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21 July 2020

Orbis Director and co-Founder Christopher Steele was invited to give evidence to the Intelligence and Security Committee's Russia Inquiry. On the publication of the Russia Report we are happy to share Steele's strategic assessment, and have been given permission to do so by the ISC.

INTELLIGENCE AND SECURITY COMMITTEE- RUSSIA INQUIRY 2018

SUBMISSION FROM CHRISTOPHER STEELE, DIRECTOR, ORBIS BUSINESS INTELLIGENCE LIMITED

1. I have been invited to submit evidence to the 2018 Russia Inquiry of the Intelligence and Security Committee of the House of Commons. I am pleased to do so and offer the submission below which I hope will be of use to the committee in its work. Subject to provisions of confidentiality I would, of course, be happy to assist further if and when requested.

GENERAL OBSERVATIONS ON RUSSIA

2. Under president Putin I believe Russia has become a powerful *rogue state*. This was not inevitable. Russia has a modest economy, over-dependent on natural resources; a declining and unhealthy population; and has few natural allies. Contrary to popular belief, Putin has failed to develop a credible strategic doctrine for re-establishing Russia's place in the world post Soviet collapse. Rather, Russia's trajectory has been determined by a corrupt political elite seeking to protect its ill-gotten gains largely by opportunism. The failure of the West and international community more generally to deter the regime has allowed this to happen.

3. Since 2004 there have been a series of, what I would term, 'paradigm shift' events involving the Putin regime's policy and conduct. In each of these cases Putin, cornered politically and genuinely fearing regime change, has ordered or consented to actions that constitute a clear breach of international laws and norms. Each of these 'paradigm

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shifts' has surprised the West; been arguably a more egregious violation than the previous one; and failed to be countered effectively by the international community. Crucially, Western governments' hopes that mild conventional protest and a restrained response would lead to the re-establishment of stability in relations with Russia have been proven wrong.

4. I would highlight, as below, six key 'paradigm shifts' in Russian state behaviour, evolving towards the Putin regime's current rogue status:

- Dismantlement of the Yukos energy conglomerate and persecution of its leadership starting in 2004;
- Poisoning of Aleksandr Litvinenko using radioactive polonium in London in 2006;
- War with Georgia and occupation of Georgian territory in 2008;
- Invasion and occupation of Crimea and eastern Ukraine in 2014;
- Hacking and interference in western elections, particularly the US presidential election of 2016;
- Poisoning of defector Sergei Skripal' and his daughter, Yulia in Salisbury using a Novichok chemical weapon in 2018.

One could add to this list the destruction of Syria, especially by aiding and abetting Assad regime chemical weapon attacks. However, this has taken place over a longer period, rather than being a single, high impact event.

5. The most experienced Russia-experts and intelligence operatives would not have predicted or expected any, let alone all of the above 'paradigm shift' events, despite the preceding ones, at any time before they happened. I certainly did not. The limited punitive response to each of these Putin regime outrages has been perceived as weakness and has encouraged the Kremlin to double down on its rogue behavior, not least to impress an indoctrinated and gullible internal nationalist base of support. Even the impressive US and European solidarity with HMG in expelling known intelligence officers from multiple countries in response

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to the Skripal poisoning, was a conventional response. As such, I believe these measures have failed to hurt the core interests of Putin and his inner circle who would be much more vulnerable to unconventional measures targeting their personal wealth, ability to travel and family interests. This is especially the case in London/the UK.

6. I believe it is erroneous for western governments, including HMG, to assume that we have rational shared interests that the Russian leadership understands and accepts (for example in promoting general peace and prosperity). Ostensibly 'liberal' representatives of the Russian regime have paid lip service to these perceived mutual interests and some of them may have been superficially convincing. Hence, they have been given the benefit of the doubt resulting in, for example, former Secretary of State Clinton's so-called 'Reset' (a complete failure in policy terms). However, Putin and the ex-KGB clique surrounding him in his 'Ottoman court' style government do not think this way and have a *zero-sum* view of the world. Within this framework, anything that benefits the West (UK/NATO/EU etc.) necessarily does so at Russia's expense and the Kremlin therefore would prefer a lose-lose outcome to a win-win one. Tit-for-tat sanctions, that Russia economically can ill afford but via which the Kremlin seeks to make a political point, are an example of this.

7. The Kremlin also has a *particular interest* in and seeming obsession with the UK. In my opinion this is because the UK is less corrupt than other countries; has a much better understanding of the world than most; and has within its borders and dependent territories a large and influential Russian émigré community and vast amounts of illegitimate leadership wealth invested. Moreover, the Russian elite has succeeded in establishing a powerful interest group/lobby in Britain through lavish expenditure and investment. This itself merits closer attention from an intelligence perspective and tighter regulation/policing than is the case at present.

8. Unlike some other western governments, however, HMG has been unprepared to collude in disguising the Russian leadership's (illegitimate) wealth and in its persecution of dissidents and opponents. Putin and his cronies have a love-hate relationship with Britain. They firmly believe that if they can bully, embarrass and humiliate the UK, this will cow others in Europe and elsewhere to tolerate, and in some cases further, their corrupt and amoral agenda.

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9. Conclusions to be drawn are that:

- Russia has to be effectively deterred from rogue behavior and has not been in recent years;
- The Putin regime's trajectory is towards worse rogue behavior at each stage;
- We are now in an accelerating downward spiral that needs to be checked.
- The UK will continue to be a particular target for Russian rogue behaviour unless more effectively countered.

10. Overall, I would argue that Russia under Putin now represents potentially the most significant threat to the UK's institutions and way of life. No terrorist group has to date successfully deployed a weapon of mass destruction, either nuclear or chemical, in the UK. Russia has deployed both. If not effectively deterred going forward, clearly Putin's regime will stop at little to achieve its objectives.

THE INTELLIGENCE CHALLENGE

11. Russia is an opaque polity and economy and kept deliberately so by its leadership in order to protect its wealth and illegitimate interests. The rule of law is weak, the government institutionally dissembles without shame, and there is no free media to expose abuses, for example as the main stream media has done with the Trump administration in the US. Therefore, it has always been and remains a given that HMG's policy and approach to Russia depends on the collection and expert assessment of secret intelligence and counter-intelligence.

12. Former intelligence and security officers are prevalent in the Putin regime and even well beyond that, fanning out into the leadership structures of Russian business and industry (for example Sergei Chemezov at Rostec and Igor' Sechin at Rosneft). It is, therefore, only possible to understand the mentality and psychology of the economic

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elite by gaining an enhanced understanding of the Russian security services themselves.

13. Decision-making in Putin's Russia tends to be informal in nature, often based on the importance of personal, business and historic ties between key individuals rather than the state's formal architecture or official rank or position. Intelligence requirements placed on our collection agencies (SIS, MI5, GCHQ) must reflect this and target leading business structures as well as the machinery of government and Russia's armed forces. Family ties are also important, especially in areas such as the management of disguised wealth and sanctions avoidance. Resources need to be available for the British services to target and recruit sources outside the mainstream of formal Russian power structures and to target the émigré and visiting Russian community here in Britain. Engagement with private business intelligence companies with significant knowledge and capability in these areas would also be of value.

14. Many important political influence operations and intelligence collection efforts are carried out in the UK by Russian intelligence under non-traditional cover. For example, journalists from RT, rather than diplomatic cover officers from the Russian Embassy, seem to have been the main conduit to Julian Assange in the Ecuadorian Embassy in London.

15. Professional service firms who manage and lobby for Russian elites in the UK, in return for exceptionally lucrative contracts, should be given careful attention. Lawyers, accountants, estate agents and public relations professionals have all played a role, witting or unwitting, in the penetration of British political and business life by Russians who are actively pursuing nefarious state interests as well as their own. Not all are bad actors, of course, but many are party to corrupting and destabilizing forces emanating ultimately from the Kremlin. This gradual and more subtle erosion of our norms and politics, including our political parties, also poses a significant threat.

16. Resources allocated to understanding Russian leadership decision-making and its manifestation in a broad arc on the ground abroad should reflect the pervasiveness of the threat. Working in the private sector, I am not privy to such details but have the clear impression that

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HMG's current intelligence requirements on Russia are overly narrow and formalistic and resources currently insufficient to cover the target effectively.

17. My understanding, arising partly from personal experience with the 'Trump-Russia dossier', is that this government perhaps more than its predecessors is reluctant to see (or act upon) intelligence on Russian activities when this presents difficult wider political implications. Examples of this include reporting on the Kremlin's likely hold over president Trump and his family/administration and indications of Russian interference in and clandestine funding of the Brexit referendum. In the case of the so-called 'dossier', this was initially handled appropriately by senior British intelligence professionals but, on reaching top political decision makers, a blanket appeared to be thrown over it and those who had produced or were associated with it. No enquiries were made or actions taken thereafter on the substance of the intelligence in the dossier by HMG. In this case, political considerations seemed to outweigh national security interests. If so, in my view, HMG made a serious mistake in balancing matters of strategic importance to our country. A prospective trade deal should never be allowed to eclipse considerations of national security.

THE POLICY RESPONSE

18. A smart and effective HMG policy response would be the prize for properly understanding Putin's regime and the pervasive and fundamental threat it poses. Good policy must encompass an understanding of the regime's psychology and motivations. In order to achieve this, the UK needs well-resourced intelligence and security services and strong will and resolution in government. In my opinion, we have not achieved the necessary combination of these requirements in recent times. In the past, Russia under Putin had malign intent towards the West but lacked the capabilities to follow this through. This has changed as the means available to the Kremlin to conduct asymmetric warfare - hacking, fake news, infrastructure attacks and the corruption of national politics through dirty money - have grown. In some EU countries, especially those in Central and Eastern Europe, these tactics are currently prevailing for Russia. They must not be allowed to do so here.

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19. An effective and imaginative policy response is required *now*, in order to re-establish deterrence against Russia's rogue behavior, currently seemingly focused towards the UK. To this end, we must be prepared to threaten and actually to expose and undermine key regime figures in terms of their corrupt assets and behaviour in Britain and around the world. The UK financial regulatory bodies, especially the FCA and UKLA, should set the bar high in terms of due diligence and the business licensing regime. Measures such as the new 'Unexplained Wealth Orders' should be used to police the Russian elite operating in the UK and to impose tough financial and travel sanctions when justified. This would set an example to other countries in Europe, especially those lacking the capabilities and political will to combat the tide of Russian corruption and agitation aimed at stirring up civil discontent that is sweeping across the continent. A swathe of countries including Hungary, Czech Republic, Slovakia, Austria and even arguably Italy are succumbing to this Kremlin wave and becoming lost to us as trustworthy allies. Britain cannot allow this process to continue unchecked.

20. Apologists for the Russian elite in the UK and elsewhere will argue that we cannot afford to adopt such a robust approach because Russia is a source of much-needed inward investment, especially with Brexit looming. However, I would argue that what Putin and the Russian elite respect is clarity and toughness on our part. If HMG does not formulate and implement a more effective Russia policy with some urgency, the UK inevitably will face increasingly damaging consequences as Russian corruption and a nationalist and xenophobic political export model takes hold. Decisive action and a greater allocation of resources to intelligence work on Russia would appear to be required.

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