



**Testimony before the European Union Parliament, Special Committee on Foreign Interference in all Democratic Processes in the European Union, including Disinformation**

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Merci beaucoup Mr. Chairman, Honorable Members.

*Thank you.* Not only for inviting me to speak with you, but also thank you for not shying away from this most important and sensitive tool of foreign interference.

Too often in the past few years, political leaders, law enforcement, and bipartisan researchers of foreign interference such as me and my colleagues have focused only on cyberattacks and disinformation, because political funding can raise political sensitivities and potentially disrupt some streams of campaign financing, so we tend to avoid it.

In the United States, for example, even the otherwise strong investigations into Russian interference in our 2016 election, conducted by Special Counsel Robert S. Mueller III the bipartisan Senate Select Committee on Intelligence, still did not really follow the money.<sup>1</sup>

And the British government too actively avoided looking for evidence that Russia interfered in recent elections, including widely reported allegations of potential Russian money in the Brexit referendum.<sup>2</sup>

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<sup>1</sup> See Josh Rudolph, "[Congress Should Follow the Money Like the British Parliament](#)," The German Marshall Fund of the United States, July 31, 2020.

<sup>2</sup> House of Commons of the United Kingdom, Intelligence and Security Committee of Parliament, [Russia](#), HC 632, July 21, 2020 ("ISC Russia Report"); Tom Harper, et al., "[Smuggling claims cast shadow over Brexit's £8m](#)

Thankfully though, our democratic antibodies are not limited to government and law enforcement bodies. Despite the uphill political challenges, it's actually a couple of *parliaments* that are leading the way to shine a spotlight on covert foreign money.

It started with the British parliament's Intelligence and Security Committee report last summer which warned of elite Russian expats, including a classified annex reportedly naming nine big donors to the Tory Party.<sup>3</sup>

The U.S. Congress has not yet really tackled this issue really aggressively, but I can see your Committee's work playing a leadership role in highlighting this financial component of foreign interference, so thank you. Because it's important.

[Begin slide presentation.]

Covert foreign money is the most under-appreciated external threat to Western democracies. Over the past decade, Russia, China, and other authoritarian regimes have funneled more than \$300 million into 33 countries to interfere in democratic processes more than 100 times.<sup>4</sup>

About half those cases involve Russia operating in Europe, from financing separatists in Eastern Ukraine to funding big donors to the Tory Party in London, while also hitting most EU Member States in between. And it's a global phenomenon too, targeting Africa, North America, and the Asia-Pacific.<sup>5</sup>

It's also getting worse. It used to be just two to three new cases per year, but with sweeping campaigns launched in the middle of the decade, there's now 15 to 30 new cases annually.<sup>6</sup> Some examples include loans to a French political party, oil profits in Italy, material support for a German lawmaker, payments to a Dutch think tank turned political party, and cultivation of far-right news websites in Sweden.<sup>7</sup>

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[diamond geezer Arron Banks](#),” *The Times*, August 11, 2019; Tom Harper and Caroline Wheeler, “[Russian Tory donors named in secret report](#),” *The Times*, November 10, 2019.

<sup>3</sup> See [ISC Russia Report](#); [Harper and Wheeler](#), 2019.

<sup>4</sup> See Josh Rudolph and Thomas Morley, [Covert Foreign Money: Financial Loopholes Exploited by Authoritarians to Fund Political Interference in Democracies](#), Washington: The Alliance for Securing Democracy, August 18, 2020, pp. 1.

<sup>5</sup> See [Rudolph and Morley](#), 2020, pp. 65-66.

<sup>6</sup> See [Rudolph and Morley](#), 2020, pp. 65.

<sup>7</sup> See Fabrice Arfi, et al., “[La Russie au secours du FN : deux millions d’euros aussi pour Jean-Marie Le Pen](#),” Mediapart, November 29, 2014; Alberto Nardelli, “[Revealed: The Explosive Secret Recording That Shows How Russia Tried To Funnel Millions To The ‘European Trump’](#),” Buzzfeed, July 10, 2019; Gabriel Gatehouse, “[German far-right MP ‘could be absolutely controlled by Russia’](#),” BBC, April 5, 2019; Zembla and De Nieuws BV, “[Baudet and the Kremlin](#),” YouTube video, 48:41, April 25, 2020; Jo Becker, “[The Global Machine Behind the Rise of Far-Right Nationalism](#),” *The New York Times*, August 10, 2019.

U.S. officials used to think this was mainly just a problem for Europe.<sup>8</sup> But earlier this year, they started warning that Russia’s interference toolkit in the 2020 U.S. election could also include three offline tactics of financial interference.<sup>9</sup> U.S. officials also say Russia hits countries that have legal loopholes allowing foreign assistance.<sup>10</sup> And while U.S. officials have not disclosed which countries or loopholes, that’s exactly what our research project has endeavored to establish over the past year.

Whereas most comparative research on covert foreign money starts with the policies (surveying, for example, gaps in campaign finance laws<sup>11</sup>) we hope ours is relevant because it’s more empirical: It starts by defining and surveying the known bad activity. We dig into the legal avenues exploited in each instance. We group the 100+ cases around the world into the most commonly exploited loopholes. And finally, we recommend policy solutions we developed in consultation with almost 100 leading experts. The name of the game in crafting reforms was to scope the solutions just right so they close off channels for foreign financial interference, without also infringing on the speech rights of domestic political spenders or jeopardizing broad political support.<sup>12</sup>

Our 73-page report is structured around (with a chapter for each of) the seven most exploited loopholes, plus an eight chapter on illegality.<sup>13</sup> Starting with the first loophole, in-kind gifts, it’s not financial per se, but it operates similarly and falls within gaps in campaign finance laws, so we do include it. Russian oligarchs have bankrolled secret lavish gifts in Switzerland or package deals for African leaders.<sup>14</sup> In the United States, President Trump has been allowed to ask foreign governments for intangible assistance in two consecutive presidential elections. And that hasn’t been limited to dirt on opponents.<sup>15</sup> It also includes hacking of emails, black-market media services, agricultural purchases in swing states, or foreign investigations into political rivals.<sup>16</sup>

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<sup>8</sup> See Peter Foster and Matthew Holehouse, “[Russia accused of clandestine funding of European parties as US conducts major review of Vladimir Putin’s strategy](#),” *The Telegraph*, January 16, 2016.

<sup>9</sup> See Eric Tucker, “[US: Russia could try to covertly advise candidates in 2020](#),” AP News, May 4, 2020.

<sup>10</sup> Ibid.

<sup>11</sup> See, e.g., International IDEA, “[Political finance database](#),” accessed June 15, 2020; *Regulation of Foreign Involvement in Elections*, ed. Luis Acosta, Washington: Library of Congress, May 2019.

<sup>12</sup> See [Rudolph and Morley](#), 2020, pp. 5-11.

<sup>13</sup> [Rudolph and Morley](#), 2020.

<sup>14</sup> See Sam Jones, “[Russia case causes headache for Swiss law enforcement](#),” *Financial Times*, June 5, 2020; Ilya Rozhdestvensky, et al., “[Master and Chef: How Russia interfered in elections in twenty countries](#),” Proekt, April 11, 2019.

<sup>15</sup> See 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. 185-188 (“Mueller Report”).

<sup>16</sup> See Special [Mueller Report](#), Vol. I, pp. 49, 188-191; Josh Dawsey, “[Trump asked China’s Xi to help him win reelection, according to Bolton book](#),” *Washington Post*, June 17, 2020; Devlin Barrett, et al., “[Trump offered](#)

I should add: We define this category quite broadly, because it includes any assistance from a foreign power that does not fit within the legal definition of a donation: including, for example: loans, such as those borrowed by Marine Le Pen's party from a bank owned by a friend of Vladimir Putin.<sup>17</sup> So this loophole needs to be closed in all our countries.

The second most urgent vulnerability is straw donors or human intermediaries. There are some EU Member States, such as France, where it's still legal to make a contribution in the name of another person, a straw donor.<sup>18</sup> So that needs to be prohibited.

But even then, we have 27 examples around the world of authoritarians sending people on secret missions to support favored politicians, and it's mostly in countries that already prohibit straw donors and foreign donations.<sup>19</sup> I mentioned the Russians meeting at Trump Tower in 2016, and the elite Russian expats donating millions to the Conservative Party in the UK.<sup>20</sup> Human operatives are also China's tool of choice, sending straw donors to Australia and New Zealand.<sup>21</sup> The biggest known case of foreign financial support in the 2016 U.S. election had nothing to do with Russia, China, or Trump: It was the Emiratis apparently funding a clandestine operation to buy potential influence with Hillary Clinton.<sup>22</sup>

Our policy recommendation here is to require political campaigns, parties, and big donors to disclose to law enforcement any discussions they have with foreign powers or their proxies about foreign help in an election.<sup>23</sup> The law should be calibrated to narrowly require campaigns and parties to tell law enforcement about their contacts with foreign powers offering help, while also protecting the political rights of citizens to interact with campaigns, and of campaigns to engage in benign foreign relations.<sup>24</sup>

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[Ukrainian president Justice Dept. help in an investigation of Biden, memo shows,](#) *Washington Post*, September 26, 2019.

<sup>17</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.

<sup>18</sup> See Organization for Security and Cooperation in Europe, [Republic of France, Presidential Election 23 April and 7 May 2017: OSCE/ODIHR Election Expert Team Final Report](#), Warsaw, August 30, 2017, p. 4.

<sup>19</sup> See [Rudolph and Morley](#), 2020, pp. 79-83.

<sup>20</sup> See Special [Mueller Report](#), Vol. I, pp. 185-188, [Harper and Wheeler](#), 2019.

<sup>21</sup> Sam Hurley, [“National Party donations case: SFO alleges ‘trick or stratagem’ over two \\$100k contributions,”](#) *NZ Herald*, February 18, 2020; Damien Cave, [“Australia Cancels Residency for Wealthy Chinese Donor Linked to Communist Party,”](#) *The New York Times*, February 5, 2019.

<sup>22</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; David D. Kirkpatrick and Kenneth P. Vogel, [“Indictment Details How Emirates Sought Influence in 2016 Campaign,”](#) *The New York Times*, December 5, 2019.

<sup>23</sup> See [Rudolph and Morley](#), 2020, pp. 22-23.

<sup>24</sup> *Ibid.*

We've got similarly tailored proposals for corporate conduits for political spending, like shell companies or non-profits.<sup>25</sup> Shell companies are most problematic in Britain and America, where we also have the problem of undisclosed donations to political non-profits.<sup>26</sup> But non-profit conduits are an even bigger problem in Europe, because almost every EU member state allows third-party entities to spend money campaigning.<sup>27</sup>

For example, in Germany, third-party campaigning is completely unregulated, so we have no idea who provides most of the money to support Alternative for Deutschland, because most of it flows through an obscure non-profit tied to a Swiss public relations firm.<sup>28</sup>

Similarly in Austria, when Heinz-Christian Strache was caught on camera soliciting what he thought was Russian support, he suggested funneling money through a non-profit association, a channel he said has the benefit of, quote: "circumventing the court of auditors."<sup>29</sup>

In Italy last year, the League successfully amended their foreign-source ban to exempt "foundations, associations and committees," so they too can get foreign money through non-profits.<sup>30</sup>

This is a top issue, maybe *the* top issue, in Europe: Third-parties such as non-profit associations spending on politics need to be fully covered by campaign finance transparency rules.

There are also covert methods of funding online political ads, fringe media outlets, and crypto donor bots.<sup>31</sup>

And lastly, sometimes it's not a legal loophole, just a crime apparently committed. Before the past five years, that boldness was typically reserved for target countries seen by the perpetrating regimes as key strategic interests, like Ukraine or new NATO members.<sup>32</sup> Increasingly, though, it's moving Westward, like Matteo Salvini negotiating in Moscow to secretly funnel \$130

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<sup>25</sup> See [Rudolph and Morley](#), 2020, pp. 29-30, 34-35.

<sup>26</sup> See [Rudolph and Morley](#), 2020, pp. 25-27, 33-34.

<sup>27</sup> See [Rudolph and Morley](#), 2020, pp. 32-33.

<sup>28</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 Parteispenden: 10 Fakten zur intransparenten Wahlkampfhilfe für die AfD](#), Cologne, September 2017.

<sup>29</sup> See [Süddeutsche Zeitung](#), "[Strache-Video](#)," 2019-2020; Oliver Das Gupta, et al., "[Was außer Spesen noch gewesen ist](#)," [Süddeutsche Zeitung](#), May 16, 2020.

<sup>30</sup> See 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>31</sup> See [Rudolph and Morley](#), 2020, pp. 36-53.

<sup>32</sup> See [Rudolph and Morley](#), 2020, pp. 54-55.

million worth of Russian oil profits meant to support the League in the 2019 European election campaign.<sup>33</sup>

That's the end of our policy research. [Conclude slide presentation.]

I'll just finish by saying, from the perspective of many of us in Washington D.C. who have been out of government for the past few years and who are deeply committed to multilateralism and the transatlantic alliance: *Thank you*, again, for how you've—frankly—held together the international system and defended the free world in the face of authoritarian challenges, near and far.

Now, as we rebuilt ties and look to meet common threats, this committee is absolutely right to elevate the importance of covert foreign money. I'd just note two more areas where that needs to happen.

First, the EU needs some form of centralized authority or standards from Brussels. I've seen institutional progress on other financial security issues, such as screening sensitive foreign direct investments or establishing an EU-level money laundering authority. Those are terrific initiatives and the threat of political funding from third-country sources needs similar EU-level institutional defenses.

Second, this issue needs to be included in dialogue with the United States. The *Financial Times* reported on Sunday that the Commission and the high representative for foreign policy have jointly prepared an 11-page proposal for a new EU-US agenda.<sup>34</sup> I was very happy to see this, including the defense of democratic world from authoritarian powers. I'd just argue that alongside cyber-hacking and other financial-security issues, transatlantic dialogue should also involve learning from each other's approaches to bringing transparency to political funding from third-country sources. So the Commission should consider adding that before submitting the proposal for endorsement by national leaders next week.

With that, thank you again for everything you're doing, and I look forward to learning from your reaction and answering any questions.

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<sup>33</sup> See [Rudolph and Morley](#), 2020, pp. 57-59, 99-100.

<sup>34</sup> Sam Fleming, Jim Brunsten, and Michael Peel, "[EU proposes fresh alliance with US in face of China challenge](#)," *Financial Times*, November 29, 2020.