Jones is a U.K. businessman described as “quite clearly Firtash’s man in London,” “one of the people closest to Firtash,” and his “chief London minion.”<sup>1015</sup> In 2005 Shetler-Jones lived in Ukraine and told the Kyiv Post “I have met Mr. Firtash on several occasions and we are acquainted.”<sup>1016</sup> Shetler-Jones’s association with Firtash has included working for his companies, claiming to own assets that later turn out to be part of Firtash’s business empire, and introducing Firtash to key members of the London establishment.<sup>1017</sup> Shetler-Jones also owns or controls several shell companies that make political donations to the Conservative Party.<sup>1018</sup>

**U.S. associates of Rudy Giuliani and President Trump funnel more than \$2 million of pro-Kremlin money to U.S. politicians and lawyers involved in the effort to acquire dirt on a leading 2020 candidate.** Lev Parnas and Igor Fruman were indicted in October 2019 for making political contributions secretly and illegally funded by “Foreign National-1,” who “is a foreign national Russian citizen and businessman who, at all relevant times, was not a citizen or lawful permanent resident of the United States.”<sup>1019</sup> Foreign National-1 wired Parnas and Fruman two \$500,000 transfers in Sept.-Oct. 2018 from overseas accounts, part of \$1-2 million contemplated in a spreadsheet used by Parnas and his associates.<sup>1020</sup> Foreign National-1 also funded a marijuana startup that never came to fruition, leading some investigative journalists to believe its Andrey Muraviev.<sup>1021</sup> Separately, Dmytro Firtash (a Ukrainian oligarch with top-level ties to the Kremlin and the Russian mob) paid Parnas \$200,000 between August and October of 2019 (purportedly for translation services, as part of the legal team that included Victoria Toensing and Joseph diGenova) and another \$1 million in September

999 See Belton, pp. 440; Jim Waterson and David Pegg, “*Revealed: Isle of Man firm at centre of claims against Arron Banks*,” The Guardian, November 1, 2018.

1000 See U.K. Electoral Commission, 2020.

1001 See Harding, 2020, pp. 212; National Crime Agency, 2019.

1002 See Harding, 2020, pp. 211-212.

1003 Ibid.

1004 See Harding, 2020, pp. 211. Banks told the *Sunday Times*, “I had heard that the NCA were investigating some of these far-fetched claims but I think it’s going nowhere.” See Harper, et al., 2019.

1005 See Harper, et al., 2019.

1006 See Lucas, pp. 177-179; Chimhangwa, 2020.

1007 See Grey, et al., 2014.

1008 See Luke Harding, “*WikiLeaks cables link Russian mafia boss to EU gas supplies*,” The Guardian, December 1, 2010.

1009 See Anders Åslund, *How Ukraine Became a Market Economy and Democracy*, Washington: Peterson, 2009, pp. 170.

1010 See Åslund, pp. 170; Reuters, “*FACTBOX: RUE: A mystery player in Russia-Ukraine gas row*,” January 3, 2009.

1011 See Grey, et al., 2014.

1012 See Harding, 2017, pp. 103-104; Tymoshenko Memorandum.

1013 See Melissa Eddy, “*Austria Holds Ukrainian Pending Extradition Decision*,” The New York Times, March 14, 2014.

1014 See Hromadsek, 2019.

1015 See Weiss, 2014; Leshchenko, 2015; Belton, pp. 7.

1016 See Interview with Shetler-Jones by Kyiv Post, April 2005 (Cited in Weiss, 2014).

1017 See Kyiv Post, “*Honorable Mention: Robert Shetler-Jones*,” October 8, 2010.

1018 See Facon and Marson, 2014; Belton, pp. 7.

1019 Parnas–Fruman Indictment, pp. 5.

1020 Parnas–Fruman Indictment, pp. 10-14.

1021 See Parnas–Fruman Indictment, pp. 10-14; Wieder, 2020; Corn, 2019.

2019 (for unknown purposes).<sup>1022</sup> Parnas and Fruman used this money to buy access to President Trump (starting in October 2016), Rudy Giuliani (in September-October 2018), and a law-maker willing to help advocate for the firing of then-U.S. Ambassador to Ukraine Marie Yovanovich (in May-June 2018).<sup>1023</sup>

**U.A.E. advisor funnels more than \$3.5 million of illegal campaign contributions into 2016 presidential election to use their access and influence with the candidate to gain favor with, and potential financial support from, the U.A.E.** George Nader funneled more than \$3.5 million of illegal campaign contributions to PACs associated with Hillary Clinton in 2016, concealing the true source of funds through straw donors such as a California-based financial executive named Andy Khawaja (along with his wife, his high-risk payments processing company, and other associates).<sup>1024</sup> Nader and his U.S.-based conspirators caused political committees supporting Clinton to unwittingly file false FEC reports.<sup>1025</sup> The indictment does not charge a violation of the foreign-source ban, but it does allege Nader was using access to Clinton to gain favor with, and potential financial support from, the U.A.E.<sup>1026</sup>

**Foreign nationals donated to the Trump inaugural fund through U.S.-based straw donors.** After the 2016 election, countries that appear to have formerly supported Clinton needed to quickly establish ties with Trump, and donations to the inaugural fund were their entry point.<sup>1027</sup> U.S. federal prosecutors are investigating whether Qatar, Saudi Arabia and the U.A.E. used straw donors to disguise donations to both the Trump inaugural committee and a pro-Trump super PAC to buy influence over U.S. foreign policy.<sup>1028</sup> The same payment processing company Nader used to funnel illegal donations to Clinton PACs also provided a \$1 million donation to the Trump inaugural committee, and Khawaja brought Nader to attend the inauguration as his

guest (the same tactic the two men used to get Nader access to Clinton).<sup>1029</sup> The indictment of Nader's straw donor scheme alludes to the involvement of foreign money but does not formally press that charge, which would be a required element for this case because U.S. inaugural funds (unlike U.S. campaigns) are allowed to make donations on behalf of another American so long as the money did not come from another country.<sup>1030</sup> Another \$900,000 was donated to the inauguration by Imaad Zuberi, who had previously donated heavily to Democratic presidential candidates and who separately pled guilty recently to a nearly 10-year scheme of him making political donations on behalf of foreign nationals.<sup>1031</sup> Longtime D.C. lobbyist Sam Patton donated \$500,000 to the inaugural committee through a straw donor on behalf of a Russian and a Ukrainian.<sup>1032</sup> Finally, this case also overlaps with the problem of shell company obscurity, as the Trump inauguration took \$25,000 donations from each of three corporate entities reportedly tied to nationals of India, China, and Israel.<sup>1033</sup>

**South African president tries to enrich his associates with a corrupt deal for a Russian nuclear power plant.** In 2014, the South African administration of President Jacob Zuma signed a secret deal whereby Rosatom, the Russian state-owned nuclear company, would build a power plant for \$76 billion.<sup>1034</sup> The deal would have also allegedly enriched Zuma's son and the Gupta family (one of Zuma's top financial backers), who had used state funds to buy a uranium mine that would supply the plant to be built by Russia.<sup>1035</sup> Environmental activists learned of the plans, publicly protested, collaborated with the media, and won a court battle to get the secret deal thrown out.<sup>1036</sup> With the corruption scandal and the specter of Putin's malign influence looming over South African politics, Zuma was forced to step down in 2018 and his successor scrapped the plans with Rosatom.<sup>1037</sup> As context, the Kremlin takes advantage of Cold War-era relationships and cultures of corruption to entrench its influence with many African governments (aiming to punch above the weight of its limited bilateral economic ties).<sup>1038</sup> Its greatest success story on the continent over the past decade had been South Africa.<sup>1039</sup> In retrospect, the progression toward state capture reached its zenith under Zuma, at which point Russia overreached by using corruption to hoist an expensive project upon a country that could not afford it and did not need it.<sup>1040</sup> State capture was rejected by South Africa's democratic antibodies of civil society, courts, and parliament.<sup>1041</sup> Nevertheless, the lesson learned by Moscow was that next time they need to more proactively inter-

1022 See Becker, et al., 2019; *Parnas Filing*, pp. 5-7.

1023 See Helderma, et al., October 12, 2019; *Parnas-Fruman Indictment*, pp. 5-14.

1024 See DOJ, December 2019.

1025 See *Khawaja-Nader Indictment*, pp. 6. The indictment says 73 times that the political committees were "unwitting" in that they were unaware that the donations in the names of straw donors were secretly provided by Nader. The indictment also makes one reference to the understanding by representatives of Clinton that Nader was not a contributor: "Prior to [a fundraising event hosted by Khawaja] representatives of Candidate 1 requested that Nader not attend, as he had not contributed anything. Khawaja demanded that Nader be permitted to attend as his guest, [after which Nader] and others invited by Khawaja attended this event." See *Khawaja-Nader Indictment*, pp. 19.

1026 Nader was sending WhatsApp updates to "an official from Foreign Country A's government." See *Khawaja-Nader Indictment*, pp. 6, 10-14. *The New York Times* reported that the country is the U.A.E. and the official appears to be the Emirati ruler, Mohammed bin Zayed al-Nahyan (M.B.Z.). *Kirkpatrick and Vogel*, 2019. Nader claimed to the official appearing to be M.B.Z. that he met in 2016 with Hillary Clinton on June 7, June 29, August 23, and October 13, although the indictment does not verify whether these meetings took place. Nader told the U.A.E. official about these meetings over WhatsApp in coded language: "Traveling on Sat morning to catch up with our Big Sister and her husband: I am seeing him on Sunday and her in Tuesday Sir! Would love to see you tomorrow at your convenience ... for your guidance, instruction and blessing! ... Had a simply Terrific Magnificent brainstorming and discussion with the Big Lady This evening! ... Had a magnificent sessions with Big Lady's key people ... You will be most amazed by my progress on that side! ... Meeting with [Bill Clinton] was superb! ... I am on my way to catch up with Big Sister and Family in NY Sir ... I just had dinner with my Big Sister and had a very very productive discussion with her." Nader also exchanged WhatsApp messages with his U.S.-based straw donors, including Andy Khawaja, who was fronting the contribution money with expectation of reimbursement. They often discussed plans to host small private events with Clinton, in some cases with as few as three people in attendance and frequently needing large donations to secure the meetings. Nader referred to having to press "the bakery" (the conspirators' code word for the funder) to funnel large amounts of "baklava" (code for money) in a timely fashion. Nader warned that it "will backfire if I push anymore" and "Friends prefer that comes from me directly to you," while also referring to flying to provide private briefings to "HH" (code for His Highness M.B.Z.) and "as soon as we get back to [a foreign city] prepare something with bakery for the upcoming event." It all sounds like Nader and Khawaja buying access and influence with Clinton while arranging funding or promises of repayment from the U.A.E. government (rather than "the bakery" referring to Nader's private wealth managers). However, the indictment does not identify the ultimate funder (as opposed to the Parnas-Fruman indictment, which explicitly says that money came from "Foreign National-1" who is a "Russian citizen and businessman"). See *Khawaja-Nader Indictment*, pp. 6-20.

1027 See *LaFraniere, et al.*, 2018.

1028 Ibid.

1029 See *Khawaja-Nader Indictment*, pp. 20; *Friedman*, 2019.

1030 See *Khawaja-Nader Indictment*, pp. 6; U.S. Federal Election Commission, "*Inaugural committee reports*," accessed June 15, 2020.

1031 See Plea Agreement, *United States v. Imaad Shah Zuberi*, No. 2:19-cr-642 (C.D. Cal. October 25, 2019), Doc. 5, pp. 2.

1032 See *Patten Statement of Offense*, pp. 3-4.

1033 See Jon Swaine, "Trump inauguration took money from shell companies tied to foreigners," *The Guardian*, March 8, 2019.

1034 See *Chutel*, 2018.

1035 Ibid.

1036 Ibid.

1037 See *Badanin, et al.*, 2019.

1038 See *Weiss and Rumer*, 2019.

1039 Ibid.

1040 Ibid.

1041 See *Chutel*, 2018.

fere in electoral politics, as the case informed Rosatom's broader approach to managing the information space in Bolivia.<sup>1042</sup>

### 3. Companies with foreign funders

**Former Russian arms tycoon and other wealthy Russians donate to Tories through an obscure energy company.** Aquind Ltd is a U.K.-registered company seeking to build a controversial £1.2 billion undersea electricity grid connector between Britain and France.<sup>1043</sup> Its three named directors are Richard Glasspool (former partner at KPMG Russia and former executive at a Russian bank run by Putin-friendly oligarch Roman Avdeev), Kirill Glukhovskoy (former senior lawyer with major Russian energy companies), and oligarch Alexander Temerko (former Russian arms tycoon who supported his “friend” Boris Johnson’s campaign to take Britain out of the E.U. and is reportedly one of nine donors named in the ISC Russia report).<sup>1044</sup> It emerged in 2020 that a still-unidentified fourth backer with control over Aquind had been granted anonymity by Companies House under a rare exemption for people who could be at risk of “serious violence or intimidation” should their name become public.<sup>1045</sup> Luxembourg public records related to Aquind’s holding company revealed that the secret beneficial owner is Viktor Fedotov, a secretive Russian-born tycoon named, who U.K. security and law enforcement agencies say is not genuinely at risk of violence or intimidation.<sup>1046</sup> Aquind has given £242,000 to the U.K. Conservative Party since 2018, including £8,000 to John Whittingdale (Boris Johnson’s minister responsible for defending Britain from disinformation) and £5,000 donation from Mark Pritchard (an MP who sits on the ISC).<sup>1047</sup> It has also employed multiple British lords as directors or paid advisers.<sup>1048</sup>

**Ukrainian oligarch funds British shell companies that donate to a handful of Conservative Party politicians.** Dmytro Firtash’s companies fund Scythian Ltd., a U.K.-registered corporate entity owned by his man in London, Robert Shetler-Jones.<sup>1049</sup> Scythian and Shetler-Jones have made donations to the Conservatives central office, Pauline Neville-Jones (payments that were reportedly presented by MI5 as evidence of why she should not be appointed National Security Advisor), and MP Robert Halfon.<sup>1050</sup> Richard Spring, a Conservative MP who is known as Lord Risby and chairs the Firtash-funded British Ukrainian Society, has accepted advisory fees from a Cyprus company called Spadi Trading Ltd., which is owned by a British Virgin Islands entity called Interbean Ltd., which in turn is controlled by Shetler-Jones.<sup>1051</sup>

**U.S. associates of Rudy Giuliani and President Trump use a Delaware anonymous shell company to hide foreign contributions to U.S. politicians.** In May 2018, when Lev Parnas and Igor Fruman wanted to conceal the true source of their political donations, they incorporated an anonymous shell company called Global Energy Producers LLC (GEP), which had “no income or significant assets.”<sup>1052</sup> While Parnas and Fruman made some donations directly in their own names, they falsely identified GEP as the contributor for some other donations (including the \$325,000 contribution to America First Action on May 17, 2018), when in fact “the funds came from a private lending transaction between Fruman and third parties, and never passed through a GEP account.”<sup>1053</sup> Those third parties turned out to include the parents of Yandex CFO Greg Abovsky.<sup>1054</sup> This way this money trail was identified demonstrates not only the role of shell companies but also the importance of civil society informed by public disclosures, and how law enforcement can build upon leads established by journalists and advocates.<sup>1055</sup>

**Northern Ireland political party channels possible foreign money to the pro-Brexit campaign in 2016.** Because U.K. campaign finance laws were reformed in 2000 after decades of sectarian violence, political parties in Northern Ireland were exempted from U.K. requirements to publicly identify contributors in order to avoid donor intimidation.<sup>1056</sup> This enabled the Democratic Unionist Party (DUP) to spend £425,000 advocating for Brexit without disclosing its funding sources, including £282,000 on a major ad that ran in London two days before the referendum.<sup>1057</sup> Under public pressure in 2017 to reveal the donor, the DUP identified a little-known opaque shell entity, which has in turn refused to disclose its own funders (only claiming that they are permissible U.K. sources) and whose only known member is tied to a former head of Saudi intelligence, a Danish arms dealer, a convicted criminal in Ukraine, and other illegal dealings.<sup>1058</sup> The Northern Ireland exemption was repealed in 2018, but after the DUP was needed to prop up the ruling coalition, the U.K. government reneged on its previous commitment to disclose past Northern Ireland donors.<sup>1059</sup>

**Large donor to pro-Russian party in Latvia funded through Magnitsky and Azerbaijani laundromats.** Aivars Bergers has long been one of the biggest donors to Latvia’s pro-Russian Har-

1042 See [Badanin, et al.](#), 2019.

1043 See [Sweeny](#), 2020.

1044 See [Sweeny](#), 2020; [Harper and Wheeler](#), 2019; [Belton](#), 2019.  
1045 See [Wheeler](#), 2020; [Sweeny](#), 2020; [Aquind Limited Filing](#).  
1046 See [Midolo, et al.](#), 2020.

1047 See [Sweeny](#), 2020; [Wheeler](#), 2020.

1048 See [Midolo, et al.](#), 2020.

1049 See [Faucon and Marson](#), 2014; [Leshchenko](#), 2015.  
1050 See [Leigh and Hughes](#), 2008; [Burrell](#), 2014; [Faucon and Marson](#), 2014; [Leshchenko](#), 2015.

1051 See [Faucon and Marson](#), 2014.

1052 See [Parnas–Fruman Indictment](#), pp. 5-7.

1053 See [Parnas–Fruman Indictment](#), pp. 5-10.

1054 See [Farrell, et al.](#), 2020.

1055 See [Marritz](#), 2020. The \$325,000 GEP donation to America First Action was first noticed as a mysterious funding source by *Daily Beast* journalist Lachlan Markay. [Markay](#), 2018. GEP was formed only five weeks beforehand and was not yet operating as a business. While GEP’s Delaware address was a dead end, America First Action’s FEC filing listed a Boca Raton address, which—after working through the obscure layers of multiple owners and renters—turned out to be the home of Lev Parnas. Having made this connection and then identified Parnas and Fruman’s connections to Trump and Ukraine, the Campaign Legal Center filed a complaint with the FEC charging that GEP was a front company for the true donor. [Campaign Legal Center Complaint](#). It would turn out that the money did not even flow through the accounts of GEP, which was only used by Parnas and Fruman as a false name on FEC forms, nor did the money come from Parnas and Fruman per se. The two strands of Russian money were identified by law enforcement (“Foreign National-1”) and investigative journalists (the parents of Yandex CFO Greg Abovsky). See [Parnas–Fruman Indictment](#), pp. 5-10; [Farrell, et al.](#), 2020.

1056 See [U.K. Electoral Commission](#), pp. 2.

1057 See [Duncan et al.](#), 2017.

1058 See Peter Geoghegan, “[Revealed: the dirty secrets of the DUP’s ‘dark money’ Brexit donor](#),” Open Democracy, January 5, 2019.

1059 See HL Deb 27 February 2018, vol. 789, col. 610-626; Adam Ramsay and Mary Fitzgerald, “[Why is Theresa May protecting the DUP’s dirty little \(Brexit\) secret?](#)” Open Democracy, December 19, 2017.

mony party and political groups associated with it.<sup>1060</sup> In 2019 leaked financial transaction data showed that in 2010 and 2011, Bergers received €270,000 through Danske Bank to his account at Swedbank from two UK-registered shell companies: Diron Trade LLP and Murova Systems LLP.<sup>1061</sup> Diron Trade LLP was used to launder money stolen by Kremlin cronies in a tax fraud scheme uncovered by Sergei Magnitsky before he was murdered in a Russian prison.<sup>1062</sup> Murova Systems LLP was used in the “Azerbaijani laundromat” to launder millions of dollars that were then spent bribing European politicians, buying luxury goods, and enriching elites around the world.<sup>1063</sup> Experts in Russian ties to pro-Kremlin European political parties have suspected that laundromats moving money from Russia and former Soviet republics—Danske and Swedbank apparently being the largest such known laundering operation in history—are used to fund political interference in Europe, although evidence of such clandestine activities is usually hard to come by.<sup>1064</sup> Bergers says he cannot remember anything about the transactions and suggests that he is confident that Latvia’s anti-corruption agency would have caught anything illegal.<sup>1065</sup>

**VEB offshoot in Cyprus sends €2 million to National Front fundraising association in 2014.** National Front founder Jean-Marie Le Pen has used a political fundraising association called Cotelec, established in 1988, to lend money to electoral campaigns of party members.<sup>1066</sup> In April 2014, Cotelec received €2 million from the Swiss bank account of Vernonsia Holdings Ltd, a Cyprus-registered shell company whose ultimate beneficial owner was Yuri Kudimov.<sup>1067</sup> Kudimov is a former KGB officer who was then General Director of Vnesheconombank (or VEB, a Russian state-owned bank that is intertwined with Russian intelligence and regularly used by the Kremlin to finance politically important projects).<sup>1068</sup> Vernonsia Holdings Ltd is an offshoot of VEB Capital and the loan was arranged with the help of Konstantin Malofeev, who knows both Jean-Marie Le Pen and Kudimov.<sup>1069</sup> The two were introduced by then-foreign policy advisor to Marine Le Pen, Aymeric Chauprade, who reportedly borrowed €400,000 from Cotelec to fund his own E.U. parliamentary campaign in 2014.<sup>1070</sup> *Mediapart* suggested Chauprade may have received the loan “for the promise of Russian money to help fund [Cotelec].<sup>1071</sup> Marine Le Pen also borrowed €6 million from Cotelec to fund her presidential campaign in 2017.<sup>1072</sup>

**Moldova’s ruling pro-Russian Socialist Party allegedly funded by Russia since at least 2016.** When the pro-Russian Socialist Party won Moldova’s 2016 presidential election, about two thirds of the party’s annual funding came from the Swiss bank account of Westerby Ltd., an anonymous shell company registered in the Bahamas in 1999.<sup>1073</sup> The transfer took the form of a low-interest loan to Exclusiv Media (a Chisinau company that was founded in 2011, is wholly owned by Socialist MP Corneliu Furculiță, owns Russian-language outlets, and partners with a Gazprom-owned station), with an agreement that puzzlingly stipulated that it follows all the rules of the Russian Federation.<sup>1074</sup> Much of that loan, in turn, was withdrawn in cash and distributed as reimbursements to eight regular Socialist Party donors through 13 no-interest loans.<sup>1075</sup> The Moldovan president since 2016, Igor Dodon, and his wife also have personal financial ties to Furculiță and the obscure Russia-tied loan.<sup>1076</sup> Separately, when Moldovan oligarch Vladimir Plahotniuc was under pressure and falling from power in mid-2019, he released a video in which Dodon appears to admit he received up to \$1 million per month from the Russian government to support the operating costs of the Socialist Party, leading the Moldovan General Prosecutor’s Office to open a criminal investigation into the allegations.<sup>1077</sup>

## 4. Non-profits with foreign donors

**German association supports AfD with undisclosed foreign donations in 2016-2018.** The Association for the Preservation of the Rule of Law and Civic Freedoms is a German NGO that the OSCE says is “effectively campaigning on behalf of” the far-right Alternative for Germany party (AfD).<sup>1078</sup> The NGO is not required to disclose its donors and expenditures because it technically does not run candidates itself.<sup>1079</sup> However, journalists estimate it spends between €20 million and €30 million—which far outstrips AfD’s own spending—on media telling Germans to vote for AfD candidates.<sup>1080</sup> It does not have any physical offices in Germany, just a post office box that redirects to a public relations firm in Switzerland, Goal AG.<sup>1081</sup> Separately from the non-profit, *Bild* cited German intelligence sources alleging that Russia funds AfD by selling it gold at below-market prices using middlemen (AfD funds itself partly by selling small gold bars and old Deutsche mark coins).<sup>1082</sup>

**Estonian mayor’s pro-Russian party accepts funds from a Russian oligarch laundered through coal companies and church construction in 2010.** Tallinn Mayor Edgar Savisaar was a former prime minister and two-decade leader of the Estonian Center Party, which represents most ethnic Russians in the

1060 See *Springe and Shadrosky*, 2019.

1061 Ibid.

1062 Ibid.

1063 See *Holmes*, 2019.

1064 See *Rettman*, 2017.

1065 See *Springe and Shadrosky*, 2019.

1066 See Gilles Ivaldi and Maria Elisabetta Lanzone, “The French Front National: Organizational Change and Adaptation from Jean-Marie to Marine Le Pen,” pp.131-158, *Understanding Populist Party Organisation: The Radical Right in Western Europe*, Reinhard Heinisch and Oscar Mazzoleni, eds., London: Palgrave Macmillan, 2016, pp. 138.

1067 See *Shekhovtsov*, pp. 196; *Arfi, et al.*, 2014.

1068 See *Shekhovtsov*, pp. 196; *Arfi, et al.*, 2014; *Protest, et al.*, 2017; *Farkas*, 2017.

1069 See *Shekhovtsov*, pp. 197; *Beltion*, pp. 434. Jean-Marie Le Pen has separately been caught on video footage entering the Moscow office of Malofeev’s investment company and leaving with an aluminum case, although Le Pen and Malofeev hotly deny unproven allegations that it was stuffed full of cash. See *Beltion*, pp. 434.

1070 See *Shekhovtsov*, pp. 196-197.

1071 See *Shekhovtsov*, pp. 197; *Arfi, et al.*, 2014.

1072 See Nicholas Vinocur, “Marine Le Pen to borrow €6 million from father’s lender,” Politico EU, December 31, 2016.

1073 See *Sanduta*, 2016.

1074 Ibid.

1075 Ibid.

1076 Ibid.

1077 See Madalin Necsutu, “Moldovan President Probed over ‘Illegal Russian Funding’ Claim,” Balkan Insight, June 11, 2019.

1078 See *OSCE*, pp. 6.

1079 See *Lobby Control*, 2017.

1080 See *Barnett and Sloan*, pp. 6.

1081 See *Barnett and Sloan*, pp. 6; *Lobby Control*, 2017.

1082 See *Rettman*, 2017.

country.<sup>1083</sup> In 2004 Savisaar brokered a cooperation agreement between the Estonian Center Party and Putin's United Russia party.<sup>1084</sup> Ahead of a 2011 election, he requested secret campaign funding from Vladimir Yakunin.<sup>1085</sup> Yakunin contributed €1.5 million to Savisaar's Centre Party, diverting money meant for construction of a Russian Orthodox church in Tallinn, transferring the funds through Russian coal companies.<sup>1086</sup> More recently, Yakunin has been expanding his transnational influence network to Berlin, Brussels, and New York.<sup>1087</sup>

**Polish think tank tied to pro-Russian political party serves as conduit for Laundromat money in 2013.** The European Center for Geopolitical Analysis (ECAG) is a Warsaw-based think tank that organizes Russian-backed election missions in places like Crimea and publishes literature supporting the Kremlin's worldview.<sup>1088</sup> ECAG was co-founded by Manuel Ochsenreiter (the German far-right commentator who allegedly connected the AfD politician he worked for to the Kremlin, is implicated in a firebomb attack in Ukraine, associated with a separate think tank run by Konstantin Malofeev, and contributes to a far-right site in Sweden) and Mateusz Piskorski (the leader of Poland's pro-Russia Zmiana party who was detained by Polish authorities in 2016 for spying for Russia and for accepting payments).<sup>1089</sup> In 2013 ECAG received €21,000 (purportedly for "consulting services," which would be illegal for-profit activity for a Polish non-profit) through Crystalord Ltd., a company involved in the Russian Laundromat (a 2010-2014 scheme to move \$20-80 billion of dirty Russian money through a network of banks in Moldova and Latvia).<sup>1090</sup> When asked about the payment by the OCCRP, the CEO of ECAG refused to be interviewed further while the treasurer confirmed the transaction and said it was transferred elsewhere shortly afterward, he would not say where.<sup>1091</sup>

**Auckland mayor's 2016 campaign is funded by Chinese charity bidders, donors, and companies.** Phil Goff raised 366,115 Australian dollars—60 percent of his 2016 campaign funds—at a charity auction and dinner for the Chinese community.<sup>1092</sup> Goff has not had to disclose the donor identities because it was a non-profit event.<sup>1093</sup> However, one bidder who bought "an item or two" is Zhang Yikun, a leader in the Chinese Communist Party's United Front work who has now been indicted on separate charges of funneling money through straw donors to the National Party (Goff is the former leader of the Labor Par-

ty).<sup>1094</sup> Almost half of the auction proceeds came from an undisclosed Chinese national who dialed in remotely from Beijing to buy a book owned by Goff and signed by Xi Jinping.<sup>1095</sup> Goff has not disclosed the identity of the donor but claims that "he is a New Zealand resident, if not a New Zealand citizen."<sup>1096</sup> Another guest said that the reason so many people attended and bid strongly was they believed Goff would be the next mayor.<sup>1097</sup> Goff's largest donor was a Chinese-owned company building a hotel in Auckland and working closely with New Zealand on the Belt and Road Initiative.<sup>1098</sup>

**Dutch referendum campaign in 2016 against the Ukraine-E.U. association agreement is funded by a wealthy Russian who works for Putin.** In 2013 under pressure from Moscow, the pro-Russian president of Ukraine reneged on a pledge to join an association agreement to deepen ties with the European Union.<sup>1099</sup> After the Ukrainian people revolted and the president fled to Russia, the next Ukrainian president immediately flew to Brussels and signed the agreement, which all governments in the European Union had agreed to ratify, including Dutch parliamentary approval in July 2015.<sup>1100</sup> But then a little-known Eurosceptic figure named Thierry Baudet formed a think tank called the Forum for Democracy (FvD), which helped collect the 300,000 signatures needed to force a national non-binding Dutch referendum on the matter.<sup>1101</sup> Baudet and FvD led the campaign against the association agreement with Ukraine, propagating disinformation invented by Russian state TV and spread by a St. Petersburg troll farm.<sup>1102</sup> Private WhatsApp messages would later reveal that Baudet told his FvD colleagues "We are going to need the Russians, I expect."<sup>1103</sup> When discussing his shortage of income, Baudet said "maybe Kornilov wants to pay some extra" and also referred to support from "Kornilov with all his money."<sup>1104</sup> Vladimir Kornilov was born in Russia, grew up in eastern Ukraine, maintains ties to the highest levels of Russian government, ran a one-man political meddling outfit in The Hague (the Center for Eurasian Studies), and now lives in Moscow.<sup>1105</sup> Baudet privately called Kornilov "a Russian who works for Putin."<sup>1106</sup> Kornilov also provided some of the disinformation about Ukraine that Baudet peddled during the 2016 referendum campaign.<sup>1107</sup> After the low-turnout referendum resulted in a rejection of Ukraine's E.U. agreement, Baudet converted FvD into a political party that takes Russia's side on a variety of issues.<sup>1108</sup> FvD catapulted into the Dutch parliament when it

1083 See Estonian Center Party (Keskerakond), "[Our History](#)," accessed June 16, 2020.

1084 See Eesti Rahvusringhääling, "[Overview: Center Party's cooperation protocol with Putin's United Russia](#)," November 8, 2016.

1085 See [Eesti Rahvusringhääling](#), 2010. Yakunin is a Russian oligarch, former high-ranking KGB officer, close friend of Putin, former president of Russian Railways, and benefactor of a network of religious and socially conservative foundations in Europe and the United States. See [Eesti Rahvusringhääling](#), 2010.

1086 Ibid.

1087 See [Rosenberger and Morley](#), 2019.

1088 See [Walker, et al.](#), 2019.

1089 See [Walker, et al.](#), 2019; [Amann, et al.](#), 2019; Ben Knight, "[AfD worker accused of ordering arson attack in Ukraine](#)," Deutsche Welle, January 15, 2019; Katchon, "[Manuel Ochsenreiter](#)," accessed June 12, 2020; Becker, 2019; [The Guardian](#), "[Poland detains pro-Kremlin party leader for 'spying'](#)," May 19, 2016; Stanisław Żaryn, "[Poland's Internal Security Service is critical to hunting down spies](#)," Defense News, December 2, 2019; Belton, pp. 404.

1090 See [OCCRP](#), 2014.

1091 Ibid.

1092 See [Anthony et al.](#), 2018.

1093 Ibid.

1094 Ibid.

1095 See [Switzer](#), 19:24.

1096 See Radio New Zealand, "[Goff denies hypocrisy over \\$150k donation](#)," September 22, 2016.

1097 See Bernard Orsman, "[Chinese dinner adds \\$250,000 to Phil Goff's mayoral war chest](#)," NZ Herald, September 19, 2016.

1098 See [Brady](#), 2017.

1099 See BBC, "[Ukraine protests after Yanukovych EU deal rejection](#)," November 30, 2013.

1100 See Steven Pifer, "[Poroshenko Signs EU-Ukraine Association Agreement](#)," Brookings Institution, June 27, 2014; Eerste Kamer of the States-General of the Netherlands, "[Goedkeuring Associatieovereenkomst tussen de Europese Unie en de Europese Gemeenschap voor Atoomenergie met Oekraïne](#)," December 18, 2014.

1101 See [RFE/RL](#), 2015.

1102 See [Higgins](#), February 2017.

1103 See [Zembla and De Nieuws BV](#), 2020.

1104 See [Zembla](#), "[Baudet verwijst in apps naar Russische betalingen](#)," April 16, 2020.

1105 See [Higgins](#), February 2017; [Zembla and De Nieuws BV](#), 2020.

1106 See [Higgins](#), February 2017; [Zembla and De Nieuws BV](#), 2020.

1107 See [Higgins](#), February 2017; [Zembla and De Nieuws BV](#), 2020.

1108 See [Kleinpaste](#), 2019.

won more seats than any other party in the 2019 election (rising from two seats to twelve, which is more than any of other eleven parties in the parliament), making Baudet a rising pro-Kremlin populist.<sup>1109</sup> After the messages became public in 2010, Baudet claimed he was joking, although his colleagues at the time say they did not see the comments as a joke.<sup>1110</sup>

**Russia uses a U.S. non-profit to hide funding of a covert lobbying operation against Russia sanctions.** In 2007 Kremlin cronies defrauded the Russian Treasury of \$230 million.<sup>1111</sup> The scheme was uncovered by a lawyer named Sergei Magnitsky, who was murdered in a Russian prison.<sup>1112</sup> The U.S. sanctioned Russian officials responsible for the killing through the *Magnitsky Act* in 2012.<sup>1113</sup> In retaliation, the Kremlin banned Americans from adopting Russian orphans. In 2015 the DOJ was prosecuting a company owned by Russian businessman Denis Katsyv as a beneficiary of some of the stolen \$230 million, which had allegedly been laundered and invested in New York real estate.<sup>1114</sup> Katsyv sought help from his U.S. lawyers at Baker & Hostetler LLP, who introduced him to former Soviet intelligence officer Rinat Akhmetshin and U.S. lobbyist Ed Lieberman, who proposed setting up a non-profit foundation in Delaware.<sup>1115</sup> They called it the Human Rights Accountability Global Initiative Foundation, purportedly for U.S. families wanting to adopt Russian orphans.<sup>1116</sup> By legally organizing as a U.S. non-profit, the foundation effectively concealed its sources of funding, which if revealed might have required registering as a foreign agent.<sup>1117</sup> The \$500,000 of contributions turned out to have come from Katsyv and other Moscow elites asked to support him.<sup>1118</sup> The foundation held an account at Bank of America, which alerted the U.S. Treasury after investigating and suspecting that the transaction activity was evidence of corruption and bribery in Russia's bid to overturn the *Magnitsky Act*.<sup>1119</sup> The influence operation employed lobbyists and consultants led by Natalia Veselnitskaya, a lawyer who was later indicted in a related case proving her ties to the Kremlin.<sup>1120</sup> Non-profits have similarly been used to lobby against Russia sanctions in other countries such as Canada.<sup>1121</sup>

**U.S. Congressional committee accuses Russia of funding U.S. environmental non-profits.** In 2017 the chairmen of the U.S. House Science Committee and Energy Subcommittee released a letter urging to the U.S. Treasury Department to investigate "what appears to be a concerted effort by foreign entities to funnel millions of dollars through various non-profit entities to in-

fluence the U.S. energy market."<sup>1122</sup> One of the chairmen added that "Russia is funding U.S. environmental groups in an effort to suppress our domestic oil and gas industry, specifically hydraulic fracking. They have established an elaborate scheme that funnels money through shell companies in Bermuda."<sup>1123</sup> The letter also refers to a 2014 Senate Environment Committee staff report claiming "entities connected to the Russian government are using a shell company registered in Bermuda, Klein Ltd. (Klein), to funnel tens of millions of dollars to a U.S.-based 501(c)(3) private foundation [called Sea Change Foundation, the sixth largest U.S. provider of grants to environmental activists]."<sup>1124</sup>

**Russian-funded troll farm targeting Americans runs out of Africa as a non-profit front group.** Eliminating Barriers for the Liberation of Africa (EBLA) is a small non-profit group renting a compound near Accra, Ghana.<sup>1125</sup> It housed 16 Ghanaians pretending to be Americans and stoking racial division on Facebook, Instagram, and Twitter.<sup>1126</sup> The trolls were hired in the second half of 2019, and late in the year EBLA expanded to Nigeria, where it filled at least eight positions.<sup>1127</sup> In January 2020, EBLA advertised a position in Charleston, South Carolina.<sup>1128</sup> Ghanaian security services determined that all of EBLA's funding had secretly come from Russia.<sup>1129</sup> Facebook took down the accounts, which they determined were operating "on behalf of individuals in Russia ... Although the people behind this activity attempted to conceal their purpose and coordination, our investigation found links to EBLA, an NGO in Ghana, and individuals associated with past activity by the Russian Internet Research Agency (IRA)."<sup>1130</sup>

**Russian government-connected foundations non-transparently fund more than 40 NGOs promoting subversive Kremlin propaganda in Latvia, Lithuania, and Estonia.** Between 2012 and 2015, four Russian government-linked foundations (Rossotrudnichestvo, Russky Mir, Foundation for Defense of Rights of Compatriots Abroad, and the Gorchakov Foundation for Public Diplomacy) provided at least €1.5 million to more than 40 pro-Russian NGOs in the Baltic countries.<sup>1131</sup> The Russian government and the four foundations are highly non-transparent about how much money flows from Moscow and who the grant recipients are, while the Baltic countries do not require non-profits to disclose funder identities.<sup>1132</sup> However, some details were uncovered by a year-long investigation by Riga-based OCCRP member Re:Baltica.<sup>1133</sup> At least two thirds of the grant recipients are connected to the pro-Kremlin political parties.<sup>1134</sup> Examples of other recipients include researchers accusing the

<sup>1109</sup> Ibid.

<sup>1110</sup> See *Zembla*, 2020.

<sup>1111</sup> See Complaint, *United States v. Prevezon Holdings, Ltd.*, No. 1:13-cv-6326 (S.D.N.Y. September 10, 2013), Doc. 1, pp. 9-11 ("Prevezon Complaint").

<sup>1112</sup> See *Prevezon Complaint*, pp. 22-26.

<sup>1113</sup> See *Prevezon Complaint*, pp. 27.

<sup>1114</sup> See *Prevezon Complaint*, pp. 38-40.

<sup>1115</sup> See *Baker and Reznik*, 2017.

<sup>1116</sup> Ibid.

<sup>1117</sup> Ibid.

<sup>1118</sup> See *Loop, et al.*, 2019.

<sup>1119</sup> Ibid.

<sup>1120</sup> See Mikhaila Fogel, et al., "The Veselnitskaya Obstruction Indictment: A Collusion Tale," Lawfare, January 8, 2019.

<sup>1121</sup> See Dan Levin and Jo Becker, "Canadian Lawmakers Say Pro-Russia Group Tried to Derail Sanctions Law," *The New York Times*, October 4, 2017.

<sup>1122</sup> See *Freeman*, 2017.

<sup>1123</sup> Ibid.

<sup>1124</sup> See United States Senate, Committee on Environment and Public Works, Minority Staff Report, *The Chain of Environmental Command: How a Club of Billionaires and Their Foundations Control the Environmental Movement and Obama's EPA*, July 30, 2014.

<sup>1125</sup> See *Ward, et al.*, 2020.

<sup>1126</sup> Ibid.

<sup>1127</sup> Ibid.

<sup>1128</sup> Ibid.

<sup>1129</sup> Ibid.

<sup>1130</sup> See *Gleicher*, March 12, 2020.

<sup>1131</sup> See *Jemberga, et al.*, 2015.

<sup>1132</sup> Ibid.

<sup>1133</sup> Ibid.

<sup>1134</sup> Ibid.

Baltic states and Ukraine of human rights abuses, filmmakers promoting Russia's version of 20<sup>th</sup> century history, groups translating the Estonian laws into Russian, and participants in ethnic riots.<sup>1135</sup> Latvia's foreign minister explains, "The goal of these organizations is not to build cultural ties and public diplomacy in its best sense, but rather to serve as a conduit for the Russian foreign policy through the local Russian community as well as the instruments of the political influence."<sup>1136</sup> The Latvian State Security Service says Russia uses these civil society fronts and ties to the ethnic Russian population in Latvia to "oppose Latvia's membership of the Euro-Atlantic community, slander NATO, attempt to gain parity of status for the Russian language alongside Latvian, discredit Latvia on the international stage, change the institution of citizenship, legitimize Russia's aggressive foreign policy, popularize interpretations of history favorable to Russia, and promote the idea of the so-called 'Russian world.' ... [and] foundations involved in compatriot policy are also a cover for the activities of Russian special services"<sup>1137</sup> Lithuania's State Security Department says, "[The Russian government] ... and other pro-Russian activists have developed many centers, financed by Russia, to 'protect' the rights of the local Russians. In reality, these centers discredit the Baltic states internationally and encourage ethnic disharmony at home ... These organizations' 'experts' work according to the Russian interests, publicly accuse Lithuania ... and make a contribution toward creating a negative image of the Baltic states in the eyes of the Russian society. In the future, this image may serve to justify an aggression against the Baltic states." The Estonian Internal Security Service has caught the Kremlin paying for representatives of some of these NGOs to attend OSCE conferences on human rights and actively promote anti-Estonian propaganda narratives (e.g., arguing that Estonia violates the rights of Russian children to be educated in their mother tongue and the country has a "massive" issue with people without citizenship).<sup>1138</sup>

**Chinese company captures elites through international bribery schemes, often conducted by its non-profit arm.** CEFC China Energy was a nominally private company with ties to Chinese military intelligence.<sup>1139</sup> It raised billions of dollars from China Development Bank and other creditors, and then spent the money acquiring companies in the energy, media, transportation, sports and other sectors in countries like the Czech Republic.<sup>1140</sup> While its economic activities failed (planned projects never coming to fruition and debts being taken over by CITIC), the company was more successful in its political co-option.<sup>1141</sup> In the Czech Republic, after CEFC China Energy promised to invest heavily in the country, the company's chairman, Ye Jianming, was named as an honorary adviser to Czech President Miloš Zeman (Jianming was later arrested in China).<sup>1142</sup> CEFC

China Energy also put civil servants and public figures on its payroll. These brazen influence operations are largely perceived to have backfired, rejected by the institutional antibodies of Czech democracy such as the free press.<sup>1143</sup> But they did produce enormous stresses in the Czech governmental framework, with some institutions like the presidency seen as repurposed to serve Chinese companies (CEFC, CITIC, Huawei) rather than their own country, at odds with more resilient institutions such as the national security apparatus.<sup>1144</sup> Separately from the Czech Republic, CEFC China Energy's non-profit think tank called China Energy Fund Committee deepened corrupt ties between Chinese Communist Party leadership and foreign business and political leaders.<sup>1145</sup> This included "a multi-year, multimillion-dollar scheme to bribe top officials of Chad and Uganda in exchange for business advantages for CEFC China Energy" for which the head of the non-profit was convicted in March 2019.<sup>1146</sup> Specifically, the non-profit offered a \$2 million cash bribe (hidden within gift boxes) to the president of Chad in exchange for valuable oil rights, paid a \$500,000 cash bribe to the president of Uganda for a bank acquisition opportunity (the bribe being obscured as a gift to a Ugandan charity, while the non-profit also advised Jianming to donate to the Ugandan president's campaign even though the election had already passed), and sent a \$500,000 bribe to the Ugandan Foreign Minister soon after he completed his term as president of the UN General Assembly (UNGA).<sup>1147</sup> It is not the first time Chinese elites have used non-profits to bribe UNGA presidents. Shiwei Yan (aka, Sheri Yan), founder of the New York-based Global Sustainability Foundation pled guilty to facilitating more than \$800,000 of illicit payments and in-kind gifts to UNGA President John Ashe on behalf of Chinese executives.<sup>1148</sup> It is difficult to disentangle these objectives of private corruption from the political repurposing of UN agencies to serve as a conduit for Chinese foreign policy priorities such as the Belt and Road Initiative, but there is evidence to suggest that both are involved.<sup>1149</sup> The possibility of this being strictly private corruption was further diminished when the head of CEFC's non-profit tried to defend himself in court by arguing that he was not engaged in bribery so much as he was advancing Chinese foreign policy "in furtherance of the Chinese state's agenda."<sup>1150</sup> He unsuccessfully requested that experts on China be called to "educate" the court on how such corrupt payments were in fact normal practices in the Belt and Road Initiative.<sup>1151</sup>

**Ukrainian oligarch funds British foundations that deepen ties with London elites.** Dmytro Firtash uses a network of charitable foundations working alongside his shell companies to buy

malign financial hooks into the Czech Republic have existed before and after CEFC China Energy. When Zeman was elected president in 2013, China awarded a lucrative national lending license to his billionaire oligarch backer, Petr Kellner. Last year, Charles University had to close its China-friendly cultural center following reports that its executive secretary and others had taken payments from the Chinese embassy through a private company. See *The Economist*, 2019.

<sup>1143</sup> See *The Economist*, 2019.

<sup>1144</sup> See *Hála*, pp. 9.

<sup>1145</sup> See *SDNY*, 2019.

<sup>1146</sup> Ibid.

<sup>1147</sup> Ibid.

<sup>1148</sup> See United States Attorney for the Southern District of New York, "Former Head of Foundation Sentenced To 20 Months In Prison For Bribery Then-Ambassador And President Of United Nations General Assembly," Press Release, July 29, 2016.

<sup>1149</sup> See *Walker and Kalathil*, 2019.

<sup>1150</sup> See *Hála*, pp. 6.

<sup>1151</sup> Ibid.

<sup>1135</sup> Ibid.

<sup>1136</sup> Ibid.

<sup>1137</sup> See Security Police of Latvia, *Public report on the activities of the Security Police in 2016*, Riga, 2016, pp. 12-14.

<sup>1138</sup> See Estonian Internal Security Service (KAPO), *Annual Report 2016*, Tallinn, 2016, pp. 7.

<sup>1139</sup> See Mark Stokes, "The People's Liberation Army General Political Department: Political Warfare with Chinese Characteristics," Project 2049 Institute, October 14, 2013.

<sup>1140</sup> See Ji Tianqin and Han Wei, "In Depth: Investigation Casts Shadow on Rosneft's China Investor CEFC," Caixin, March 1, 2018.

<sup>1141</sup> See Christopher Walker and Shanthi Kalathil, hosts, "Contextualizing China's Corrosive Capital: A Conversation With Martin Hála," Power 3.0 (podcast), National Endowment for Democracy, August 15, 2019.

<sup>1142</sup> See *The Economist*, "China tries, and fails, to influence the Czechs," December 5, 2019. China's

influence in London.<sup>1152</sup> He established and funds the British Ukrainian Society, which describes itself as “a not-for-profit organization which seeks to strengthen the ties between Ukraine and the United Kingdom at all levels by providing a platform for closer contact and cooperation between the two countries in the fields of politics, business, culture, education and science.”<sup>1153</sup> Ukrainian anti-corruption reformers call it “the agent of Firtash’s influence in the United Kingdom,” residing in the same office building as Scythian Ltd.<sup>1154</sup> The British Ukrainian Society employs former U.K. spies and lawmakers and pays for sitting members of parliament to visit Ukraine and meet associates of Firtash.<sup>1155</sup> Meanwhile, his company’s charitable fund, the Firtash Foundation, bankrolled an influential London festival focused on Ukraine.<sup>1156</sup> Firtash’s DF Foundation has also donated £4.3 million to Cambridge University’s Ukraine studies program, which bought him publicity such as an invitation to join the university’s guild of benefactors in a ceremony presided over by Prince Philip.<sup>1157</sup>

**Beijing-linked billionaire Huang Xiangmo finances a pro-China think tank in Australia.** Huang, a Chinese property developer, ran several groups tied to the United Front Work Department. In 2014 Huang donated 1.8 million Australian dollars to establish a think tank at the University of Technology Sydney called the Australia-China Relations Institute.<sup>1158</sup> For its first six years it was directed by Bob Carr, who had just resigned as foreign minister in 2013 and has been a reliably pro-China voice in Australian officialdom.<sup>1159</sup>

**Russia cultivates ties to U.S. political leaders through the National Rifle Association (NRA).** In 2015 a Russian gun enthusiast and aspiring foreign agent named Maria Butina pitched an espionage proposal to Alexander Torshin, who is a senior Russian government official and close Putin ally: Because official diplomatic channels under the Obama administration were not succeeding at altering U.S. foreign policy, Russia should instead pursue the same objectives via a back channel that Torshin and Butina would develop through the NRA to the Republican party and a future Trump administration.<sup>1160</sup> Torshin agreed and funded the secret operation.<sup>1161</sup> Butina brought into the conspiracy a longtime Republican operative she was dating named Paul Erickson.<sup>1162</sup> She met one presidential candidate at an NRA convention, used her FSB connections to facilitate a trip to Moscow meant to cultivate top NRA officials, hosted multiple large “friendship dinners” for prominent Republicans, publicly asked then-candidate Trump a question about Russia sanctions at a

2015 rally, and brought a Russian delegation to the 2017 National Prayer Breakfast (where the Russians sought to establish the back channel and report back directly to Putin).<sup>1163</sup> Between 2012 and 2016, Torshin met every NRA president and attended all NRA annual meetings.<sup>1164</sup> At the 2016 annual meeting, Torshin was trying to arrange a Trump–Putin summit and met privately with Donald Trump Jr. In 2018 Butina was arrested and pled guilty to conspiring “to establish unofficial lines of communication with Americans having power and influence in U.S. politics” for the “benefit of the Russian Federation.”<sup>1165</sup> Separately, the FBI investigated whether Torshin funneled secret campaign donations to Trump through the NRA, but it is not clear what came of the inquiry, if anything, and the NRA was not mentioned in the unredacted Mueller report.<sup>1166</sup> Spanish authorities have sought to arrest Torshin as they consider him the investor atop an elaborate money laundering scheme.<sup>1167</sup> In 2016 the NRA spent triple the amount of money supporting Trump as it devoted to the 2012 election, with most of the money coming from the NRA’s 501(c)(4) that does not have to disclose its donors.<sup>1168</sup> The NRA has said it only received \$2,513 “from people associated with Russian addresses” or known Russian nationals living in the United States and that it did not spend Russian-linked money on politics, but the NRA has not disclosed its donor identities, methods of vetting shell companies, or systems of segregating foreign money.<sup>1169</sup>

**South African political party courted by Kremlin proxies using non-profits as a front to plan electoral disinformation in 2019.** Yevgeny Prigozhin worked with two of his employees to plan a disinformation campaign in South Africa’s May 2019 general election. The Russians dispatched political analysts from St. Petersburg to South Africa to draw up a 16-page plan for an information operation that would “favor” the ruling ANC and “discredit” rival parties.<sup>1170</sup> While it is unclear whether the plan was executed, its tactics were to include theses for “public rhetoric,” “digital strategy for the ANC,” “generating and disseminating video content,” and “coordinating with a loyal pool of journalists.”<sup>1171</sup> The plot was concocted under the auspices of two Russian-owned non-profit offshoots of the Internet Research Agency: the Association for Free Research and International Cooperation (Afric) and the International Anticrisis Center (IAC). The non-profits offer the pretense of conducting geopolitical research, but they are in fact used by Prigozhin to curry favor with political elites. Prigozhin offers political leaders package deals that include corrupt business dealings, private security forces, and election interference.

<sup>1152</sup> See *Faucon and Marson*, 2014; *Leshchenko*, 2015.

<sup>1153</sup> See *British Ukrainian Society*, accessed July 15, 2020.

<sup>1154</sup> See *Leshchenko*, 2015.

<sup>1155</sup> See *Burrell and Armitage*, 2014.

<sup>1156</sup> See *Faucon and Marson*, 2014; Firtash Foundation, “*The FIRTASH Foundation Launches Days of Ukraine in the UK*,” September 10, 2013.

<sup>1157</sup> See *Faucon and Marson*, 2014; Firtash Foundation, “*Cambridge Ukrainian Studies*,” 2012; Nick Shaxson, “*Ukraine’s dirty money: the Cambridge University connection*,” Tax Justice Network, March 21, 2014.

<sup>1158</sup> See Peter Jennings, “*Huang Xiangmo’s \$1.8m gift to Bob Carr’s think tank queried*,” *The Australian*, December 12, 2017.

<sup>1159</sup> See *Cave*, 2019.

<sup>1160</sup> See *Butina Plea Agreement*, pp. 1-2.

<sup>1161</sup> See *Butina Plea Agreement*, pp. 3.

<sup>1162</sup> See *Butina Plea Agreement*, pp. 1-5; Jen Kirby, “*What you need to know about accused Russian spy Maria Butina’s plea deal*,” Vox, December 13, 2018.

<sup>1163</sup> See *Butina Plea Agreement*, pp. 1-5; *Kirby*, 2018.

<sup>1164</sup> See Tim Mak, “*Depth Of Russian Politician’s Cultivation Of NRA Ties Revealed*,” NPR, March 1, 2018; Tim Mak, “*The Kremlin and GOP Have a New Friend — and Boy, Does She Love Guns*,” The Daily Beast, April 11, 2017; Katie Pavlich, “*Part 1: Meet the Woman Working with the NRA and Fighting for Gun Rights in Russia*,” Townhall, May 06, 2014.

<sup>1165</sup> See *Butina Plea Agreement*, pp. 2.

<sup>1166</sup> See *Stone and Gordon*, 2018.

<sup>1167</sup> See Sebastian Rotella, “*Russian Politician Who Reportedly Sent Millions to NRA Has Long History in Spain*,” ProPublica, January 19, 2018.

<sup>1168</sup> See Mike Spies and Ashley Balcerzak, “*The NRA Placed Big Bets on the 2016 Election, and Won Almost All of Them*,” Center for Responsive Politics, November 9, 2016.

<sup>1169</sup> See Josh Meyer, “*NRA got more money from Russia-linked sources than earlier reported*,” Politico, March 11, 2018.

<sup>1170</sup> See Ferial Haffajee, “*Exclusive: Did Putin’s ‘Chef’ attempt to interfere in South African election?*” The Daily Maverick and the Dossier Center, May 7, 2019.

<sup>1171</sup> See Jason Burke and Luke Harding, “*Documents suggest Russian plan to sway South Africa election*,” The Guardian, May 8, 2019.

## 5. Online political ads bought by foreign nationals

**The Internet Research Agency bought U.S. political ads on social media without disclosure or detection in 2016.** The Internet Research Agency and others affiliated with the Russian government spent approximately \$100,000 on more than 3,500 advertisements on Facebook, spending that may have helped IRA content reach roughly as many U.S. viewers as actually voted in the election.<sup>1172</sup> This troll factory's \$1.25 million monthly budget filtered through 14 shell companies to obscure its ultimate trail to Yevgeniy Prigozhin.<sup>1173</sup> This operation was hidden not only from the audiences on social media but also from the U.S. law enforcement and intelligence communities, which were more focused on the cyber intrusions in 2016.<sup>1174</sup>

**Russia, Iran, China, and others buy advertisements on Facebook and other platforms to influence Western discourse, including more than a dozen operations since 2018.** Facebook started taking down nation-state operations of information manipulation in 2018, defining "foreign interference" as coordinated inauthentic behavior led by a foreign actor seeking to manipulate public debate in another country.<sup>1175</sup> We only include cases of information manipulation in our analysis of malign finance when they have a clear financial element, such as purchases of large amounts of advertisements, which includes most of the Facebook takedowns. Most of the removed Facebook networks originated in Russia, often attributed to Yevgeny Prigozhin or other individuals associated with the Internet Research Agency.<sup>1176</sup> The second most common state actor is Iran, while some Gulf state operations have also been removed.<sup>1177</sup> Facebook took down one network attributed to the Chinese government that was operating in the summer of 2019, calling Hong Kong pro-democracy protestors terrorists and cockroaches.<sup>1178</sup> While Facebook did not identify ads associated with these inauthentic accounts, China's largest state-run news agency, Xinhua News, did buy ads on Facebook and Twitter to smear Hong Kong protesters.<sup>1179</sup> Even though Facebook and Twitter are banned in China, Beijing has bought ads on the platforms targeting foreign audiences to spread anti-Muslim propaganda and to blame Trump for the coronavirus crisis.<sup>1180</sup> After taking down about a half dozen nation-state information operations per year since 2018, in February 2020 Facebook shifted to reporting all its take-

downs in a monthly report.<sup>1181</sup> While Facebook says this is "to make it easier for people to see progress we're making in one place," it also demonstrates how in some ways foreign interference has become the new normal.<sup>1182</sup>

**Russia plots to undermine the 2019 Ukrainian election with fictitious and purchased Facebook accounts as well as bots.** Three months before the April 2019 Ukrainian presidential election, based on a tip from U.S. law enforcement, Facebook took down a network of 148 accounts, groups, and pages that were sharing Ukrainian news stories. The individuals behind the accounts represented themselves as Ukrainians but were really Russians. Facebook said they "identified some technical overlap with Russia-based activity we saw prior to the U.S. midterm elections, including behavior that shared characteristics with previous Internet Research Agency (IRA) activity." They spent rubles on \$25,000 worth of ads in 2018. But the Russian intelligence services adapted their methods as Facebook instituted new security measures aimed at preventing foreign nationals from buying political ads. A month before the April 2019 election, Ukraine's domestic intelligence service (S.B.U.) released a video confession of a Russian agent admitting that he paid Ukrainian citizens to give him access to their personal Facebook and Twitter pages.<sup>1183</sup> The Russian agent resided in Kyiv and was operating under orders from his Russian handlers. The ads on more than 300 accounts would have been to promote fabricated articles discrediting presidential candidates Moscow opposed and more generally to "manipulate the consciousness of the Ukrainian voters in the interest of the Kremlin." Separately, Ukrainian security services also observed a surge in Russian-linked bots, a proliferation of fake accounts impersonating candidates, and an uptick in requests on dark web forums for unauthorized remove access to the Ukrainian voter registry, with much of this activity originating in Russia.<sup>1184</sup>

**Prigozhin runs three networks of troll farms aimed at eight African countries.** In October 2019, Facebook took down three networks of inauthentic accounts tied to Yevgeny Prigozhin, Putin's go-to oligarch for sensitive hybrid warfare missions who was indicted for running the Internet Research Agency to interfere in the 2016 U.S. election.<sup>1185</sup> In four ways, this campaign was more aggressive and innovative in its scope and methods than most other social media takedowns in recent years. First was the extent of its reach, using almost 200 inauthentic accounts to reach more than a million followers, with one of the networks posting 3.6 times as much content as the IRA was posting in 2016.<sup>1186</sup> Second, whereas most coordinated inauthentic behavior online targets a single country, this trio of networks used Arabic-language content to target eight populations: Madagascar, Central African Republic, Mozambique, Democratic Republic of the Congo, Côte d'Ivoire, Cameroon, Sudan, and Libya.<sup>1187</sup> Third, while the networks originated in Russia, they relied on

<sup>1172</sup> See *Mueller Report*, Vol. I, pp. 25-26.

<sup>1173</sup> See *Internet Research Agency Indictment*, pp. 7.

<sup>1174</sup> Asked what aspects of Russian interference he did not learn about until 2017, former director of national intelligence James Clapper said, "We had a general awareness, for example, of Russian use of social media—Facebook ads, use of Twitter, fake news implants—we had a general understanding of that. But now, as time has elapsed and time has gone on, I've certainly learned a lot more about the depth and breadth of what the Russians were about." See Susan B. Glasser, "*James Clapper: The Full Transcript*," Politico, October 30, 2017.

<sup>1175</sup> See Nathaniel Gleicher, "*How We Respond to Inauthentic Behavior on Our Platforms: Policy Update*," Facebook, October 21, 2019.

<sup>1176</sup> See *Stamos*, 2018; *Gleicher*, March 12, 2020; *Facebook*, July 31, 2018; *Gleicher*, January 17, 2019; *Gleicher*, October 30, 2019.

<sup>1177</sup> See *Gleicher*, "Removing more," October 21, 2019; *Gleicher*, January 31, 2019; *Gleicher*, March 26, 2019; *Gleicher*, August 1, 2019.

<sup>1178</sup> See Nathaniel Gleicher, "*Removing Coordinated Inauthentic Behavior From China*," Facebook, August 19, 2019.

<sup>1179</sup> See Matt Novak, "*China's Biggest Propaganda Agency Buys Ads on Facebook and Twitter to Smear Protesters in Hong Kong*," Gizmodo, August 19, 2019.

<sup>1180</sup> See Sigal Samuel, "*China paid Facebook and Twitter to help spread anti-Muslim propaganda*" Vox, August 22, 2019; *Gilbert*, 2020.

<sup>1181</sup> See Facebook, "*February 2020 Coordinated Inauthentic Behavior Report*," March 2, 2020.

<sup>1182</sup> Ibid.

<sup>1183</sup> See *Security Service of Ukraine*, 2019.

<sup>1184</sup> See *Schwartz and Frenkel*, 2019.

<sup>1185</sup> See *Gleicher*, March 12, 2020; *MacFarquhar*, 2018; *Internet Research Agency Indictment*, pp. 1, 7-8.

<sup>1186</sup> See *Alba and Frenkel*, 2019.

<sup>1187</sup> See *Alba and Frenkel*, 2019; *Stanford Internet Observatory*, 2019; *Gleicher*, March 12, 2020.

local subcontractors who are native speakers and nationals of African countries, joining forces with local actors who know who they are dealing with.<sup>1188</sup> The Stanford Internet Observatory notes, “This variety of nested obfuscation increases hurdles to attribution of disinformation campaigns.”<sup>1189</sup> This was the first well-documented case of Russia “franchising” or outsourcing to local parties.<sup>1190</sup> Fourth, the operational tactics were wide-ranging with clear signs of evolution since past campaigns. The Russians appeared to pay local citizens to set up Facebook accounts, buy ads, attend rallies, set up new local media organizations, hire existing media groups, and write favorable articles about the Kremlin’s preferred candidates.<sup>1191</sup> In addition to buying access to local Facebook accounts, some Russian-run pages and groups used compromised Facebook accounts previously owned by real people but stolen and repurposed by hackers.<sup>1192</sup> They sought to draw users into their Facebook pages and groups through Facebook Live videos, Google Forms for feedback, and a quiz contest.<sup>1193</sup> At the same time, they increased interaction by driving users from Facebook and Twitter to public groups on WhatsApp and Telegram.<sup>1194</sup> Altogether, it was arguably Russia’s most sweeping and systematic social media operation yet.

## 6. Online media outlets with foreign funding

**Junk news websites distribute Russian misinformation about Ukraine.** An online ecosystem of “junk websites” that Ukrainian intelligence services see as a vector of Russian malign influence was identified by an investigation into anti-Ukrainian misinformation by researchers at Texty, a program supported by the International Renaissance Foundation (founded in 1990 by George Soros).<sup>1195</sup> Texty first recruited news editors to help identify 7,000 manipulative news stories about Ukraine, and then used that input to teach an artificial intelligence algorithm how to automatically identify manipulative stories on the internet.<sup>1196</sup> The Texty researchers compiled a list of 80 “junk websites” on which the algorithm considered at least 25 percent of the stories about Ukraine to be manipulative.<sup>1197</sup> More than a quarter of the websites turned out to be administered from Russia or the occupied territories in eastern Ukraine, and the algorithm marked these as particularly manipulative.<sup>1198</sup> The majority of content was critical of the Ukrainian government.<sup>1199</sup> The study was conducted in 2017 and the most negative sentiment was directed toward then-President Petro Poroshenko, while former Georgian President Mikheil Saakashvili was another common target. Other stories were more generally negative about life “on” Ukraine (the term used in Russian misinformation about

Ukraine as if it is a borderland region rather than a sovereign nation that people are “in”).<sup>1200</sup> The names and URLs of the junk websites tend to change a couple times a year, popping up as new media sites without any contact details or identifying information about their editors.<sup>1201</sup> This clearly presents a challenge to both the government trying to shut them down and the public trying to keep track of which media upstarts are credible. The junk sites’ main business model involves being paid to write and remove stories purporting to reveal compromising material about a target person.<sup>1202</sup> Sometimes the revelations are true and other times they are fake or distorted—the website itself may not even know.<sup>1203</sup> The outlet posts the article online and offers the additional service of taking it down for another fee (ultimately paid by the person impugned by the article, essentially making it a blackmail business).<sup>1204</sup> Some junk websites operate on a retail basis, like one that told Texty it would cost \$65 to publish a fabricated story tarnishing a potential Ukrainian presidential candidate.<sup>1205</sup> Others only work with established PR agencies (retained by clients who ultimately pay for negative stories about particular targets).<sup>1206</sup> Texty explains: “We assume that these sites may accept large orders from PR agencies which in turn have contracts with Russian propagandists. But we have not caught anyone of them on spot. Instead we have been observing how junk websites repost Kremlin major theses.”<sup>1207</sup> The extensive usage of small websites to disperse vitriol about Ukraine is further corroborated by other data about the breakdown of positive versus negative stories about the Ukrainian government.<sup>1208</sup> In any case, this pro-Russian and anti-Ukrainian manipulative information has extensive reach of about 50 million of visitors per month, more than major reputable Ukrainian news outlets.<sup>1209</sup> They are also used to seed disinformation and get cited by larger outlets or influencers on social media.<sup>1210</sup>

**Half of Ukrainian television news is controlled by Kremlin proxies.** As Putin’s main representative and closest personal friend in Ukraine, Viktor Medvedchuk’s power ebbs and flows along with the strength of pro-Russian political forces in Kyiv.<sup>1211</sup> His zenith was between 2002 and 2005, when the so-called “prince of darkness” advanced pro-Russian cronyism behind the scenes as chief of staff to Ukrainian President Leonid Kuchma.<sup>1212</sup> His office sent secret memos to the top managers and editors of national television stations and some newspapers instructing them on how to cover the news.<sup>1213</sup> The same *temniki* system is

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1188 See [Stanford Internet Observatory](#), 2019; [Harding](#), 2019.

1189 See [Stanford Internet Observatory](#), 2019.

1190 See [Alba and Frenkel](#), 2019; [Stanford Internet Observatory](#), 2019; [Gleicher](#), March 12, 2020.

1191 See [Roose, et al.](#), 2020; [Stanford Internet Observatory](#), 2019.

1192 See [Alba and Frenkel](#), 2019.

1193 See [Alba and Frenkel](#), 2019; [Stanford Internet Observatory](#), 2019.

1194 See [Alba and Frenkel](#), 2019; [Stanford Internet Observatory](#), 2019.

1195 See [Bondarenko, et al.](#), 2018.

1196 Ibid.

1197 Ibid.

1198 Ibid.

1199 Ibid.

1200 Ibid.

1201 Ibid.

1202 Ibid.

1203 Ibid.

1204 Ibid.

1205 Ibid.

1206 Ibid.

1207 Ibid.

1208 See Tetiana Popova, “*Интересные показатели по коммуникации украинских органов государственной власти [Interesnye pokazateli po kommunikatsii ukrainskikh organov gosudarstvennoy vlasti]*,” Facebook, April 7, 2020. The share of publications with a negative slant (32 percent, based on the quantity of outlets) is much higher than the share of viewers (12 percent), which is usually what happens when negative information is purposely distributed across many outlets. See [Popova](#), 2020.

1209 See [Bondarenko, et al.](#), 2018.

1210 Ibid.

1211 See [Sukhov](#), 2019.

1212 See Christopher Miller, “*Behind The Scenes In Ukraine, Ties To Putin Help Power Broker Pull Strings*,” RFE/RL, August 24, 2016.

1213 See Human Rights Watch, *Negotiating the News: Informal State Censorship of Ukrainian Televisi-*

used in Russia, where the editors of the main media platforms go to the Kremlin every Friday to receive their talking points for the week ahead from the presidential press secretary, while the troll farms receive similar directions.<sup>1214</sup> In 2004 Medvedchuk was accused of masterminding voter fraud in favor of then-Prime Minister Yanukovych, which triggered the pro-Western Orange Revolution.<sup>1215</sup> He returned to the spotlight in 2012, trying to steer public opinion toward Russia and away from Europe.<sup>1216</sup> By 2014 even though public opinion toward Moscow had not softened, then-President Viktor Yanukovych tried to go ahead anyway and impose the eastward shift. Ukrainian protestors ousted Yanukovych and the United States sanctioned both him and Medvedchuk for violating Ukrainian sovereignty.<sup>1217</sup> Yanukovych fled to Russia and Medvedchuk was left as an undesirable political ally in Kyiv.<sup>1218</sup> Medvedchuk transitioned from acting as the liaison between Presidents Yanukovych and Putin to functioning as a go-between for Kyiv and Moscow on peace agreements and prisoner exchanges.<sup>1219</sup> His political status recovered over the Poroshenko years and ahead of the 2019 election he became a benefactor and the real boss behind pro-Russian presidential candidate Yuriy Boyko, who is also supported by Dmytro Firtash's RosUkrEnergo group.<sup>1220</sup> In an effort to further consolidate the pro-Russian political forces in Ukraine, Medvedchuk allegedly offered Rinat Akhmetov safe passage through the Kerch Strait (which would be valuable to Akhmetov, who is Ukraine's richest oligarch, because it would allow him to export products from his metallurgical plants and would require approval from Moscow, which blocks the waterway) if he joined the Medvedchuk-Boyko alliance.<sup>1221</sup> While the consolidation has only been partially successful and Boyko did not make it past the first round of last year's election, their pro-Russian party is ranked second-highest in Ukraine.<sup>1222</sup> This swift resuscitation of pro-Russian elements in Ukraine is explained first and foremost by Medvedchuk and his group buying up control more than half of the country's top television news programs since 2018.<sup>1223</sup> Instead of taking overt legal ownership himself, Medvedchuk controls the channels through acquisitions by his political and business partner, Taras Kozak.<sup>1224</sup> Because Kozak is lawmaker, he is subject to public asset declarations, which show him to be worth less than \$2 million.<sup>1225</sup> Nevertheless, he has managed to purchase roughly \$20 million worth of television channels since 2018: 112, NewsOne, and ZIK.<sup>1226</sup> This has led political experts to call for investigations into the sources of Kozak's money and

to widely suspect that Medvedchuk is behind it.<sup>1227</sup> Importantly, while these three channels only have a 3 percent share of the total Ukrainian television market, they have no entertainment content and instead dominate informational shows.<sup>1228</sup> Programming is split between political talk shows (which typically give Medvedchuk and Boyko a platform to promote their party's political agenda and receive praise from friendly talking heads) and news programs (skewed heavily toward stories of Boyko rebuilding schools and hospitals and whatnot).<sup>1229</sup> By one estimate, the three Medvedchuk-Kozak channels collectively broadcast 45 percent of the top 40 information programs in the country, including 70 percent (i.e., 14 out of 20) of the top political talk shows and 20 percent (i.e., 4 out of 20) of the top news programs.<sup>1230</sup> And that does not include the Inter television channel, which also reliably supports Boyko and Medvedchuk (and which Medvedchuk reportedly bought from Firtash in 2019—they deny the reports, although it does not matter because it is a pro-Russian channel that supports them anyway).<sup>1231</sup> Including Inter, the four pro-Russian channels control an estimated 55 percent of the top information shows in Ukraine, including 75 percent (i.e., 15 of 20) of the top political programs and 35 percent (i.e., 7 of 20) of the top news shows.<sup>1232</sup> Russia's reach could grow further as there are also reports that Medvedchuk may informally control and is planning to buy two major channels owned by former president Petro Poroshenko.<sup>1233</sup> Corroborating this finding, former prime minister Arseniy Yatsenyuk warned in May 2020 that "Putin controls 50 percent of the news channels in Ukraine, so he can easily control 50 percent of the minds and hearts of Ukrainians."<sup>1234</sup> President Volodymyr Zelensky has proposed media legislation that would ban Russian persons from owning or financing media in Ukraine.<sup>1235</sup> This would be a positive step and it extends to beneficial owners, which advisors to Zelensky tell us would include Russian groups ultimately funding a portion of Firtash's Inter channel. However, it unfortunately would not apply to Ukrainians, even if they are known to be representatives of the Kremlin like Medvedchuk or his own proxies like Kozak.<sup>1236</sup>

**Baltic online news portal is secretly owned through front companies by the Russian government.** Baltnews is an online portal providing Russian-language news and pro-Russian opinion pieces.<sup>1237</sup> It has teams and websites dedicated to each Baltic country: Estonia, Latvia, and Lithuania.<sup>1238</sup> The sites publish both local

1227 See [Grytsenko and Sorokin](#), 2019.

1228 See [Makarenko](#), 2019.

1229 See [Grytsenko and Sorokin](#), 2019.

1230 See [Popova](#), 2019.

1231 See [UNIAN](#), June 30, 2019.

1232 See [Popova](#), 2019.

1233 See [UNIAN](#), June 30, 2019.

1234 See [UkrInform](#), 2020.

1235 See Ukase of the President of Ukraine No. 837/2019, "Про навідкладні заходи з проведення реформ та змінення держави [Pro nevidkladni zakhody z provedenya reform ta zmitsennya derzhavy]," October 8, 2019.

1236 Ibid.

1237 See [Baltnews.ee](#) (Estonia), accessed June 11, 2020; [lv.Baltnews.com](#) (Latvia), accessed June 12, 2020; [Baltnews.lt](#) (Lithuania), accessed June 11, 2020. The Latvian site is hosted on the .com domain because in July 2019 the Latvian government blocked access to baltnews.lv.

1238 See [Baltnews.ee](#) (Estonia); [lv.Baltnews.com](#) (Latvia); [Baltnews.lt](#) (Lithuania).

sion, Vol. 15, No. 2(D), Washington, March 2003.

1214 See [Galeotti](#), 2017. Temniki are covert written directives sent from the Kremlin to major Russian news agencies to supplement direction given at weekly meetings with the Russian presidential press secretary, as to topics and narratives to be covered.

1215 See [Sukhov](#), 2019.

1216 Ibid.

1217 See U.S. Department of the Treasury, "[Treasury Designates Four Individuals Involved in Violating Ukrainian Sovereignty](#)" Press Release, March 17, 2014.

1218 See [Hromadske](#), 2019.

1219 See [Miller](#), 2016.

1220 See Anders Åslund, "[The real Russian candidate in Ukraine's presidential race](#)," Atlantic Council, March 25, 2019.

1221 See [Hromadske](#), 2019.

1222 Ibid.

1223 Ibid.

1224 See [UNIAN](#), June 21, 2019.

1225 See [Hromadske](#), 2019.

1226 Ibid.

news and reprints from Russian media outlets and they display little to no advertising.<sup>1239</sup> They claimed to be “a neutral news source” owned by private investors in the Netherlands.<sup>1240</sup> In truth, its three web addresses were registered to a shell company incorporated at a residential flat in a small town in the Netherlands in 2013 with €1 of core capital.<sup>1241</sup> The shell company’s undisclosed sole owner turned out to be a Russian-registered company that was itself owned by Russian newspaper *Moskovskiye Novosti*, which is in turn owned by the Russian state-owned media company Rossiya Segodnya.<sup>1242</sup> Unlike the parent company’s other subsidiaries like Sputnik News, Baltnews did not disclose that it was established, funded, managed, and owned by the Russian government.<sup>1243</sup> Instead, Baltnews used this obscure chain of owners (as well as partner NGOs tied to the same Russian operatives) to project an illusion of independent media outlets arising from local organizations in Northern Europe.<sup>1244</sup> Covert funding was also routed through a company registered in Cyprus and the Serbian subsidiary of Rossiya Segodnya that is managed by Russian nationals to similarly finance a Russian state news branch in Ukraine.<sup>1245</sup> The connection to the Russian government was first spotted by the Estonian security service, which identified a co-founder of Baltnews as Vladimir Lepekhin, known as the “animosity ambassador” of Kremlin propaganda because he “actively participates in Russia’s influence operations in neighboring countries.”<sup>1246</sup> The true nature of Baltnews was discovered as part of a tax evasion and forgery criminal investigation into the overt founder of Baltnews, Aleksandr Kornilov, who is also described by the Estonian security service as a Russian propagandist.<sup>1247</sup> The intelligence services in Latvia and Lithuania similarly confirmed that the Baltnews outlets in their countries were funded and controlled by the Russian government as covert operations to spread pro-Kremlin and anti-Western messaging abroad.<sup>1248</sup> An investigative report by BuzzFeed revealed that Kornilov and Baltnews took editorial direction from Rossiya Segodnya, which provided lists of approved topics to cover.<sup>1249</sup> In the two years up until the scheme was revealed, Kornilov exchanged thousands of messages over Skype with his main contact at Rossiya Segodnya, Aleksandr Svyazin (a bylined author on various Sputnik websites in Eastern Europe and Central Asia), who regularly dictated news coverage (e.g., “every day you need to report on three of the five topics that we will suggest” with certain “mandatory” stories).<sup>1250</sup> The editorial lines provided by the Russian government (which also supplied potentially faked public opinion polling data) were often meant to undermine transatlantic cohesion, fan ethnic tensions within either the United States or the European Union, split Western solidarity around Russia sanctions, or present the Kremlin’s narra-

tives around the war in Ukraine.<sup>1251</sup> Baltnews also bought clicks and comments from Russian troll factories to extend their reach and sent the Russian government monthly traffic reports.<sup>1252</sup> Following the public reporting by BuzzFeed and others in August 2018, Baltnews finally admitted to being owned and operated by the Russian government through Rossiya Segodnya.<sup>1253</sup> In July 2019, Latvia blocked access to baltnews.lv, citing E.U. sanctions against the head of Rossiya Segodnya.<sup>1254</sup>

**Berlin-based network of online video channels are run by subsidiaries of RT without disclosing their ties to the Russian government in 2018.** Maffick Media and Redfish present themselves as “independent” or “grassroots” amateur media productions.<sup>1255</sup> In truth, both are owned by and co-located with Ruptly TV, an openly acknowledged subsidiary of RT, which in turn is funded by the Russian government and considered by the U.S. intelligence community to be “the Kremlin’s principal international propaganda outlet.”<sup>1256</sup> Maffick Media runs online video channels targeted toward young, digitally inclined, English-speaking consumers. Strong, often-fringe political stances are presented within Maffick productions such as In The Now and @SoapboxStand (focused on contemporary social and political issues), Waste-Ed (which claims to support environmental sustainability but often spreads false or misleading information about environmental issues), and BackThen (which provides revisionist perspectives of history).<sup>1257</sup> Company records in Germany revealed that 51 percent of Maffick is owned by Ruptly and 49 percent by former RT employee Anissa Naouai.<sup>1258</sup> Redfish’s sole shareholder is Ruptly.<sup>1259</sup> Its initial report covering the fire at the Grenfell Tower in London that killed 72 people was praised by Vice as a “fantastic example of amateur community-produced media.”<sup>1260</sup> In fact, five of the nine employees publicly associated with Redfish previously worked at state-backed media such as RT, which distributes Redfish documentary videos presented as independent local productions.<sup>1261</sup> Both Maffick and Redfish push Russian geopolitical narratives, such as those voiced by Rania Khalek, a Beirut-based American commentator who describes herself as an anti-imperialist leftist.<sup>1262</sup> Neither outlet discloses its close ties to the Russian government.<sup>1263</sup> After Facebook required the entities to disclose their ownership ties to the Russian government, Maffick seems to have re-registered as a Delaware LLC and once again failed to disclose its ties to Russia.<sup>1264</sup> In June 2020, Facebook started labeling “media outlets

1251 Ibid.

1252 Ibid.

1253 See Meduza. “Following an investigative report by BuzzFeed and others, a network of pro-Kremlin news outlets in the Baltic states suddenly admits to being run by the Russian state,” August 29, 2018.

1254 See Eesti Rahvusringhääling, “Latvia blocks Baltnews portal, citing EU sanctions against Russia,” July 25, 2019.

1255 See O’Sullivan, et al., 2019; Davis, 2018.

1256 See Hanlon and Morley, 2019; ODNI, 2017.

1257 See Hanlon and Morley, 2019; O’Sullivan, et al., 2019.

1258 See Hanlon and Morley, 2019; O’Sullivan, et al., 2019.

1259 See Davis, 2018.

1260 Ibid.

1261 Ibid.

1262 See O’Sullivan, et al., 2019; Davis, 2018.

1263 See O’Sullivan, et al., 2019; Davis, 2018.

1264 See Donie O’Sullivan, “Facebook restores Russia-linked pages, but is still figuring out what to do about state-backed media,” CNN, February 25, 2019; Casey Michel, Twitter post, April 26, 2020, 10:14 AM. Maffick, LLC is a Delaware company with a subsidiary in California. Filings with the California Secretary of State do not reveal whether the ownership structure has changed but do list Naouai as the

1239 See *Springe and Jemberga*, 2017.

1240 Ibid.

1241 Ibid.

1242 Ibid.

1243 Ibid.

1244 Ibid.

1245 See *Roonemaa and Springe*, 2018.

1246 See *KAPO*, 2014.

1247 See *Springe and Jemberga*, 2017; *KAPO*, 2014.

1248 See *Roonemaa and Springe*, 2018.

1249 Ibid.

1250 Ibid.

that are wholly or partially under the editorial control of their government.”<sup>1265</sup> This included both Maffick and Redfish, whose Facebook pages are now labeled as “Russia state-controlled media.”<sup>1266</sup>

**Swedish security officials say Russia interfered in the country’s 2018 election by nurturing its anti-immigrant digital ecosystem, including at least six far-right news websites.** Ahead of Sweden’s 2018 election, a cast of foreign state and non-state actors provided a range of financial support, content, and key links to give viral momentum to the far-right information space in Sweden.<sup>1267</sup> This included support for at least six news and disinformation websites that have grown rapidly to become some of the most shared media websites in Sweden.<sup>1268</sup> The sites feed content to a network of closed Facebook pages built by the Sweden Democrats, an anti-immigrant party with neo-Nazi roots.<sup>1269</sup> Even though the Sweden Democrats had only once captured enough of the vote to enter parliament (5.7 percent in 2010), their reach on social media would ultimately exceed that of any other party.<sup>1270</sup> In the 2018 election, the Sweden Democrats had their best result yet with 18 percent of the vote, which precluded the mainstream parties from forming a government for over four months.<sup>1271</sup> Based on interviews with counterintelligence officials in the Swedish Security Service, The New York Times reported that “Russia’s hand in all of this is largely hidden from view. But fingerprints abound.”<sup>1272</sup> The investigate report highlighted four types of ties to Russian intelligence services, Kremlin-connected individuals, Russian state-owned media, Russian and Ukrainian nationals, and far-right influencers in the United States: (1) At least six Swedish alt-right websites drew advertising revenues from what was obscured to look like an unrelated network of ad buyers but in truth all traced back to companies located at the same Berlin address and owned by Autodoc GmbH, an online auto-parts store.<sup>1273</sup> Autodoc was owned in turn by four businessmen from Russia and Ukraine, three of whom have adopted German-sounding last names.<sup>1274</sup> Moreover, hidden within a back door (only accessible if you know and type in the full URL) of an early version of the Autodoc website was socially divisive content completely unrelated to auto parts translated into a variety of European languages.<sup>1275</sup> (2) A surprising number of links from well-trafficked foreign-language websites have helped the far-right Swedish websites improve their search rankings and grow rapidly with apparent support from abroad.<sup>1276</sup> These have included a Kremlin-friendly Russian-language blog (Sweden4Rus.nu), an AfD-supporting site (FreieWelt.net), a far-right U.S. think tank associated with John Bolton and Rebekah Mercer (Gatestone Institute), and a U.S.

white supremacist site (Stormfront).<sup>1277</sup> The Swedish stories are also picked up and amplified by RT, Sputnik, Infowars, and Breitbart.<sup>1278</sup> (3) Writers and editors for the far-right Swedish websites have been befriended by the Kremlin.<sup>1279</sup> Contributors include a former worker for the Sweden Democrats who was denied parliamentary press accreditation after the security police determined he was in contact with Russian intelligence, Alexander Dugin (Putin’s fascist ideologue), and Manuel Ochsenreiter (the German far-right commentator who allegedly connected the AfD politician he worked for to the Kremlin, is implicated in a firebomb attack in Ukraine, founded a pro-Russian think tank in Poland, and is associated with a separate think tank run by Konstantin Malofeev).<sup>1280</sup> The founder of one Swedish site and the editor of another frequently travel to Russia, where they maintain ties with the government.<sup>1281</sup> (4) At a rally on February 18, 2017, Trump falsely claimed (based on a short segment by a fringe filmmaker interviewed by Tucker Carlson on Fox News the night before) that because Sweden “took in large numbers” of immigrants they had suffered from a crime problem “last night in Sweden.”<sup>1282</sup> In truth, no incident had occurred the night before in Sweden and crime rates have actually declined since the 2015 rise in immigration.<sup>1283</sup> But there was a real incident two days later, when several dozen masked men attacked Swedish police officers, throwing rocks and setting cars on fire.<sup>1284</sup> Around that time, television news crews from Russian state-owned channel NTV showed up at the scene, offering to pay young immigrant “to make trouble” in front of their cameras in order “to show that President Trump is right about Sweden.”<sup>1285</sup> Russian news agencies repeatedly tried to ride around with Swedish police patrols in the same immigrant-heavy district, requests that stopped abruptly right after the September 2018 election.<sup>1286</sup>

**Russian troll with ties to the Internet Research Agency operates an inauthentic news site targeting Americans.** Alexander Malkevich came to Washington, DC, in June 2018 to publicize the launch of USA Really, his online outlet for stories about divisive U.S. social and political issues.<sup>1287</sup> Within hours of arriving, he was ejected from his WeWork rental near the White House while Facebook and Twitter quickly blocked access to the website.<sup>1288</sup> The website claims to be “a non-profit media organization dedicated to journalistic accuracy and integrity.”<sup>1289</sup> It does not disclose that Malkevich is a Russian journalist who has ties to the Kremlin and the Moscow-based website is funded and promoted by Russia’s Federal News Agency.<sup>1290</sup> That is an anti-

<sup>1277</sup> Ibid.

<sup>1278</sup> Ibid.

<sup>1279</sup> Ibid.

<sup>1280</sup> See Becker, 2019; Shekhtovtsov, pp. 42-48, 91, 204; Shaun Walker, et al., “Polish far-right trial raises spectre of ‘false flag’ tactics,” The Guardian, January 27, 2019; Amann, et al., 2019; Knight, 2019; Katehon, “Manuel Ochsenreiter.”

<sup>1281</sup> See Becker, 2019.

<sup>1282</sup> See Sewell Chan, “Last Night in Sweden? Trump’s Remark Baffles a Nation,” The New York Times, February 19, 2017; Tucker Carlson Tonight. “What the US could learn from Sweden’s refugee crisis,” Fox News, February 18, 2017, 6:15pm.

<sup>1283</sup> See Becker, 2019.

<sup>1284</sup> Ibid.

<sup>1285</sup> Ibid.

<sup>1286</sup> Ibid.

<sup>1287</sup> See MacKinnon, 2018.

<sup>1288</sup> Ibid.

<sup>1289</sup> See USA Really, “About Us,” accessed June 12, 2020.

<sup>1290</sup> See Kevin Roose, “Is a New Russian Meddling Tactic Hiding in Plain Sight?” The New York

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manager.

<sup>1265</sup> See Gleicher, June 4, 2020.

<sup>1266</sup> See Casey Michel, Twitter post, June 4, 2020, 1:50 PM.

<sup>1267</sup> See Becker, 2019.

<sup>1268</sup> Ibid.

<sup>1269</sup> Ibid.

<sup>1270</sup> See The Local.se, 2018.

<sup>1271</sup> See Deutsche Welle, 2018.

<sup>1272</sup> Becker, 2019.

<sup>1273</sup> See Becker, 2019.

<sup>1274</sup> Ibid.

<sup>1275</sup> Ibid.

<sup>1276</sup> Ibid.

ty believed to be funded and utilized by Prigozhin along with Concord Catering and entities to obscure continued activity related to the Internet Research Agency (all under the umbrella of Project Lakhta, a broad Russian effort to interfere in political and electoral systems worldwide).<sup>1291</sup> When Malkevich returned to Washington, DC, for the U.S. midterm elections in November 2018 he was detained for questioning at Dulles Airport. A month after the election, he was added to the U.S. sanctions list along with Federal News Agency for attempted election interference.<sup>1292</sup> Back in Russia, he was promoted to run a governmental advisory body on mass media.<sup>1293</sup> He launched a foundation that is purportedly about protecting conservative values and also runs discussion clubs about Africa.<sup>1294</sup> In April 2019, two of the foundation's employees were arrested in Libya for attempting to meet with Saif Gaddafi and explain how Russia could help him run for president of Libya.<sup>1295</sup>

**Iranian state media targets Americans and other audiences with an extensive network of inauthentic news sites and social media accounts.** In the summer of 2018, cybersecurity firm FireEye identified an Iranian influence operation originating in Iran aimed at audiences in the United States, the United Kingdom, Latin America, and the Middle East.<sup>1296</sup> It was promoting political narratives in line with Iranian interests, including anti-Saudi, anti-Israeli, and pro-Palestinian themes, as well as support for the Iran nuclear deal.<sup>1297</sup> The finding led Facebook to take down 652 accounts and pages, Twitter to suspend 284 accounts, and YouTube one channel, most of which originated in Iran.<sup>1298</sup> The first accounts were created in 2013, but starting in 2017 they increased their focus on the United States and Britain.<sup>1299</sup> Most of these accounts and pages, as well as others on Pinterest, Reddit, Instagram, and Google Plus were associated with at least six inauthentic news websites that were themselves also part of the network.<sup>1300</sup> The biggest such site was Liberty Front Press, which pretended to be an independent news service operated by Americans. In truth, it was a front established by Iranian state media in May 2017 to run a worldwide information operation.<sup>1301</sup> The link to Iranian state-owned media organizations such as Press TV was corroborated by website registration information, related IP addresses, and shared administrators of Facebook pages.<sup>1302</sup> Liberty Front Press articles were slanted to tap into liberal opposition to Trump (and supporting one anticipated Democratic primary contender) while advancing Iranian foreign policy narratives (such as support for Iran's regional

allies).<sup>1303</sup> Much of its content was appropriated from real news outlets like Politico, RawStory, and CNN.<sup>1304</sup> While this network showed that governments other than Russia have gotten into information manipulation, including through inauthentic news sites, the Iranians failed to display the same talent for stoking political divides as St. Petersburg trolls did in 2016.<sup>1305</sup> This may be because with this network Iran was focused directly on issues of importance to their regime rather than pushing on existing U.S. cultural divides such as racial justice.<sup>1306</sup> American Herald Tribune was one inauthentic news site that was included in the network and had some of its social media accounts (Facebook but not Twitter) taken down in 2018 but was not one of the six sites publicly named at that time.<sup>1307</sup> Set up in 2015, one of the most viral stories by American Herald Tribune was a misleading-at-best claim about Trump's father being a member of the Ku Klux Klan.<sup>1308</sup> That article has been viewed more than 29 million times and still appears on the website and in Google search results despite having been debunked.<sup>1309</sup> It was authored by Tim King, a U.S. citizen in Salem, Oregon, who admits to having been paid "a couple hundred dollars" for the article by the people who run American Herald Tribune. King has knowingly worked with Iranian media in the past but says that he does not believe American Herald Tribune is run by Iran.<sup>1310</sup> It seems the Iranians also used the names of King and other Americans to cover their tracks in website registration records.<sup>1311</sup>

## 7. Emerging technologies offering anonymity

**Russian GRU spent bitcoin on its hack-and-dump operation in 2016.** The Russian military intelligence service, GRU, mined and acquired more than \$95,000 of bitcoin, laundered it through a web of transactions that capitalized on the anonymity of cryptocurrencies, and then spent the bitcoin on the computer servers and internet domains used in their hacking activity.<sup>1312</sup> The GRU used the same pool of bitcoin funds to buy a VPN and server in Malaysia that was used to host dcleaks.com, log into the @Guccifer\_2 Twitter account, and register domains for the hacking of the DCCC and DNC networks.<sup>1313</sup> The GRU also paid bitcoin it had mined to a Romanian company to register the DCLeaks domain.<sup>1314</sup> Using bitcoin as the principal currency for buying servers, registering domains, and making other payments to facilitate hacking allowed the GRU to "avoid direct relationships with traditional financial institutions, allowing them to evade greater scrutiny of their identities and sources of funds."<sup>1315</sup>

1291 See [Treasury](#), December 2018; [Roose](#), 2018.

1292 See [Treasury](#), December 2018; [Roose](#), 2018.

1293 See [MacKinnon](#), July 2019.

1294 Ibid.

1295 Ibid.

1296 See [FireEye](#), 2018.

1297 Ibid.

1298 See Craig Timberg, et al., "[Sprawling Iranian influence operation globalizes tech's war on disinformation](#)," [Washington Post](#), August 21, 2018.

1299 See [Facebook](#), August 21, 2018.

1300 See April Glaser, "[Massive Facebook Propaganda Campaigns Aren't Just for Russia Anymore](#)," [Slate](#), August 21, 2018.

1301 See [FireEye](#), 2018; [Facebook](#), August 21, 2018.

1302 See [FireEye](#), 2018; [Facebook](#), August 21, 2018.

1303 See [FireEye](#), 2018; [Facebook](#), August 21, 2018; [Glaser](#), 2018.

1304 See [FireEye](#), 2018; [Facebook](#), August 21, 2018.

1305 See [Glaser](#), 2018.

1306 See April Glaser and Aaron Mak, "[Iran's Social Media Propaganda Campaign Was Bad at Both Propaganda and Social Media](#)," [Slate](#), August 22, 2018.

1307 See [O'Sullivan](#), 2020.

1308 Ibid.

1309 See [Washington Post](#), 2020.

1310 See [O'Sullivan](#), 2020.

1311 Ibid.

1312 See [Netyshko Indictment](#), pp. 21-24.

1313 See [Netyshko Indictment](#), pp. 17, 24.

1314 See [Netyshko Indictment](#), pp. 23.

1315 See [Netyshko Indictment](#), pp. 22.

## 8. Illegal activities and multi-vector campaigns

**Russia funds the majority of the budgets of two breakaway regions of Georgia.** In 2008 Russia invaded Georgia and supported the breakaway of the Abkhazia and South Ossetia regions.<sup>1316</sup> Since then, Russia has maintained leverage over the self-proclaimed governments by providing security and most of the budgetary revenue. The budget of South Ossetia, for example, is funded about 90 percent by aid from Russia, and all major decisions made in the territory require approval from Moscow.<sup>1317</sup> Russia covers about two-thirds of the budget of Abkhazia, supplemented by Russian military bases and tourism by Russian citizens.<sup>1318</sup> This budgetary dependence is part of a larger economic, governmental, and social integration of these breakaway entities with Russia.<sup>1319</sup>

**Russia funds the majority of the budget of annexed Crimea.** Since its seizure and illegal annexation of Ukraine's Crimean peninsula of Ukraine in 2014, Russia has covered almost 70 percent of the territory's budget.<sup>1320</sup> In addition to budgetary subsidies, Russia has had to support Crimea's economy with investments in a \$3.7 billion bridge, new power facilities, Russian military presence, and the region's tourism and wine-making industries.<sup>1321</sup>

**Ukrainian separatists receive funding from Russian oligarch Konstantin Malofeev, crowdfunding from online groups in Russia supported by the Kremlin, vast budgetary support from Moscow, shadow banking services through South Ossetia, a market for illegal coal exports, and control over the Ukrainian energy sector.** Russian financial support for separatist activities in eastern Ukraine evolved considerably over the first year of Russian occupation. It started out with quick and easy oligarch funding, soon joined by non-transparent crowdfunding programs, before developing into more substantial and sophisticated cross-border fiscal, financial, and trade arrangements that remain in place today. Altogether, Russian financial support flowed through at least six main channels: (1) Europe and the United States sanctioned Russian oligarch Konstantin Malofeev in 2014 because he "funds separatist activities in eastern Ukraine" and "is one of the main sources of financing for Russians promoting separatism in Crimea."<sup>1322</sup> Malofeev was described by experts as "acting on the personal directives of [Putin to] be one of the primary financiers of the entire separatist operation in eastern Ukraine," serving as "the linchpin in funneling cash to the pro-Kremlin separatists, working through a network of charities ... connected to Russian intelligence."<sup>1323</sup> Malofeev's

former employees continued to report to him as they became early leaders of the self-proclaimed "Donetsk People's Republic," including its supposed prime minister and a top military commander credited with starting the war (while Malofeev is also close to the organizer of the Crimean referendum).<sup>1324</sup> Other plausibly denied Kremlin-linked proxies such as the Wagner Group have significantly supported the separatists, but mostly through in-kind services like recruiting and sending soldiers or the provision of weapons, ammunition, and training.<sup>1325</sup> Separate from Ukraine, Malofeev finances pro-Russian and Orthodox fringe groups in various European nations, sometimes channeling funding through a Belarusian middleman who sponsors anti-Western protests and politicians in the Czech Republic, Hungary, Poland, and Slovakia.<sup>1326</sup> (2) In late 2014 and early 2015, an online network of more than a dozen groups in Russia with at least tacit support from the Kremlin was raising millions of rubles to support separatists in eastern Ukraine and thus "crowdfund the war."<sup>1327</sup> While these groups purport to pursue a humanitarian mission, fundraising appeals pledge to provide weapons and other military equipment to "the militia of Novorossiya" and the "Donbas Militias."<sup>1328</sup> The organizations direct donations to Russian state-owned banks such as Sberbank (as well as Russian payment processors like QIWI or internet companies like Yandex) accounts to collect rubles and transfer the funds to the separatists' self-proclaimed governments.<sup>1329</sup> The involvement of companies owned and regulated by the Russian government was cited by Ukraine as a way Russia has enabled, rather than prevented or suppressed, financing of organizations waging war against Ukraine.<sup>1330</sup> (3) Since April 2015, the Russian government has sent newly printed rubles worth more than a billion dollars per year to fund from 70 percent to 90 percent of the Donetsk and Luhansk budgetary needs.<sup>1331</sup> The fiscal support was confirmed by a former separatist official, who said Moscow directly finances pensions and public sector salaries there.<sup>1332</sup> Asked about the pensions and state wages, the separatist confirmed, "Yes. These are the main areas. The budget sector and pensions, which need to be covered as a priority ... Without outside help, it's impossible to sustain the territory even if you have the most effective tax-raising system. The level of help from Russia exceeds the amounts that we collect within the territory."<sup>1333</sup> Separately, leaked Kremlin emails show that Russian government funding and micro-management of Donetsk and Luhansk extend down to the level of paying invoices for office equipment.<sup>1334</sup> Bild calculated the annual cost of a billion dollars based only on public sector salaries and social services such as pensions.<sup>1335</sup> Bild noted that the burden is even higher when in-

*the Donbas Separatists*," Jamestown Foundation, August 8, 2014; *Belton*, pp. 425-427.

1324 *Bugriy*, 2014; *Belton*, pp. 424-426.

1325 See *Treasury*, 2017.

1326 See *Higgins*, May 2017; *Belton*, pp. 429-430.

1327 See *Becker and Myers*, 2015.

1328 See *Ukraine Memorial*, pp. 114-117.

1329 Ibid.

1330 Ibid.

1331 See *Röpcke*, 2016.

1332 See Anton Zverev, "Moscow is bankrolling Ukraine rebels: ex-separatist official," Reuters, October 5, 2016.

1333 Ibid.

1334 See Aric Toler and Melinda Haring, "Russia Funds and Manages Conflict in Ukraine, Leaks Show," Atlantic Council, April 24, 2017.

1335 See *Röpcke*, 2016.

1316 See CNN, "2008 Georgia Russia Conflict Fast Facts," March 31, 2020.

1317 See *Troianovski*, 2018.

1318 See Thomas de Waal, "Abkhazia: Stable Isolation," *Uncertain Ground: Engaging with Europe's De Facto States and Breakaway Territories*, Brussels: Carnegie Europe, December 03, 2018.

1319 See Andre W. M. Gerrits and Max Bader, "Russian patronage over Abkhazia and South Ossetia: implications for conflict resolution," *East European Politics*, 32:3, pp. 297-313, July 19, 2016; *Troianovski*, 2018.

1320 See Ann M. Simmons, "Russia Cements Ties With Crimea, Freezing Conflict With West," *The Wall Street Journal*, March 18, 2020.

1321 See Leonid Bershidsky, "Five Years Later, Putin Is Paying for Crimea," Bloomberg, March 16, 2019.

1322 *Treasury*, December 2014; *Council Regulation (EU) No 825/2014*, 2014.

1323 See Maksym Bugriy, "Hot Issue — Konstantin Malofeev: Fringe Christian Orthodox Financier of

cluding subsidized energy and food products, as well as costs for soldiers, ammunition, and other war supplies.<sup>1336</sup> The funds ultimately come from the Russian government, Russian proxies that are very close to the government, and Ukrainian politicians and oligarchs that fled to Moscow together with Yanukovych.<sup>1337</sup> The rubles arrive mostly in the form of physical currency transported over nighttime truck convoys and heavily guarded military supply lines into three big train stations in the Donbas region.<sup>1338</sup> (4) Since May 2015, a shadow banking system in South Ossetia, Georgia, has enabled financial flows between eastern Ukraine and Moscow.<sup>1339</sup> Russian banks cannot wire money directly to banks in eastern Ukraine, blocked by both Western sanctions and the fact that Russia has not officially recognized Luhansk and Donetsk (which would trigger further international pressure as it would show Russia to be overly undermining the Minsk agreements).<sup>1340</sup> Instead, Russia recognizes and banks with the territory it controls in South Ossetia, which in turn is the only entity that recognizes Luhansk and Donetsk.<sup>1341</sup> This triangular chain of legal recognition enabled South Ossetia to establish a correspondent bank called Mezhdunarodny Rashchyotny Bank (MRB) in May 2015. MRB processes financial flows from the accounts of the separatist “ministries of finance” at “state banks” in the Donbas region of eastern Ukraine to banks in Moscow (on the Russian side are VTB and a corresponding MRB now called CMRBank).<sup>1342</sup> The Ukrainian government alleges that billions of dollars of laundered financial support for the separatists have secretly flowed through this Georgian channel.<sup>1343</sup> The Washington Post documented how the off-the-grid financial system enables imports and exports of products such as fuel, food, and building materials.<sup>1344</sup> While the money flows through the correspondent bank and at least 146 shell companies in South Ossetia, the physical goods are transported directly across the eastern Ukrainian border controlled by Russia.<sup>1345</sup> The lack of real operations in South Ossetia has given it the name “Little Switzerland.”<sup>1346</sup> Similar to oligarchs and other proxies of the Russian government, this arrangement is valuable to Putin because of its plausible deniability, as he can say it is a matter between South Ossetia and Ukraine.<sup>1347</sup> The intermediary role is also valuable to the South Ossetian government, which is now working to expand into other internationally ostracized territories that are close to Russia such as Crimea, Syria, and Transnistria.<sup>1348</sup> (5) In the spring of 2017, the separatists seized coal mines and steel factories in the Donbas region and put them under the control of a South Ossetia-based company that works with companies controlled by Yanukovych’s family friend Sergey Kurchenko to export coal from the separatist-controlled

regions to Europe.<sup>1349</sup> The United States had sanctioned Kurchenko in 2015 and then in 2018 also designated these companies, prohibiting foreign buyers from buying coal that is legally regarded as stolen property.<sup>1350</sup> However, the network of Russia-tied companies and transportation infrastructure help sustain the separatists’ coal exports creating a market for their coal.<sup>1351</sup> The shell game effectively launders Donbas coal by shipping it on trains into Russia, where it is either consumed in Russian factories or relabeled as Russian-originated coal and sold on the international market.<sup>1352</sup> (6) A Kremlin-linked organized crime group managed by Russian elites Aleksandr Babakov and Yevgeny Giner projects substantial influence in Ukraine by controlling approximately 20 percent of the Ukrainian energy sector and a large portion of the Ukrainian hotel business.<sup>1353</sup> The Babakov–Giner group, which previously cooperated with Russia’s Luzhnikov gang, acquired their economic position in Ukraine with the help of criminal groups and connections inside the Ukrainian government, as well as outright corporate raids.<sup>1354</sup> They privatized Ukrainian energy enterprises by paying a Slovakian state-owned company a \$20,000 fee to register the group’s corporate entity, VS Energy, in the Netherlands.<sup>1355</sup> VS Energy is now a Latvian company controlled by Russian beneficiaries through a chain of offshore entities registered under the name of Giner’s wife (who can register in Europe as a German citizen), another German business partner, and three obscure Latvian citizens.<sup>1356</sup> The Babakov–Giner group carries out political, military, and cultural projects to advance the interests of Putin’s regime, from financing the 2005 presidential bid of Viktor Yushchenko to sponsoring the work of Donbas nationalists aiming to incite schism within the Ukrainian Orthodox Church.<sup>1357</sup> The group also exerts influence throughout the European Union through bribes, blackmail, and threats.<sup>1358</sup>

**Multi-vector Russian assault on 2016 Montenegrin election includes two operations of malign finance: bankrolling political parties and funding an attempted coup.** Russia has long used expenditures to exert malign influence in Montenegro. For roughly a decade starting in 2005, Russia’s economic presence in Montenegro was exemplified in Oleg Deripaska’s ownership of an aluminum plant that was the largest company in the country, accounting for 15 percent of GDP.<sup>1359</sup> The aluminum business was hit hard by the 2008 crisis and the courts declared Deripaska’s plant bankrupt in October 2013, after which it was taken over by the government and Deripaska sued.<sup>1360</sup> Around that time,

<sup>1336</sup> See Deutsche Welle, “*Separatist rebels seize factories and mines in eastern Ukraine*,” March 1, 2017; U.S Department of the Treasury, “*Treasury Sanctions Additional Individuals and Entities in Connection with the Conflict in Ukraine and Russia’s Occupation of Crimea*,” Press release, January 26, 2018.

<sup>1337</sup> See U.S Department of the Treasury, “*Treasury Sanctions Individuals and Entities Involved In Sanctions Evasion Related To Russia and Ukraine*,” Press Release, July 30, 2015; *Treasury*, January 2018.

<sup>1338</sup> See *Treasury*, July 2015; *Treasury*, January 2018.

<sup>1339</sup> See *Warrick and Mufson*, 2020.

<sup>1340</sup> See Free Russia Foundation, *Global Financial Flows of Putin’s Russia*, Petr Eltsov, ed., Washington, 2020, ch. 2.

<sup>1341</sup> Ibid.

<sup>1342</sup> Ibid.

<sup>1343</sup> Ibid.

<sup>1344</sup> Ibid.

<sup>1345</sup> See *Troianovski*, 2018; Nikolaus von Twickel, “*South Ossetia: A ‘Little Switzerland’ for Donbas?*” Eurasianet, May 31, 2017.

<sup>1346</sup> See *Troianovski*, 2018; Nikolaus von Twickel, “*South Ossetia: A ‘Little Switzerland’ for Donbas?*” Eurasianet, May 31, 2017.

<sup>1347</sup> See *Troianovski*, 2018.

<sup>1348</sup> See *Troianovski*, 2018.

<sup>1349</sup> See Heather A. Conley and Matthew Melino, “*Russian Malign Influence in Montenegro: The Weaponization and Exploitation of History, Religion, and Economics*,” Center for Strategic and International Studies, May 14, 2019.

<sup>1350</sup> See Reuters, “*Deripaska’s CEAC sues Montenegro over aluminum plant bankruptcy*,” December 3, 2013.

Montenegro started reorienting away from Russia and toward Europe. In December 2013, Montenegro refused a request by the Russian government to install a military base in its deep-water ports on the Adriatic coast because Russian military presence would have meant an end to Montenegro's NATO membership bid.<sup>1361</sup> In December 2015, NATO foreign ministers invited Montenegro to join the military alliance, prompting the Russian government to warn that the NATO expansion "forces us to respond accordingly."<sup>1362</sup> At that point, Russian interference in Montenegro escalated from strategic economic coercion to the other four more active tools of foreign interference. First was civil society subversion, with the Montenegrin government accusing Russia of standing behind street protests against NATO accession (which had been agreed but not yet taken effect).<sup>1363</sup> The October 2016 parliamentary election became viewed as a referendum on NATO membership and Russia tapped the same two tools it was simultaneously using against the U.S. election: disinformation (coordinating social media allegations of widespread voter fraud while also setting up or co-opting friendly media outlets) and cyberattacks against government and news websites.<sup>1364</sup> At the same time, two malign financial operations sought to replace the pro-NATO government with the political opposition, most of whom wanted to change course and deepen ties with Russia. (1) Oligarchs and entities linked to the Russian government reportedly bankrolled the Democratic Front bloc of pro-Russian political parties.<sup>1365</sup> Montenegrin prosecutors are investigating their suspicion that Russia spent €15 million to €17 million influencing the election.<sup>1366</sup> This probe led to an indictment of 12 individuals, including the leader of one of the pro-Russian party leaders who was allegedly a member of an organized crime group and was in charge of arranging straw donors "who distributed the money to other individuals who then donated the sums to the Democratic Front."<sup>1367</sup> Montenegro's Prime Minister, Milo Djukanovic, says Russian state entities directed funds to the opposition parties amounting to "I can tell you with certainty, tens of millions."<sup>1368</sup> In December 2018, when the Trump administration needed to defray criticism over its unrelated lifting of sanctions against Deripaska's business empire, the U.S. Treasury sanctioned his deputy and former GRU officer, Victor Boyarkin.<sup>1369</sup> Treasury announced that "Deripaska and Boyarkin were involved in providing Russian financial support to a Montenegrin political party ahead of Montenegro's 2016 elections."<sup>1370</sup> TIME conducted an investigation that "confirmed that Deripaska and one other Russian oligarch bankrolled the pro-Russian opposition in 2016."<sup>1371</sup> In terms of what all this Russian money

bought, in addition to digital and broadcast campaigning, the small country of 630,000 people was blanketed with anti-NATO street signs and billboards.<sup>1372</sup> (2) The other Russian malign financial operation ahead of the 2016 election was even more insidious: funding an attempted deadly coup.<sup>1373</sup> The GRU started bringing at least one Serbian nationalist to Moscow in May 2015 to groom him for the operation and read him in on the planned coup in April 2016.<sup>1374</sup> The plot was overseen by two Russians in Belgrade who turned out to be GRU officers.<sup>1375</sup> A month before the election, the Serbian nationalist flew to Moscow and received orders to buy weapons and uniforms needed to impersonate police officers, claim electoral fraud on election day, fire upon crowds, occupy parliament, assassinate Prime Minister Djukanovic, and install pro-Russian leadership.<sup>1376</sup> The Serbian was given €200,000 to organize everything and he reportedly passed on €130,000 to a Montenegrin to buy 50 rifles and three boxes of ammunition.<sup>1377</sup> The Serbian received a Western Union wire transfer in Belgrade listing the sender's address as the GRU headquarters in Moscow.<sup>1378</sup> He was also later found to be in possession of \$100 bills whose serial numbers show they had been processed in Moscow.<sup>1379</sup> As it turned out, Montenegrin authorities were informed about the plot and thwarted it hours before it was set to take place.<sup>1380</sup> Montenegro joined NATO in 2017.

**Multi-vector Kremlin assault on North Macedonian democracy includes a Russian oligarch funding protests in that country and Greece against a name-change-and-NATO deal.** Russian spies conducted a decade-long covert influence operation (starting in 2008, when Greece first vetoed Macedonia's NATO bid) to spread disinformation and provoke discord in Macedonia meant to prevent it from joining NATO.<sup>1381</sup> The operation was coordinated by Russia's embassy in Skopje and included three foreign intelligence service (SVR) agents in Belgrade, four GRU agents in Sofia, local reporters from Russian state news agency TASS, a representative of Rossotrudnichestvo (a Russian government aid agency that the FBI has long suspected of recruiting Americans to spy for Russia).<sup>1382</sup> Russia also worked alongside Serbian intelligence to support anti-Western and pro-Russian nationalists in Macedonia.<sup>1383</sup> In addition to classic espionage (recruiting officials of Macedonia's military and interior ministry to gather intelligence), Russia tactics of interference included strategic economic coercion (using gas pipelines for leverage) and civil society subversion (creating cultural centers and Orthodox Churches and using them to push a "pan-Slavic" identity).<sup>1384</sup> Russian agents funded Macedonian media outlets aimed

<sup>1361</sup> See The MediTelegraph, "[Montenegro refuses Russian request to use port of Bar for military purposes](#)," December 20, 2013.

<sup>1362</sup> See Ministry of Foreign Affairs of the Russian Federation (MID), "[Comment by the Information and Press Department on Invitation for Montenegro to Start Talks joining NATO](#)," Press Release, December 2, 2015.

<sup>1363</sup> See Reuf Bajrović, et al., [Hanging by a Thread: Russia's Strategy of Destabilization in Montenegro](#), Washington, Foreign Policy Research Institute, 2018, pp. 9, footnote 17; Dusica Tomovic, "[Montenegro Opposition Denies Russia Behind Protests](#)," Balkan Insight, October 21, 2015.

<sup>1364</sup> See Shimer, 2018.

<sup>1365</sup> See Schuster, 2018.

<sup>1366</sup> See Hopkins, 2017.

<sup>1367</sup> See Dusica Tomovic, "[Montenegro Opposition Leader Tried for Money-Laundering](#)," Balkan Insight, April 18, 2018.

<sup>1368</sup> See Shimer, 2018.

<sup>1369</sup> See Treasury, December 2018

<sup>1370</sup> Ibid.

<sup>1371</sup> See Schuster, 2018.

<sup>1372</sup> See United States Senate, Committee on Foreign Relations, [Putin's Asymmetric Assault On Democracy In Russia And Europe: Implications For U.S. National Security](#), Minority Staff Report, January 10, 2018, pp. 85.

<sup>1373</sup> See Hopkins, 2017.

<sup>1374</sup> Ibid.

<sup>1375</sup> See Bellingcat, "[Second GRU Officer Indicted in Montenegro Coup Unmasked](#)," November 22, 2018.

<sup>1376</sup> See Hopkins, 2017.

<sup>1377</sup> See Ben Farmer, "[Reconstruction: The full incredible story behind Russia's deadly plot to stop Montenegro embracing the West](#)," The Telegraph, February 18, 2017.

<sup>1378</sup> See Hopkins, 2017.

<sup>1379</sup> Ibid.

<sup>1380</sup> Ibid.

<sup>1381</sup> See Belford, et al., 2017.

<sup>1382</sup> Ibid.

<sup>1383</sup> Ibid.

<sup>1384</sup> Ibid.

at the country's Albanian minority in order to manipulate that audience in support of Russian policy goals.<sup>1385</sup> The Kremlin was also a strong public supporter of the nationalist party that governed Macedonia from 2006 to 2017 under Prime Minister Nikola Gruevski, who resigned in January 2016 amid a wiretapping scandal.<sup>1386</sup> When the Social Democrats formed a government in 2017, nationalist protestors stormed the parliament and attacked the new prime minister.<sup>1387</sup> At least one Serbian intelligence agent was present in the attack, which closely resembles the Russian coup attempt in Montenegro, but the operation has yet to be credibly attributed to any foreign government.<sup>1388</sup> After leaving office, Gruevski was indicted for money laundering and extortion, causing him to flee to Hungary.<sup>1389</sup> But as with Montenegro, Russian foreign interference stepped up considerably when it became clear the country was on the brink of deciding to join NATO. For Macedonia, that was late in the spring of 2018, when the country started nearing an agreement with Athens that it would change its name to North Macedonia in exchange for the Greek government lifting its veto on NATO accession.<sup>1390</sup> When the deal was announced in June 2018, Russia's ambassador to the E.U. warned there would be "consequences." In the run-up to the September 30 referendum about whether to accept the name change, Russia interfered with three vectors of interference: (1) Russian-backed online groups directed disinformation on social media meant to stoke fears about changing the country's name and depress turnout below the 50 percent threshold that would have made it binding.<sup>1391</sup> Hundreds of new websites and Facebook profiles originating outside the country popped up with the sole aim of encouraging people to boycott the referendum (such as by burning their ballots).<sup>1392</sup> A Twitter #Boycott campaign quickly generated thousands of retweets.<sup>1393</sup> Western diplomats described this as fitting a pattern of Russian electoral interference.<sup>1394</sup> Some sites were adept at dividing along ethnic lines (e.g., "Are you going to let Albanians change your name?").<sup>1395</sup> One widely shared article warned that Google might eliminate Macedonian from its list of recognized languages.<sup>1396</sup> Some sites fabricated stories of police brutality (e.g., manipulatively repurposing an old picture of a famous Balkan singer bruised from domestic violence) against protestors who turned out to be secretly paid by a Kremlin proxy (see vector #3 below).<sup>1397</sup> (2) There are allegations of cyberattacks during the election period from

Russian intelligence based in Bulgaria.<sup>1398</sup> When U.S. Secretary of Defense Jim Mattis visited the country on September 17, he warned of Russian interference: "No doubt that they have transferred money and they are also conducting broader influence campaigns ... We plan to expand our cybersecurity cooperation to thwart malicious cyber activity that threatens both our democracies."<sup>1399</sup> (3) The most prominent and crafty vector of Russian interference was a series of violent protests on both sides of the border funded by Putin's top oligarch in Greece who worked as Russia's conduit to undermine the deal with Macedonia.<sup>1400</sup> Ivan Savvidis is a Russian billionaire, former Duma member from Putin's political party, owner of a Greek soccer team, and resident of the Greek port city Thessaloniki.<sup>1401</sup> Savvidis gave at least €300,000 to Macedonian opponents of the name change, including more than a dozen Macedonian politicians, members of newly founded radical nationalist organizations, and soccer hooligans associated with the Komiti fan club (which is closely tied to the Macedonian nationalist party supported by Russia) of the Vardar football team (which is owned by another Russian millionaire).<sup>1402</sup> The same soccer hooligans took part in violent protests against the name change in front of the parliament building in Skopje.<sup>1403</sup> Ten of them were arrested and one admitted to reporters that the group had received money from Savvidis.<sup>1404</sup> Some of the payments were made in cash that was carried over Greece's northern border by hand while others were transferred through financial institutions.<sup>1405</sup> At the same time, four Russian diplomats were secretly funding opponents of the deal within Greece.<sup>1406</sup> This reportedly involved offering bribes to Greek officials, organizing protest rallies in northern Greece, and cultivating local officials and bishops across the country (including through organizations with close ties to Moscow, such as the Imperial Orthodox Palestinian Society).<sup>1407</sup> Such malign Russian behavior was nothing new to the U.S. ambassador in Athens, Geoffrey Pyatt, a seasoned career diplomat who served as ambassador to Ukraine when Russia annexed Crimea and backed separatists.<sup>1408</sup> In June 2018, Pyatt warned Washington in a series of cables that Russian interference in the Macedonia referendum was coming.<sup>1409</sup> The U.S. intelligence community intercepted evidence of this in the communications of Savvidis.<sup>1410</sup> The U.S. government declassified the intercepts, passed them from Pyatt to Prime Minister Tsipras, and urged Athens to respond strongly, which it did by expelling the four Russian diplomats.<sup>1411</sup> Even after the referendum ended inconclusively, U.S. spies and diplomats viewed the exposure of Russian interference as successful pushback in an aggressive way the United States

<sup>1385</sup> Ibid.

<sup>1386</sup> Ibid.

<sup>1387</sup> Ibid.

<sup>1388</sup> Ibid.

<sup>1389</sup> See *Jovanovska*, 2019.

<sup>1390</sup> The two countries had disputed which of the two claims the name "Macedonia" ever since Yugoslavia broke up in 1991. The Greek region representing most of the northern border is called "Macedonia." Some Greeks view a country directly across the northern border named "Macedonia" as implying territorial aspirations over the Greek region. Other Greeks note that the ancient culture of Macedonia was Hellenistic so the Slavic-speaking country should not have a claim to the name. The people living in that country retort that they have always referred to themselves Macedonians and no foreign country can tell them what to call themselves. Under the agreement announced by the two countries' prime ministers in June 2018, the Greek prime minister would support parliamentary approval of its neighbor's NATO membership bid if Macedonian voters agree to change the country's name to North Macedonia and the country's constitution is amended accordingly. See *Cooper and Schmitt*, 2018.

<sup>1391</sup> See *Santora and Barnes*, 2018.

<sup>1392</sup> Ibid.

<sup>1393</sup> See Asya Metodieva, "*How Disinformation Harmed the Referendum in Macedonia*," The German Marshall Fund of the United States, October 2, 2018.

<sup>1394</sup> See *Santora and Barnes*, 2018.

<sup>1395</sup> Ibid.

<sup>1396</sup> Ibid.

<sup>1397</sup> Ibid.

<sup>1398</sup> See *Skopje Diem*, 2019.

<sup>1399</sup> See *Ali*, 2018.

<sup>1400</sup> See *Cooper and Schmitt*, 2018.

<sup>1401</sup> Ibid.

<sup>1402</sup> See *Cvetkovska*, 2018.

<sup>1403</sup> Ibid.

<sup>1404</sup> Ibid.

<sup>1405</sup> Ibid.

<sup>1406</sup> See Dora Antoniou, "*Ties with Moscow under strain after Athens expels diplomats*," *Ekathimerini*, July 12, 2018.

<sup>1407</sup> Ibid.

<sup>1408</sup> See *Cooper and Schmitt*, 2018.

<sup>1409</sup> Ibid.

<sup>1410</sup> Ibid.

<sup>1411</sup> Ibid.

might have been more hesitant to undertake in the past.<sup>1412</sup>

**Taiwanese political parties and media groups are targets of Chinese malign influence.** The United Front has allegedly long seen their top tactic in Taiwan to be the organization of a political party.<sup>1413</sup> In 2018 officials of a pro-unification party were charged with spying for Beijing and receiving Chinese funding.<sup>1414</sup> Ahead of Taiwan's 2019 election, the United Front allegedly exerted influence through media executives and journalists and the Chinese government paid at least five media groups for positive coverage of China, while other outlets controversially supported a China-friendly presidential candidate.<sup>1415</sup> Pro-Beijing activists and Triads associates reportedly linked to the United Front mobilized in Taiwan to violently disrupt pro-democracy activists.<sup>1416</sup>

**Australian man allegedly offered a million dollars by a Chinese spy ring to run for parliament is found dead in 2019.** Indebted 32-year-old luxury car dealer Nick Zhao was found dead in a hotel room in March 2019 after he informed Australian intelligence officials that Chinese intelligence agents offered him a million Australian dollars to run as a candidate for the ruling Liberal party.<sup>1417</sup> The offer was allegedly made by Melbourne businessman Brian Chen.<sup>1418</sup> Australian authorities appear to believe Zhao was credible and are investigating the extent of Chen's attempts to cultivate sources in Australia (where he has worked and lived on and off since at least 2006) on behalf of Chinese intelligence (which Chen and the Chinese Foreign Ministry deny entirely).<sup>1419</sup> Australia created a new intelligence task force focused on foreign interference as they have grown more concerned about Beijing meddling in domestic affairs more broadly than the Zhao case.<sup>1420</sup> In September 2019, the Australian press revealed Chinese government records showing that from 2003 to 2015 Australian lawmaker Gladys Liu was a member of the China Overseas Exchange Association, which is part of the United Front.<sup>1421</sup> At first Liu claimed she did not recall any such association, but then admitted to it.<sup>1422</sup> Liu was born in Hong Kong, has lived in Australia for three decades, and represents a district in which 70 percent of voters were born in China.<sup>1423</sup> When asked about her ties to Chinese influence operations, Liu denied it while also repeatedly refusing to criticize Beijing over the South China Sea or to accept the characterization of Xi Jin-

ping as a dictator, which drew comparisons in the Australian press to Senator Sam Dastyari.<sup>1424</sup> But in our view, the evidence of Chinese influence in this case has not been developed to the same point as Dastyari or sufficiently to meet our threshold of proven foreign interference. We only include it here as context to the more credibly concerning case of Nick Zhao. Similarly, a 27-year-old asylum seeker named Wang Liqiang gave Australian authorities a 17-page dossier of alleged covert influence operations in Hong Kong that he claims to have participated in on behalf of Chinese military intelligence.<sup>1425</sup> Both Australian officials and mainstream media outlets have clearly signaled that they have not verified the claims, so we exclude it from our analysis.<sup>1426</sup> Similar to major press outlets, we only describe it here as context to the Nick Zhao case, which security officials do clearly view as credible.<sup>1427</sup>

**Italy's head of the League party and his associate negotiate for illegal campaign funding in the form of discounted oil from Russia.** Matteo Salvini has been the leader of Italy's far-right League party since 2013.<sup>1428</sup> Salvini's "sherpa to Moscow" is Gianluca Savoini, who has known Salvini for 20 years and served as his spokesperson.<sup>1429</sup> Savoini is the president of the Lombardy-Russia Cultural Association, which was registered in February 2014 at the same location as the League's head office, consistently pushes pro-Kremlin propaganda, and has ties to far-right groups in Russia and Europe.<sup>1430</sup> Its honorary president is Alexey Komov, the Russian representative of the World Congress of Families who also serves as the connection to Konstantin Malofeev.<sup>1431</sup> In October 2014, a joint delegation of Lombardy-Russia and the League visited Russia-annexed Crimea and met with its EU-sanctioned "Prime Minister" before traveling on to Moscow to meet senior officials, the first of frequent League visits to Russia.<sup>1432</sup> Savoini is consistently at Salvini's side during these trips to Russia.<sup>1433</sup> In July 2018, when Salvini led an Italian delegation to Moscow as Deputy Prime Minister and Interior Minister, Savoini was noticed sitting at the table in pictures of the meetings posted online.<sup>1434</sup> When journalists asked why he was there, Savoini claimed he attended as a "member of the minister's staff," although his name was not the official ministerial list of delegates and he does not work at the ministry, which raised unanswered questions about Savoini's role and security clearance.<sup>1435</sup> Over the following months, Savoini reportedly met

1412 Ibid.

1413 See Li Dao-yong, "[CCP united front plans do the trick with party](#)," *Taipei Times*, January 10, 2018.

1414 See Jason Pan, "[New Party's Wang, others charged with espionage](#)," *Taipei Times*, June 14, 2018.

1415 See Jason Pan, "[China steps up 'united front' to sway elections: forum](#)," *Taipei Times*, November 1, 2019; *Lee and Cheng*, 2019.

1416 See J. Michael Cole, "[Pro-unification Groups, Triad Members Threaten Hong Kong Activist Joshua Wong, Legislators in Taiwan](#)," *Taiwan Sentinel*, January 7, 2017.

1417 See *Pannett*, 2019; Alexandra Beech, "[ASIO investigating reports of Chinese plot to install agent in Parliament](#)," ABC, November 24, 2019.

1418 See Nino Bucci and Echo Hui, "[Bo 'Nick' Zhao was in a Melbourne jail awaiting a fraud trial during the Chisholm preselection](#)," ABC, November 28, 2019.

1419 Ibid.

1420 See *Pannett*, 2019.

1421 See Tom Iguldun, "[Questions raised about Liberal MP Gladys Liu amid claims of links to Chinese political influence operations](#)," ABC, September 9, 2019; *China's Influence and American Interests: Promoting Constructive Vigilance*, Larry Diamond and Orville Schell, eds., Stanford, CA: Hoover, 2019, pp. 45.

1422 See Brett Worthington, "[Gladys Liu admits to membership of Guangdong Overseas Exchange Association](#)," ABC, September 10, 2019.

1423 See Shalailah Medhora, "[Who is Gladys Liu, and why is she making headlines?](#)" ABC, September 19, 2019.

1424 See Sky News Australia, "[Liberal MP Gladys Liu fails to dispel China links](#)," YouTube video, 3:08, September 10, 2019.

1425 See Steven Lee Myers and Damien Cave, "[Would-Be Chinese Defector Details Covert Campaigns in Hong Kong and Taiwan](#)," *The New York Times*, November 22, 2019; Andrew Chubb, "[Did China actually try to install a spy in Australia's Parliament? The many murky details make it hard to know](#)," *Washington Post*, December 24, 2019.

1426 See *Myers and Cave*, 2019; *Chubb*, 2019.

1427 See *Myers and Cave*, 2019; *Chubb*, 2019.

1428 See Alexander Stille, "[How Matteo Salvini pulled Italy to the far right](#)," *The Guardian*, August 9, 2018.

1429 See Alberto Nardelli, "[The Unofficial Kremlin Fixer Of Italy's Interior Minister Sat In On Official Meetings In Moscow. Nobody Seems To Know Why](#)," Buzzfeed, July 18, 2018; Alberto Nardelli and Mark Di Stefano, "[The Far-Right Bromance At The Heart Of Italy's Russian Oil Scandal](#)," Buzzfeed, July 12, 2019.

1430 See *Nardelli*, July 18, 2018; *Nardelli and Di Stefano*, 2019.

1431 See *Tizian and Vergine*, February 28, 2019; *Shekhovtsov*, pp. 182-183.

1432 See *Tizian and Vergine*, February 28, 2019; *Shekhovtsov*, pp. 184-186.

1433 See *Tizian and Vergine*, February 28, 2019; *Shekhovtsov*, pp. 184-186.

1434 See *Nardelli*, July 18, 2018.

1435 See *Ibid.*

often with Alexander Dugin, Putin's fascist ideologue.<sup>1436</sup> They were photographed together on September 25, 2018, allegedly planning for Salvini's upcoming trip to Moscow.<sup>1437</sup> Salvini made that trip on October 17, attending a conference and then reportedly ducking out through a side door to secretly meet Russian Deputy Prime Minister Dmitry Kozak, the man in Putin's inner circle who supervises the energy sector.<sup>1438</sup> The meeting between the two deputy prime ministers reportedly took place at the office of Vladimir Pligin, a powerful member of Putin's United Russia party with close ties to Kozak.<sup>1439</sup> On that day, Savoini was photographed meeting again with Dugin, and the two agreed that Savoini is the "total connection" between the Italian and Russian political sides.<sup>1440</sup> Savoini also had dinner with Salvini that night.<sup>1441</sup> The next morning, October 18, Savoini led the Italian side of six men—three Russians and three Italians—meeting in the lobby of Moscow's Metropol Hotel negotiating the terms of a deal to covertly funnel Russian oil money to Salvini's League party.<sup>1442</sup> On the Russian side, Ilya Andreevich Yakunin represents ties to Pligin, while Andrey Yuryevich Kharchenko works for Dugin (the third Russian, referred to as "Yuri," has not been identified).<sup>1443</sup> On the Italian side, Savoini opened the meeting by pointing to the upcoming May 2019 European Parliament elections as a historic juncture to shift Europe closer to Russia through an alliance of the League in Italy, the FPÖ in Austria, AfD in Germany, National Rally in France, Fidesz in Hungary, and the Sweden Democrats.<sup>1444</sup> Savoini then handed the discussion over to the technical experts.<sup>1445</sup> On the Russian side, Kharchenko said the papers are already drawn up and ready to be given to the deputy prime minister but "we have to discuss latest decisions."<sup>1446</sup> When Yakunin said "yesterday's talks [possibly a reference to the reported Salvini-Kozak meeting at Pligin's office] confront both types of fuel, aviation kerosene or diesel, Kharchenko corrected him: "No, no, no! There were no specifics mentioned. We'll manage it."<sup>1447</sup> The Italian who spoke the most was Gianluca Meranda, who represented Euro-IB, an investment bank discussed as the intended intermediary between Eni (a major Italian oil company controlled by the Italian government) and Rosneft.<sup>1448</sup> At one point they discussed using the Russian arm of the Italian bank Intesa, which Meranda says would be convenient because the League have "a man in there is called Mascetti" (likely referring to board member Andrea Mascetti, who strongly denies any knowledge of the negotiations and who BuzzFeed does not suggest had any awareness).<sup>1449</sup> The

third Italian in what Savoini referred to as a secret "triumvirate" was Francesco Vannucci, who seems to have been responsible for the mechanics of funneling the agreed 4 percent price discount to the League via the intermediaries.<sup>1450</sup> Looking ahead to the campaign season leading up to the May 2019 election, Vannucci advised, "I want to say how important it is to us to do this by December even if it is then delayed two, three months, June, July we don't care."<sup>1451</sup> Meranda said, "We count on sustaining a political campaign which is of benefit, I would say of mutual benefit, for the two countries."<sup>1452</sup> When the audio recording of the October meeting was first released, BuzzFeed valued the discount—to be transferred from Russia to the League—at roughly \$65 million, based on the price of 250,000 metric tons per month of diesel.<sup>1453</sup> Salvini refused to answer reporters' questions about it while Savoini admitted to being there but said it was just a chance meeting with local entrepreneurs.<sup>1454</sup> But a month after the BuzzFeed report, L'Espresso released deal documents and emails detailing of the proposal sent to Rosneft eleven days after the October meeting in Moscow.<sup>1455</sup> The terms closely matched the discussion, but clarified that there was to be 250,000 metric tons of each fuel type, diesel and kerosene, meaning that the value may have been more like \$130 million.<sup>1456</sup> The discount had been worked out to 6.5 percent, meaning that the Russians stood to pocket \$80 million (because the Italians were only interested in the 4 percent needed by the League, preferring to send back the remaining 2.5 percent to the Russians because the corrupt enrichment guarantees their participation).<sup>1457</sup> If the transaction had gone through, it may well have been illegal, because at the time the maximum amount an Italian political party was allowed to accept was €100,000 (in January 2019 that €100,000 loophole was closed by outlawing all foreign funding or support, but in any case, the Russian oil plan far exceeded the threshold).<sup>1458</sup> But as of February 8, 2019, the Italians were still negotiating the same terms, by then with Gazprom instead of Rosneft.<sup>1459</sup> Given that L'Espresso first publicly reported the deal only 20 days later, on February 28, it seems unlikely that it was carried out to completion.<sup>1460</sup> Salvini and Savoini deny the League ever received foreign funding while Eni similarly claims it never took part in any transactions aimed at financing political parties and the supply operation never took place.<sup>1461</sup>

**Venezuela allegedly funds M5S with a suitcase of €3.5 million in 2010.** According to documents revealed by Spanish newspaper ABC, the Venezuelan government funded the Five Star Movement (M5S) in 2010, months after the Italian populist political

1436 See [Tizian and Vergine](#), February 28, 2019.

1437 Ibid.

1438 Ibid.

1439 Ibid.

1440 See [Tizian and Vergine](#), February 28, 2019; Marta Allevato, [Twitter post](#), October 17, 2018, 5:10 PM.

1441 See Alberto Nardelli, "[Welcome To 'Moscopolis': Here's Everything That's Happened Since BuzzFeed News Revealed The Proposed Secret Deal Between Italy's Far Right And Russia](#)," BuzzFeed, July 19, 2019.

1442 See [Nardelli](#), July 10, 2019.

1443 See [Nardelli](#), July 10, 2019; Alberto Nardelli, et al., "[Unmasked: The Russian Men At The Heart Of Italy's Russian Oil Scandal](#)," BuzzFeed, September 3, 2019.

1444 See [Buzzfeed](#), 2019.

1445 Ibid.

1446 Ibid.

1447 Ibid.

1448 See [Buzzfeed](#), 2019; Alberto Nardelli, "[I Took Part In The Moscow Oil Deal Negotiation With Salvini's Aide, Says An Italian Lawyer](#)," BuzzFeed, July 13, 2019; [Nardelli](#), July 10, 2019.

1449 See [Nardelli](#), July 10, 2019.

1450 See [Nardelli](#), July 10, 2019; [Nardelli](#), July 19, 2019.

1451 See [Buzzfeed](#), 2019.

1452 Ibid.

1453 See [Nardelli](#), July 10, 2019.

1454 See Cristina Abellán Matamoros, "[Italian prosecutors launch probe into Russia collusion allegations](#)," Euronews, July 11, 2019.

1455 See Giovanni Tizian and Stefano Vergine, "[Esclusivo: soldi russi alla Lega, ecco i documenti che svelano le bugie di Salvini](#)," L'Espresso, July 17, 2019.

1456 Ibid.

1457 Ibid.

1458 See [Nardelli](#), July 10, 2019.

1459 See [Tizian and Vergine](#), July 17, 2019.

1460 See [Tizian and Vergine](#), February 28, 2019.

1461 See Reuters, "[Italy's Salvini denies his League party took money from Russians](#)," July 10, 2019; [Nardelli](#), July 10, 2019.

party was founded in October 2009.<sup>1462</sup> The €3.5 million reportedly moved in the form of cash in a suitcase.<sup>1463</sup> The allegation is that the covert party financing was approved by Nicolás Maduro (then Venezuelan foreign minister in the administration of President Hugo Chávez), passed along by Venezuela's consul in Milan (Gian Carlo di Martino), and destined for the M5S founder (Gianroberto Casaleggio).<sup>1464</sup> The documents describe Venezuela's interest in funding an "anti-capitalist and leftist movement in the Italian Republic."<sup>1465</sup> M5S has been an open supporter of the Maduro regime. Both M5S and the Venezuelan government insist the documents are forgeries.<sup>1466</sup>

**German right-wing lawmaker “absolutely controlled” by Russia reportedly requests “material support” and “media support” from the Kremlin for the 2017 election.** Five months before the 2017 German election, a former Russian spy serving as a staffer in the Duma emailed a six-page menu of “foreign policy activities” to the presidential administration for approval.<sup>1467</sup> In the discussion of the German election, the document advised “support in the election campaign” of Markus Frohnmaier, noting his “high” chance of being elected, the result of which would be that “we will have our own absolutely controlled MP in the Bundestag.”<sup>1468</sup> This internal Russian strategy memo, which was later leaked to Mikhail Khodorkovsky’s Dossier Center, promised that a more detailed campaign plan would be sent the following week.<sup>1469</sup> Sure enough, eight days later a second document was created with the title “Frohnmaier election campaign / action plan (draft).”<sup>1470</sup> It was intercepted by a Western European intelligence service and shared with the BBC.<sup>1471</sup> The plan reportedly “appears to be a request for help written on behalf of Mr. Frohnmaier’s campaign,” sent to the Kremlin through Manuel Ochsenreiter (a German far-right commentator who used to work for Frohnmaier, serves as a middleman between the AfD and the Kremlin, contributes to various think tanks and websites supporting Russian narratives in Europe, and is implicated in a firebomb attack in Ukraine) and Sargis Mirzakhanian (on the Russian side of the connection).<sup>1472</sup> Frohnmaier’s plan said “for the election campaign we urgently would need some support … Besides material support we would need media support as well [...] any type of interviews, reports and opportunities to appear in the Russian media is helpful for us.” The campaign also promised to advocate for Russian interests during the campaign (“good relations with the Russian Federation: sanctions, E.U. interference in Russian domestic politics”) and that if elected Frohnmaier would “immediately start operating in the foreign policy field.”<sup>1473</sup> Frohnmaier won the election and continues to hold office and speak out against sanctions on Russia. He de-

nies knowledge of the memos, insisting he is not under anyone’s control and he never requested or received financial support.<sup>1474</sup> If foreign support was provided and exceeded €1,000, it would be illegal under German campaign finance law.<sup>1475</sup>

<sup>1474</sup> See *Gatehouse*, 2019; *Amann, et al.*, 2019; *Frontal 21*, 2019.

<sup>1475</sup> See International IDEA, “*Germany country profile*,” accessed June 15, 2020.

<sup>1462</sup> See Marcos García Rey, “*El chavismo financió el Movimiento 5 Estrellas que hoy gobierna en Italia*,” ABC, June 16, 2020.

<sup>1463</sup> See *Mensurati*, 2020.

<sup>1464</sup> Ibid.

<sup>1465</sup> Ibid.

<sup>1466</sup> Ibid.

<sup>1467</sup> See *Gatehouse*, 2019; *Amann, et al.*, 2019; *Frontal 21*, 2019.

<sup>1468</sup> See *Gatehouse*, 2019; *Amann, et al.*, 2019; *Frontal 21*, 2019.

<sup>1469</sup> See *Gatehouse*, 2019; *Amann, et al.*, 2019; *Frontal 21*, 2019.

<sup>1470</sup> See *Gatehouse*, 2019; *Amann, et al.*, 2019; *Frontal 21*, 2019.

<sup>1471</sup> See *Gatehouse*, 2019; *Amann, et al.*, 2019; *Frontal 21*, 2019.

<sup>1472</sup> See *Gatehouse*, 2019; *Amann, et al.*, 2019; *Walker, et al.*, 2019; *Knight*, 2019; *Katehon*, “*Manuel Ochsenreiter*; *Becker*, 2019; *Frontal 21*, 2019.

<sup>1473</sup> See *Gatehouse*, 2019; *Amann, et al.*, 2019; *Frontal 21*, 2019.

# Appendix B: Policy Recommendations

## Congress should:

**Hold public hearings on covert foreign money.** Hold open hearings on the ways authoritarian regimes undermine democracies by funneling money into their financial and political systems. Solicit input from experts and officials on how to close off the most commonly exploited vulnerabilities in targeted ways that are consistent with the values of a free and open society.

**Broaden the definition of in-kind contributions.** Amend the Federal Election Campaign Act to (1) clarify that a “thing of value” includes intangible, difficult-to-value, uncertain, or merely perceived benefits, including but not limited to any form of opposition research, politically motivated investigations (or assistance with such investigations), or any other type of negative information about perceived political opponents; (2) require all campaign workers to undertake web-based training on these rules and certify their understanding; and (3) clarify that the statutory thresholds of prosecution ( $\geq \$2,000$  for a misdemeanor;  $\geq \$25,000$  for a felony) can be met not only by the value of goods or services offered but also the costs of transmission incurred by any foreign national.

**Report campaign contacts with agents of foreign powers.** Pass a bill like the *SHIELD Act*, requiring U.S. campaigns to report to law enforcement offers of assistance from foreign powers.<sup>1476</sup> Consider (1) removing the exemption for contacts with foreign election observers; (2) clarifying a broad definition of “agents” of U.S. candidates and committees;<sup>1477</sup> (3) striking the reference to “coordination or collaboration with” the offer; and (4) more narrowly scoping broader non-contribution contacts (i.e., the prong covering “information or services” or “persistent and repeated contact”) such that it only applies to contacts with persons from adversarial countries.<sup>1478</sup>

**Outlaw anonymous shell companies.** Pass a bill like the *Anti-Money Laundering Act of 2020*, requiring U.S. companies to report to the U.S. Treasury Department the identities of their beneficial owners.<sup>1479</sup> This bill would oblige companies to report beneficial ownership data during the incorporation process and on an ongoing basis, to be held securely by U.S. Treasury Department to support law enforcement investigations.

**Restrict political activity by U.S. subsidiaries of foreign parent companies.** Pass the provision of *H.R. 1* that would oblige CEOs to certify compliance with existing law, including the requirement that no foreign national participated in any decisions made by the U.S.-based company to spend money on U.S.

politics.<sup>1480</sup> Consider bringing back the percentage thresholds of foreign ownership (over which companies would not be allowed to make political contributions) that were originally included in *H.R. 1*, except narrow its scope by only counting ownership by persons in countries that are neither NATO members nor major non-NATO allies.<sup>1481</sup>

**Require non-profits engaged in politics to publicly disclose the identities of both domestic and foreign donors.** Pass a bill like the *DISCLOSE Act*, requiring non-profits (except for 501(c)(3)s) that spend at least \$10,000 on political advocacy referring to a clearly identified candidate to publicly disclose the identities of their donors, whether they are foreign or domestic.<sup>1482</sup>

**Require all non-profits to publicly disclose foreign funders.** Enact a new, separate, more targeted version of the *DISCLOSE Act* that would require all U.S. non-profits—whether they spend on politics or not—to file two statements with the FEC: (1) list of any foreign nationals who provided funding to the entity, a report that the FEC would release publicly; (2) list of all the entity’s funders, foreign and domestic, to be retained securely by the FEC and only made available confidentially to law enforcement agencies. Unlike the *DISCLOSE Act*, this proposal should include 501(c)(3)s, exclude corporations, identify beneficial owners behind funding, include forms of income beyond just donations, and require reporting of financial audits.

**Disclose online political ad buyers and ban foreign purchases.** Pass a bill like the *Honest Ads Act*, requiring broad public disclosure of who pays for online political ads.<sup>1483</sup> Pass a bill like the *PAID AD Act*, prohibiting foreign individuals and governments from purchasing campaign ads.<sup>1484</sup> Consider amending a bill like *PAID AD* to exempt NATO and allied countries. Strengthen bills like *Honest Ads* and *PAID AD* by making social media platforms responsible for identifying the true beneficial owner ultimately funding the ad, rather than merely “the name of the person purchasing the advertisement” and “a contact person for such person.”

**Return to capping foreign ownership of television or radio licenses.** Amend the Communications Act of 1934 to remove the FCC’s discretion to allow foreign-owned companies to acquire more than 25 percent of U.S. broadcast licenses, or at least add a requirement that lawmakers be given a 30-day opportunity to overrule FCC decisions approving foreign acquisitions above 25 percent.

**Clarify on-air television and radio disclosures required of foreign agents.** Require the FCC and the DOJ, in consultation with each other, to promulgate rules clarifying that when the true sponsor or foreign principal is in turn associated with a govern-

<sup>1476</sup> *SHIELD Act*.

<sup>1477</sup> One way to do this is to use language similar to *SHIELD*’s broad definition of proxies on the foreign side of reportable contacts, including “a person any of whose activities are directly or indirectly supervised, directed, controlled, financed, or subsidized” by the principal.

<sup>1478</sup> One way to do this is by defining “countries of concern” as “any country that is not a member of the North Atlantic Treaty Organization or a major non-NATO ally or strategic partner as such is defined by section 2321k of title 22 United States Code.” Another way would be alternative would be for Congress to establish a blacklist of governments that have interfered in democratic processes in the past decade, to be continually updated by the executive branch.

<sup>1479</sup> *AML Act*. An earlier version of this legislation was called the *ILLICIT CASH Act*.

<sup>1480</sup> *H.R. 1 (Passed)*.

<sup>1481</sup> *H.R. 1 (Introduced)*.

<sup>1482</sup> *DISCLOSE Act*.

<sup>1483</sup> *Honest Ads Act*.

<sup>1484</sup> *PAID AD Act*.

ment, the on-air disclosure should clearly refer to the name of that government in terms that are recognizable by most Americans. Require such disclosures to air at least once every 20 minutes. Require public disclosure when foreign agents seek time on U.S. airwaves, as recommended by Rep. Anna Eshoo.<sup>1485</sup> Amend the Communications Act of 1934 to authorize the FCC to require sponsorship identification and political files by third-party programming providers. Appropriate to the DOJ and the FCC any resources needed to proactively monitor foreign agents' compliance, quickly investigate possible infractions, and otherwise carry out their enforcement mission.

**Require “outlet libraries” to publicly disclose the beneficial owners of online media outlets.** Amend the Federal Election Campaign Act to require U.S. technology companies to maintain publicly accessible records of the beneficial owners who fund online media outlets that use the technology company's internet services. Define U.S. technology companies to include web hosting providers, domain registrars and registries, search engines, advertising technology firms, and social network platforms. Define online media outlet to include entities regularly providing the public with content that is subject to editorial control, provided that (i) they distribute such content at least in part through a website or a group of websites that receives more than 100,000 unique monthly visitors or though social media pages receiving engagement from more than 100,000 unique monthly users and (ii) U.S. regulators do not already require the entity to disclose its beneficial ownership (such as publicly traded companies regulated by the SEC). Define funding to cover all forms of remuneration, including equity ownership, advertising revenue, donations, etc. Consider limiting the disclosure requirement to only cover foreign (not domestic) funding, and only if at least 10 percent of the outlet's funding comes from beneficial owners who are foreign nationals.

**Report the identities of small donors to the FEC and make the information publicly accessible through a secure, limited, and conditional gating process.** Amend the Federal Election Campaign Act to (1) require campaigns, parties, and super PACs to collect and retain information about all donors, including those to give less than \$200; (2) require committees to report small donor data to the FEC, filed on a separate form as donors who give more than \$200; (3) update the rules for conduits, putting them under the same disclosure regime as campaigns, parties, and super PACs; (4) mandate that the FEC develop and administer a secure system to house small donor data and grant access to members of the public who undertake a security check and commit not to misuse or publicly disseminate personal information, or else they will face severe penalties; (5) mandate that the FEC provide full digital access to law enforcement agencies; and (6) require the FEC and the DOJ to randomly audit and investigate the data for possible criminal activity and report back to Con-

gress about the effectiveness of the disclosure system.

**Prohibit cryptocurrency political spending.** Amend the Federal Election Campaign Act to stipulate that political ad purchases, independent expenditures, and political contributions—financial, in-kind, or any other type—may not take the form of cryptocurrency.

**Require executive agencies to notify Congress about foreign interference.** Introduce mandatory reporting requirements for the intelligence community and Department of Homeland Security to release information about foreign interference to Congress and, when appropriate, in unclassified formats and to the public.

**Reform the structure of the FEC.** Amend the Federal Election Campaign Act to (1) reduce the number of commissioners from six to five, with no more than two from each party and at least one being a political independent; (2) establish a bipartisan blue-ribbon advisory panel to help vet nominees to be commissioners, (3) have the president designate one commissioner responsible for administrative management, (4) end to the practice of allowing commissioners to remain in office indefinitely; and (5) overhaul the FEC's civil enforcement process, most notably by creating an independent enforcement bureau with a director authorized to initiate investigations and issue subpoenas. The first four of these proposals were included in H.R. 1.<sup>1486</sup> All five are recommended by the Brennan Center, and in our view some form of the fifth proposal is important too so that an affirmative majority vote is not required to initiate an investigation.<sup>1487</sup>

## Administrations should:

**Host a summit of democracies.** The United States should host a summit of the world's democracies with new country commitments to fight corruption and defend against authoritarian interference, including agreements to enact the eight recommendations in this report: closing the seven malign finance loopholes and reorganizing administrative structures around this threat.

**Appoint a foreign interference coordinator.** Appoint a foreign interference coordinator at the National Security Council, with enough staff detailed from the interagency to direct policy formulation and task agencies across the full spectrum of tools.<sup>1488</sup> The coordinator should be a former senior official, ideally cabinet-level or a former member of congress, and should be named a deputy assistant to the president. One of the senior directors reporting to the coordinator should be responsible exclusively for malign finance, with a staff of detailees from Treasury, State, and the intelligence community, combining expertise in finance and national security.

**Establish a Hybrid Threat Center.** Within the Office of the Director of National Intelligence (ODNI), create a Hybrid Threat Center to bring together experts across the intelligence commu-

<sup>1485</sup> This can take the form of reporting obligations for both foreign agents and U.S. broadcast, cable, and satellite companies. For the former, Rep. Eshoo recommends: “The FCC should require any foreign agents registered under FARA who seek time on American airwaves—radio, broadcast, and cable—to file publicly with the FCC under the same requirements used for political files by candidates and issue advertisers, and concurrently send a notice to the Department of Justice and the State Department. The filings should include: a description of when advertising actually aired, advertising preempted, and the timing of any make-goods of preempted time, as well as credits or rebates provided the advertiser.” *Eshoo/Pai 2018 Correspondence*.

As for disclosure requirements for broadcast, cable, and satellite companies, it could take the form of the *Foreign Entities Reform Act of 2019*, introduced by Rep. Eshoo. See *Foreign Entities Reform Act of 2019*.

<sup>1486</sup> *H.R.1 (Passed)*.

<sup>1487</sup> *Weiner*, 2019.

<sup>1488</sup> *Rosenberger et al.*, pp. 22-23.

nity tracking individual tools, actors, or regions to coordinate holistic assessments of foreign influence operations targeting the United States and its allies.<sup>1489</sup> This should include a unit focused on financial intelligence with representation from Treasury's component of the intel community, the Office of Intelligence and Analysis (OIA). Foreign interference should also be elevated on the list of intelligence collection and analytic priorities.

**Coordinate with allies in high-level and holistic channels.** Formalize government-to-government channels at all levels (political and technical) to share information about foreign interference among allies.

**Prioritize countering authoritarian influence at Treasury.** The Treasury Department should reorganize its Office of Terrorism and Financial Intelligence in such a manner as to dedicate the same degree of administrative priority to countering authoritarian influence as it does to combatting the financing of terrorism. This would involve new sanctions programs administered by the Office of Foreign Assets Control, policy and outreach work by the Office of Terrorist Financing and Financial Crimes, mapping the financial networks of oligarchs and other authoritarian proxies by OIA, and utilizing Bank Secrecy Act data administered by the Financial Crimes Enforcement Network.

**Resume coordination between the DOJ and the FEC.** The DOJ should work with the FEC to review their guidance for coordination (including the 1977 memorandum of understanding around how the two should coordinate, to which the DOJ has stopped adhering), and update guidance based on that review, as recommended by the GAO.<sup>1490</sup> DOJ-FEC coordination around robust enforcement of the foreign-source ban should be covered in such a review.

**Broadly prosecute the foreign-source ban.** Update DOJ guidance for the prosecution of election offenses to underscore the broad scope of a “thing of value;” send a memorandum from the Attorney General to all U.S. attorneys underscoring this broad interpretation and strongly encouraging them to prosecute violations of the foreign-source ban.<sup>1491</sup>

**Require private disclosures by non-profits.** Reimpose the decades-long IRS regulation (which was lifted in May 2020) requiring all 501(c) non-profits (beyond just 501(c)(3) charities, which are required by statute) to disclose the names and addresses of their substantial donors to the IRS, which holds the information confidentially and uses it to stop fraud.<sup>1492</sup>

**Expand list of non-NATO major allies.** Consider adding to the list of non-NATO major allies some countries that have traditionally remained neutral around military alliances but have substantial investment sectors and may consider closer partnerships around hybrid warfare threats (particularly if the arrangement would exempt them from new rules meant to restrict

adversarial countries). Candidates to become major non-NATO allies might include Switzerland, Ireland, Austria, Sweden, Finland, and India.

<sup>1489</sup> Rosenberger *et al.*, pp. 23.

<sup>1490</sup> GAO, pp. 54.

<sup>1491</sup> Pilger, ed., 2017.

<sup>1492</sup> See Eckert, 2020.

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