

# **BEYOND CORPORATE RAIDING: A DISCUSSION OF ADVANCED FRAUD SCHEMES IN THE RUSSIAN MARKET**



**NOVEMBER 9, 2010**

**Briefing of the  
Commission on Security and Cooperation in Europe**

**Washington: 2015**

**Commission on Security and Cooperation in Europe**  
**234 Ford House Office Building**  
**Washington, DC 20515**  
**202-225-1901**  
**csce@mail.house.gov**  
**http://www.csce.gov**

**Legislative Branch Commissioners**

**SENATE**

BENJAMIN L. CARDIN, MARYLAND,  
*Chairman*  
CHRISTOPHER DODD, CONNECTICUT  
SAM BROWNBACK, KANSAS  
SAXBY CHAMBLISS, GEORGIA  
RICHARD BURR, NORTH CAROLINA  
ROGER WICKER, MISSISSIPPI  
JEANNE SHAHEEN, NEW HAMPSHIRE  
SHELDON WHITEHOUSE, RHODE ISLAND  
TOM UDALL, NEW MEXICO

**HOUSE**

ALCEE L. HASTINGS, FLORIDA,  
*Co-Chairman*  
EDWARD MARKEY, MASSACHUSETTS  
LOUISE McINTOSH SLAUGHTER,  
NEW YORK  
MIKE McINTYRE, NORTH CAROLINA  
G.K. BUTTERFIELD, NORTH CAROLINA  
JOSEPH PITTS, PENNSYLVANIA  
ROBERT ADERHOLT, ALABAMA  
DARRELL ISSA, CALIFORNIA

**EXECUTIVE BRANCH COMMISSIONERS**

MICHAEL POSNER, Department of State  
ALEXANDER VERSHBOW, Department of Defense

## ABOUT THE ORGANIZATION FOR SECURITY AND COOPERATION IN EUROPE

The Helsinki process, formally titled the Conference on Security and Cooperation in Europe, traces its origin to the signing of the Helsinki Final Act in Finland on August 1, 1975, by the leaders of 33 European countries, the United States and Canada. As of January 1, 1995, the Helsinki process was renamed the Organization for Security and Cooperation in Europe (OSCE). The membership of the OSCE has expanded to 56 participating States, reflecting the breakup of the Soviet Union, Czechoslovakia, and Yugoslavia.

The OSCE Secretariat is in Vienna, Austria, where weekly meetings of the participating States' permanent representatives are held. In addition, specialized seminars and meetings are convened in various locations. Periodic consultations are held among Senior Officials, Ministers and Heads of State or Government.

Although the OSCE continues to engage in standard setting in the fields of military security, economic and environmental cooperation, and human rights and humanitarian concerns, the Organization is primarily focused on initiatives designed to prevent, manage and resolve conflict within and among the participating States. The Organization deploys numerous missions and field activities located in Southeastern and Eastern Europe, the Caucasus, and Central Asia. The website of the OSCE is: <[www.osce.org](http://www.osce.org)>.

## ABOUT THE COMMISSION ON SECURITY AND COOPERATION IN EUROPE

The Commission on Security and Cooperation in Europe, also known as the Helsinki Commission, is a U.S. Government agency created in 1976 to monitor and encourage compliance by the participating States with their OSCE commitments, with a particular emphasis on human rights.

The Commission consists of nine members from the United States Senate, nine members from the House of Representatives, and one member each from the Departments of State, Defense and Commerce. The positions of Chair and Co-Chair rotate between the Senate and House every two years, when a new Congress convenes. A professional staff assists the Commissioners in their work.

In fulfilling its mandate, the Commission gathers and disseminates relevant information to the U.S. Congress and the public by convening hearings, issuing reports that reflect the views of Members of the Commission and/or its staff, and providing details about the activities of the Helsinki process and developments in OSCE participating States.

The Commission also contributes to the formulation and execution of U.S. policy regarding the OSCE, including through Member and staff participation on U.S. Delegations to OSCE meetings. Members of the Commission have regular contact with parliamentarians, government officials, representatives of non-governmental organizations, and private individuals from participating States. The website of the Commission is: <[www.csce.gov](http://www.csce.gov)>.

**BEYOND CORPORATE RAIDING: A DISCUSSION OF  
ADVANCED FRAUD SCHEMES IN THE RUSSIAN MARKET**

---

**NOVEMBER 9, 2010**

**WITNESS**

Alexei Navalny, Founder, Minor Shareholders Association .....	Page 3
---	-----------

**PARTICIPANT**

Kyle Parker, Policy Advisor, Commission on Security and Cooperation in Europe .....	1
---	---

(IV)

# **BEYOND CORPORATE RAIDING: A DISCUSSION OF ADVANCED FRAUD SCHEMES IN THE RUSSIAN MARKET**

---

**November 9, 2010**

**Commission on Security and Cooperation in Europe  
Washington, DC**

The briefing was held at 2:00 p.m. EST in 1539 Longworth House Office Building, Washington D.C., Kyle Parker, Policy Adviser, Helsinki Commission, presiding.

Mr. PARKER. I'd like to call the briefing to order. Welcome everybody, on behalf of our chairman, Sen. Ben Cardin, to today's briefing at the Helsinki Commission entitled, "Beyond Corporate Raiding: A Discussion of Advanced Fraud Schemes in the Russian Market". We are very happy to have Alexei Navalny here as our featured panelist.

This is a public briefing. It is being recorded and will be transcribed and result in an official government transcript, much like a hearing. We are able to take public questions. So please, while you listen to the presentations, be thinking of good questions. One of my favorite parts of a briefing is that we really can have almost an informal, focused, guided discussion.

Before we begin, I just wanted to mention a couple quick things about the commission. We were founded in 1976 by an act of Congress, and our mandate is to monitor the implementation of the Helsinki Accords and subsequent commitments; and with particular focus on the third dimension, which is the human dimension.

As the basis for our work, one of the commitments, the 1991 Moscow concluding documents, states, "The participating states emphasize that issues relating to human rights, fundamental freedoms, democracy and the rule of law are of international concern. As respect for these rights and freedoms constitutes one of the foundations of international order, they categorically and irrevocably declare that the commitments undertaken in the field of the human dimension of the CSCE are matters of direct and legitimate concern to all participating states, and do not belong exclusively to the internal affairs of the state concerned."

So that's sort of the framework and the basis in which we operate. The topic of this briefing sort of grew out of a lot of our focus this year on rule of law, corruption, transparency, good governance issues—particularly in Russia. And certainly, the past few weeks, there's been no shortage of items in the news.

I also just wanted to read into the record a couple quick statements on the issue of corruption in Russia from three Russian leaders, and the first is from President Yeltsin: "I know that you have some doubt in our victory over corruption. But I have resolve and

political will, and your support in this fight. I will fight this to the end. People will be afraid to misappropriate public funds and take bribes.” That was in 1997.

Something from Putin: “I make this point now because despite all the efforts we have made, we have still not managed to remove one of the greatest obstacles facing our development—that of corruption.”

And now, a couple words from President Medvedev: “Corruption is the greatest enemy of a free and democratic society.” And a little more at length here, in an address to the Federal Assembly in 2009—President Medvedev again:

“Personal success, encouragement of initiative, a better quality of public discussion and zero tolerance of corruption should become part of our national culture, an intrinsic part of who we are. In Russia, we often say that there are a few cases in which corrupt officials are prosecuted.

I want to cite a few figures: In just six months of this year, we have received more than 4,500 cases of corruption, convicting 532 officials of government authorities and local self-government bodies, and more than 700 law-enforcement officers.

These figures unfortunately show the extent to which corruption has infected our society. However, simply incarcerating a few will not resolve the problem. But incarcerated they must be. To successfully combat corruption, all spheres of government must become more transparent, including the activities of public authorities, courts and other judicial bodies. We shall overcome underdevelopment and corruption because we are a strong and free people, and deserve a normal life in a modern, prosperous democratic society.”

I thought it might be helpful to put those out. I know we’re quite familiar with statements of legal nihilism and other things, but to have some of that before us in a little bit more detail.

Today’s briefing also features some testimony for the record from a couple people who unfortunately could not be with us today. The first one is Yana Yakovleva, who is a Russian businesswoman. And she had an experience of being arrested under false pretenses and spending the better part of a half of a year in jail; a phenomenon that’s unfortunately all too common in the Russian market. And she now continues her work at her company; as well, splits her time with a new NGO called Business Solidarity.

She has worked with Olga Romanova, who is the editor of Forbes Russia, which I might remind people is the publication that the late Paul Klebnikov worked for. She worked with Yana to compile a list of cases that they are working on, and that’s been distributed out of the table and will be made part of the record.

Olga’s husband is currently in jail, in one of these similar types of extortion schemes, and it has only recently been discovered what facility he was in. For some time, she was not aware of his whereabouts or whether he was even alive. He is alive, and I believe he, with the help of some people on the outside, have started an award-winning blog called the “Butyrka blog”. And Butyrka is an infamous Russian detention facility in Moscow.

So please do take a look at their submissions. And I know Alexei is quite familiar with a number of the cases that are in those submissions, so should questions arise—we also have something for the record on the case of Fedor Mikheev. Only last Thursday—first time in the public domain, again, a similar story of kidnapping, extortion, all manner

of, all manner of, well, I don't quite know what you'd call it. I guess, these advanced fraud schemes.

And there is a submission, it's out there on the table. It goes into a lot more detail than the Financial Times article did. One of the interesting things is, the people involved in this particular case—again, Fedor Mikheev is currently in jail—are almost, to a person, the same people who were involved in the fraud against Hermitage Capital Management and the death of attorney Sergei Magnitsky.

I am happy to have permission to include an article by Thomas Firestone, who was our resident legal advisor at embassy in Moscow. Tom may be joining us today, and certainly there is really nobody who knows this issue better in the U.S. government than Tom. And so please, if you have a chance, his article “Armed Injustice” is on the table and will be included in the record.

With that, I would like to turn it over to our featured panelist, Alexei Navalny, whose bio is on the table. Alexei was nominated, I believe, last year, as “man of the year” by Vedomosti. And a little humorously, just shortly ago, was elected mayor of Moscow in a virtual election that took place online—

Mr. NAVALNY. Virtual one. Virtual mayor.

Mr. PARKER. A virtual one, yeah. But what did you get, something—35,000 votes or 55 thousand?

Mr. NAVALNY. It was 75 percent.

Mr. PARKER. And his leading contender was against all. So Alexei sort of, in a sense represents a generation that has been locked out of politics and have taken to other means. And Alexei has made extensive use of new media and other modern technologies to advance his message and has come all the way from New Haven to be with us today. And with that, I would like to turn it over to Alexei.

Mr. NAVALNY. Thank you, Kyle, and thank you very much for this president's votes. It was funny. It was theory. And I'm going to talk about practice.

Thank you very much for having me here, and I would like to thank Sen. Cardin and Rep. Hastings for the opportunity to brief the U.S. Helsinki Commission on Russian efforts to battle corruption in Russian financial markets and on the implication of our efforts for American investors large and small.

I will also highlight the ways in which white-collar crimes leads to broader human-rights violations. And finally, I will outline a few possible strategies for international co-operation that would resonate with our efforts.

Over the past 10 years in Russia, political changes have given government officials broad reach in power. As a result, some of them have become involved in shady criminal business dealings, graft, fraud, embezzlement and money laundering. It can be very difficult to track these white-collar crimes, to expose them and to address them. Difficult, but not impossible, if one knows the lay of the land.

My law practice focuses on the shareholders' rights. We work within the corporate system by pressing management to maintain transparency, to respect the law and to abide international standards of accountability. We use both traditional media and grassroots methods, especially blogs, to rally public interest in corruption.

My personal blog has about 50,000 readers daily and has proven very efficient and effective change. In other cases, we alert minority shareholders about corruption and offer

them free proxy advice. We also apply legal pressure from outside of corporate system; specifically, we initiate formal investigation and file class-action suits in high-profile cases. We also work as activists to foster systemic change.

I will now review a few salient example of corruption and the strategies we have been applying in dealing with them. Because energy is a big business in Russia, I will focus on energy industry in choosing my examples.

First, let's consider the misappropriation of funds dedicated to the construction of major natural gas pipeline. Two pipelines—they look exactly the same. One in Russia, one in Germany. And actually, they are the same. They are both part of the one big pipeline. But despite the relatively high cost of labor and metal ore in Germany, cost of the Russian part of pipeline is approximately three times the cost of German parts, mile for mile. Why?

Because one, on the Russian project, money appears to have gone missing. Look at this funny couple. A construction company was engaged to build the Russian part of pipeline without even bidding. This company belongs to Vladimir Putin former judo coach Arkady Rotenberg. He and his brother were named the main constructors for Gazprom, the largest company in Russia.

You can see the official data from the Gazprom reports. These brothers became billionaires in short order. And Gazprom is refusing to disclose any information how the Rotenbergs got the contract. Actually, they get enough information—disclosure of information is a big change for the shareholders activists.

And Gazprom is not alone in hiding their dealing from public scrutiny. This is a very short and visual example for work to disclose their information. Normally, within a year, company should produce a tall stack of minutes as VTB Bank does, whose minutes you can see on the left.

Gazprom, Russian biggest corporation, produced the meager center stack. And Sugutneftgaz: very big company. The third Russian oil company produced just a couple of—literally a couple of pieces of paper. And they were really reluctant to give even these documents.

I was the first shareholder for all history who succeeded to force them to produce these couple of pieces of paper. And the content of this minutes indicate that board meet only a couple of hours throughout the entire year.

Turning to another natural resource, I draw the commission's attention to a case involving the petroleum trade. Russia is the biggest oil exporter in the world. We have five major oil companies, all publicly traded. Four of them were forced to sell an undisclosed percentage of their oil through Gunvor.

Gunvor is a small, privately held middle-man trading company based in Switzerland. Gunvor trades more oil than any other single entity in the world. As a minority shareholder I sent demand letters to all four companies seeking disclosure of how much oil they sell through Gunvor, under what conditions, at what prices and whether Gunvor received any preferential choice.

All companies refused to give any information about their cooperation with Gunvor. So I filed suit alleged on disclosure. Finally, the judge held all Gunvor's documents to be privileged and we can understand pretty well the real reason of this decision because the only one piece of information about Gunvor is well-known. That one of the owners

of this middle-man company is Gennady Timchenko, old friend and colleague of Vladimir Putin.

His position allows him to skim a small percentage of the top of each of millions of barrels sold and all legally. Very good business and he's a billionaire as well. Actually, it's a very interesting Russian phenomenon why all friends of Vladimir Putin who wants to be in business they became billionaires so soon.

My third example also comes from the world's energy resources. In Russia, a company called Transneft has a monopoly on the transportation of oil. According to the official records, Transneft not only a transportation monopoly but also the biggest charitable donor in Russia. They give half-a-billion dollars in charity over to U.S. Sounds good, indeed, but the problem is that no one knows who received the gifts.

After exhausting considerable efforts we were able to locate just two recipients of these mysterious charities. One of them is Kremlin Line Foundation Kremlin Line was created by the former secret service officials and we have uncovered sufficient ground to allege that this so-called charity is just a fraud through which Transneft pays bribe to secret service when Transneft want to squelch an investigation.

This strategy works for them. In our case we spent two years pressing the interior ministry to investigate this classified charity. After several months when the ministry had a deadline to announce the result of the investigation the representative came to the hearing and said, oops, we lost the file. There is no case anymore.

And of course it was a huge scandal, we sued them successfully and we forced them to start an investigation again. A couple of weeks ago when another deadline came and they were supposed to announce the result of investigation the representative came to the hearing and said, sorry, we lost the file again. Of course, this will set up a huge scandal so our work at least accomplished that.

Transneft still operates in shadows and is still hiding the identity of the recipient of the so called charity. But our litigation drew attention to the cover ups so the government was pressured into reinforcing our rules of transparency for Transneft. The company has been forced to disclose their own incrimination—even more incrimination information about their work. So we managed to use the system against the system to protect investors' interests efficiently.

I described just three, very typical, examples of the corruption among the dozens we are investigating. So why does it matter for you? Corruption in Russia effects share pricing for shareholders around the world which hurts corporate portfolios and the retirement funds of little American guy. It also made a hit to your tax base and your economy because U.S. funds have invested billions of dollars in Russian companies.

Not only do we fight to reduce the damage suffered by American and other investors but our work, also, draws attention to human-rights violations. When we expose corruption officials try to hide their tracks. At times some of them have resorted to violence and degradation to protect their careers.

In this connection I remind the commission of the chilling story of attorney Sergei Magnitsky who was jailed, tortured and left to die in the prison cell for his role in exposing corruption. He wasn't an activist, he wasn't a politician, he was just a lawyer investigating the crime against the state.

We are all grateful for emergent congressional support for the Justice for Sergei Magnitsky Act of 2010 sponsored by Sen. Cardin. Passing the bill will garner attention and we activists will all sleep more soundly. I found myself especially encouraged that Congress will be considering this bill in the light of recent events back home.

This weekend journalist Oleg Kashin was assaulted. Kashin is a friend of mine as he is a prominent Russian journalist. Here's the clipping from the official website of United Russia Youth League, a pro-Kremlin youth movement. The author has the words to be punished over a photo of journalist.

Within a matter of a month, he was attacked. The attackers broke his legs, his arms, his jaws; they smashed his hands. He lost finger as a result. He also sustained serious injuries of the head and has fallen into a coma. And actually, he's still in a coma.

The assault is presumed to be tied to Kashin's criticism to the Kremlin and their pro-Kremlin youth movement. The attack on Kashin highlights the connection between corruption and politically motivated violence. Kremlin officials are afraid of political change. So power is hard to let go—so is money.

The careers of corrupt officials are funded by graft. We are really eager to know who's funding the pro-Kremlin youth movement. If corrupt officials and private managers who are conspiring with them are forced to disclose this information any ties to pro-Kremlin organizations will be exposed. The Russian people and worldwide human-rights organizations will take notice.

If you're operating on emerging markets, you will hear a million times that all your attempts to fight corruption and to change the situation abroad are fruitless because of deep cultural roots of foreign corruption. I'm here to tell you that this is not true. We have very powerful tool to fight corruption in Russia. And because Russian corruption has passed laundered money through the United States we hope they will be prosecuted here, too.

I'm not a dissident; I'm an activist. I consider investment in Russia to have very high potential. I hope Americans will continue to invest in Russia but we need a little more political leverage to protect those investors.

I do not presume to ask commission to support any particular project or agenda. But I do hope Congress will take steps that will benefit both of our countries. I will leave the commission with a few additional thoughts about the battle against corruption. I'll start with a general principle, the principle of the carrot and the stick. Trust the carrot. Russian companies note that the greater transparency translates into the higher rating of their agencies such as American agencies such as Standard & Poor's, which means that they can borrow cheap money more easily.

Unfortunately, they also know that America tends to overrate Russian transparency. This tendency needs to be watched by Securities and Exchange Commission and, perhaps, legislated. Our efforts are bolstered by the Foreign Corrupt Practices Act in U.S. and the Bribery Act in the United Kingdom. Many of us dedicated to the anticorruption agenda are pleased to see these developments.

We also need to give the Russian corruptionists the stick. American investors should always listen carefully to what competent advisors says about specific Russian investments. These are such Risk Metrics, ICC; Glass-Lewis; Lincoln Jones and so forth.

Where the concerns arise, fund managers may need to pull out and allow the Securities and Exchange Commission to investigate or even initiate legal action in the United States. The SEC must remain fully empowered to tackle this problem.

The stick needs to be applied in another area, too. Almost all Russian state-controlled companies have ADR—American Depositary Receipts—here in the U.S. The privilege of issuing American Depositary Receipts should be tied to the rights of American investors, international investors and Securities Exchange Commission to bring suit and cases of fraud and embezzlement whether the alleged white-collar crime was committed in the United States or abroad.

Additional monitoring and enforcement of ADR rules is always a good thing. Although the Russian legal system is not free of corruption we Russian activists are able to make the system work. However, we need to see the U.S. develop a strategy for prosecuting crimes committed by corruptionists on U.S. soil.

I do not want to see U.S. act like a world police force. I'm not asking Congress to be involved itself in policing cover up within Russia. However, in my opinion, the United States could do a better job of investigating the trail of stolen money and enforcing consequences. An enormous amount of money stolen from investors have been invested in the U.S. real estate, bank accounts, American and European stocks.

This is money laundering and this is a violation of your federal law. In order to battle money laundering efficiently the Justice Department, the FBI, the Securities Exchange Commission, Homeland Security, State Department and so on may need to pool their sources in a new way and to be found to do so.

Making this a high priority would help investors, including Americans, recover billions of dollars per year—improving the economy of both our country and expose corruption that leads to human-rights violations and abuses. Thank you.

Mr. PARKER. Thank you, Alexei, for your testimony and for all of those examples. I'm glad you mentioned the Kashin case which is something—I don't know how many have seen the video. There is a video out there.

Mr. NAVALNY. This is horrific. This video is horrific.

Mr. PARKER. Particularly a brutal again, I don't even know the words to describe the type of brutality that's seen in the video and then another journalist on Monday. And there's another journalist who was involved in opposing this project who is partially paralyzed now and facing a libel suit from a regional official.

So you had mentioned this little stamp that was on the page. I just would note that it's no longer to be found on the website. I believe it's Muldi Aguardia.

Mr. NAVALNY. Yes. This is Muldi Aguardia but—

Mr. PARKER. It's been taken—

Mr. NAVALNY. Fortunately with Internet we can find—

Mr. PARKER. I'm actually highlighting that someone took it down. I'm not questioning that it was there and is well-meant to telling us a little bit more about Gannady Timchenko and Gunvor.

I brought here an article. I used the Congressional Resource Service to get because Timchenko sued—and successfully sued The Economist when there was a piece written on him. The piece had something—the title was something to the effect of “Grease My Palm” or something like that in The Economist in 2008.

Mr. NAVALNY. Actually, he wants to sue them but they decided to have a peaceful agreement.

Mr. PARKER. They had some agreement and, again, and what I have here it's not clear. But it's clear that this stuff is sensitive and that somebody doesn't want this, want this information in the public domain. As well, Alexei, thank you for mentioning the Magnitsky case.

Just as I was on my way over to this briefing I discovered that two of the lead people who—this is a press release we put out in April when Sen. Cardin sent a letter to the secretary of state asking that these people be barred from entering the United States. Well, we're almost a year later; no one has been brought to any justice or held accountable despite voluminous evidence.

Additionally, a number had been promoted and not only promoted but today I see in this announcement here—and I just had time to do a quick Google translation—that two investigators Pavel Karpov and Oleg Silchenko—Silchenko, I believe, is the person who the Moscow Prison Oversight Committee in their report on the Magnitsky case, sort of, argued was the most culpable—received today “best investigator” awards from the ministry of internal affairs of Russia.

And I don't know where to start. I have all kinds of questions. I hope a number of people out in the audience do. One thing I want to ask is, just on your work in Moscow and the corruption: Does the dismissal Luzhkov; do you expect that, that will disrupt some established, corrupt relationships, corruption networks? Is this something that's going to be severely disruptive or is it just?

Mr. NAVALNY. You mean in Moscow city?

Mr. PARKER. Yeah, in and around Moscow. I'm just wondering if this is there any bright side in this, at least, in the near term while people rearrange their position or the balance of power is worked out? I would imagine having been in office for so long that there were a number of things that—people got pretty comfortable and relationships were established.

So how disruptive do you think that the change will be to corrupt networks and relationships?

Mr. NAVALNY. I'm pretty skeptical about the possible changes with this Luzhkov dismissal because we have a very clear signal for the new Moscow authorities. And one of the signals is that Mr. Resin who's actually, kind of, symbol of Moscow corruption is still mayor deputy. This is the person who supervised all construction building and all these relationships in Moscow.

He's the person who has a hand watch which cost more than \$1 million and all his life he was an official. He never was involved in the kind of business and so on. And as this operation to replace Mr. Luzhkov is just an operation to connect the federal corrupt practices and Moscow corrupt practice because Moscow is a very big and very tasty piece of money. And it's just an operation of corruption—integration of corruption.

Mr. PARKER. Interesting. What about the recent raid over the weekend on Lebedev's bank? Is he done? How serious is this? What do you expect?

Mr. NAVALNY. Alexander Lebedev is—sometimes he's very aggressive in disclosing of corruption as in talking about corruption. And he actually did a big job to disclose

information about corruption practices in Moscow. But he's a business man and he's involved in business himself. And he's a very easy target.

He has guys to support him, of course and he's playing in this game using rules of this game. But he's—maybe this attack on his office is the signal for him and to prevent some of his ideas to investigate new cases because he's—he's a really easy target to attack.

Mr. PARKER. Like I said, many stories that have been out in the past couple of weeks is the possibility that WikiLeaks may be on the verge of a massive dump on, sort of, corrupt Russian officials. Are you hearing much in the blogosphere on that? And Russia is a tough audience. What's it going to take to shock the Russians?

Mr. NAVALNY. Of course I heard about it. But this statement of the WikiLeaks founder didn't have any impact on Russian audience because actually, for example, in Russia we have site *compramot.ru*. And we have a lot of very evident information. A lot of real information about the real crimes and a lot of proofs. And using just information from this website, we can put to jail half of Russian officials.

But the problem is that we have a real low barrier of tolerance to the information about corruption. So people are just accustomed to this information. They are taking their morning newspapers and reading, okay, another \$1 billion was stolen. Let's go to their culture department. We are just too accustomed to this information. So that WikiLeaks information cannot bring something new, something shocking for the Russian audience.

Maybe they have some information about, for example, about Gunvor because this area still is pretty closed about this mysterious third owner of Gunvor because we know that one of the owners of Gunvor is Gennady Timchenko, another one is a lawyer from Finland, I guess. And the third shareholder is Hedin and no one knows him.

Some people think that this is Mr. Putin. I don't think so. But I do believe that maybe all owners of Gunvor they're just nominal owners and real owner of Gunvor and person who got real benefits from this company is Mr. Putin, himself.

Mr. PARKER. I guess just sort of your take on—you want Americans, foreigners to do business in Russia, just to explore that a bit. I'm looking in this Washington Post piece—just late October: "Russian corruption takes on a life of its own". And this is a piece that came out around the new Transparency International ranking, which showed Russia slipping some at least numbers.

Although the sense that I heard from, sort of, digesting a lot of the ink that was spilled was that, probably, really not significantly worse than it had been. Certainly, probably not, better. But Sergei Markov, political analyst and member of the lower house is quoted in here saying Russia's leaders have been tentative about fighting corruption because they don't want to upset the stability that the country has finally achieved and stability is the main threat to economic growth. And corruption is not contradictory with economic growth.

Additionally he says, investors won't pay attention to Transparency International. They pay attention to their own experience. Some of them are quite cynical, for some of them corruption is good.

How important is this issue? Certainly, I don't imagine anyone would argue in favor of instability in Russia. And I guess, sort of, taking the whole environment as a whole and understanding, I guess, what's possible, what's realistic; what would you say to Markov?

Mr. NAVALNY. In Russia we have, very basically, two parties who are struggling now in corruption and fighting corruption is a hot issue in their fight. Some of the most advanced managers and officials they realize now that it's much more profitable to be transparent. That, actually, you can get much more money if you're transparent, if you have a good business.

But other part, basically, we can isolate with Mr. Putin. They really want to be engaged—still engaged in these heathen practices. They prefer this scheme of enrichment which I described. It's overpricing of construction, it's the, kind of, very strange charity schemes and so on and so forth. They don't want to mind in new styles.

They still don't realize that if, at least, they shift their corruption to the most sophisticated case it would be much easier for them. They still prefer to just classify all the information to just come to the company and take, literally, bags with the cash from the companies.

But other parties, as I mentioned, they have a real political reach to fight corruption. That's why I'm addressing to the U.S. and ask for their help because I believe that some force that you can apply it here in America will help Russian party to fight corruption.

As I mentioned, this idea of prosecuting Russian officials who are laundering money here in America will be real powerful tool and will bring real, positive change in Russia very soon because, now, officials and managers with whom I'm talking with they just are asking me, Alexei, please explain—give us at least one reason to be more transparent.

We're absolutely fine without corruption. There is prosecution here. There is no prosecution abroad. And the, kind of, potential danger for them will be created here in America, in Europe or in London. This will be a very powerful tool because they are stealing money in Russia but they invest it abroad.

They are buying luxury condos in Miami, Florida, in New York, in London. Their children are living here. They have education here and so on. So creating this potential danger will be very positive to Russia and to Russia parties to fight corruption. And I do believe that, actually, these efforts that you can apply here are not opposing to the Obama strategy of reset button because reset button doesn't mean that we should just ignore any corruption or should we just forget everything.

Reset button means that America is not going to policing in the Russian cases. We don't want you to invade Russian political area or something. You can use your own legal system to protect your own citizens and your own companies and through it help the Russia.

Mr. PARKER. Thank you. Questions from the audience? Please. We have a mike right there, we have some time. If you could just identify yourself and your affiliation and keep it sort of brief and make it a question. Do we have anyone? John, you have a question?

QUESTIONER. Hi. Thank you for coming and speaking. My name is John from Georgetown University and I have two quick questions. A lot of the cases that you worked with dealt with a lot of the high-profile companies like Gunvor and Gazprom.

But I'm sort of interested on a lower level how pervasive is this corruption on, I guess, smaller companies or even on a more local provincial level? And are there regional differences in Russia as well?

And my second is, you spoke about, sort of, the political will of who would find it more profitable to be more transparent. Are there people in the дума or even in the gov-

ernment right now that currently have that belief? Are they silent about it and is waiting for someone to come and sort of push this? Or where is this kind of sentiment and where does it hold most? Thank you.

Mr. NAVALNY. Okay, thank you. About lower level of companies—it's interesting because the fight for their minority shareholder's rights or fight with corruption on the lower level could be more efficient in Russia because there's no political agenda. For example, when I come to Russian court and I'm trying to sue Rosneft for their dealing with Gunvor. It's a kind of taboo for all judges. They're just afraid of hearing this word.

So this is a political issue. If you're going to sue Gazprom because of their corruption practices that everyone understand that actually you're suing, personally, Mr. Putin because it's his people making all of this corruption. And lower level you can—we can use successfully and we do use successfully a Russian legal system to fight corruption.

Sometimes on the lower level we can—much more violence, especially, in the regions. And if police or our special service involved in these crimes they can act much more violent because of lack of media attention to these cases. But anyway, we can succeed and people who are fighting corruption with this company they can succeed their aims.

About people in duma or in government who are—now who want to fight corruption. We have such people. And we can, generally, isolate them with Mr. Medvedev. I don't want to push this idea of bad president and good president so I—actually it's not true that we have a bad Mr. Putin and good Mr. Medvedev.

But anyway, around them—around Mr. Medvedev there are some people who really understand. They're open-minded and they understand that it's much more profitable to be more transparent. You can attract cheaper money and you can attract more investors and so on and so forth.

For example, Mr. Barkovich and actually Mr. Medvedev, himself—they are promoting the idea of replacing all officials on the company boards—replacing them by the independent members of the board. They are promoting the idea privatization of companies. Of course companies is extremely reluctant.

For example, they hid an idea to privatize Transneft which I mentioned here. But Transneft was powerful enough to cancel this idea. And a couple of weeks ago the government declared that they are not going to privatize this company.

But anyway, the Russian people who are really making it a tough job to fight corruption. But they have a lack of real levers because all the energy industry is under the cover of Mr. Putin and his colleagues.

Mr. PARKER. Along those lines—those questions. A quick point the Russian legal system, really, is a mixed bag. They're really some very good parts of it where lots of progress has been made in terms of rule of law and setting things up. And then there are other parts of it where you certainly wouldn't want to find yourself alone at night.

And also on the duma, I'd like to ask you, Alexei, what about Grishankov? Mikhail Grishankov who, I believe—at least, I know for a long time was associated with the Duma Security Committee. He has—was also in FSB or SVR or something like that. And he's someone we have met with and talked to over the years.

He's taken part in a lot of exchanges that have happened between our parliaments. And I notice him in this Wall Street Journal article on Yana Yakovleva's story, being

quite supportive. Is there anything you can say about Grishankov's efforts or other like-minded deputies?

Mr. NAVALNY. I cannot say something about Grishankov personally. But for example, duma's comments on the property are—they attract me as an expert, which was very surprising for me because sometimes I'm considered to be, kind of, official enemy of the state-controlled company.

And they ask me to give them some proposals. How to make company transparent and what kind of changes should be applied. And they are really open-minded now. And this project of a bill that they are preparing is a real revolution in these relationships.

The problem is that when these theoretical ideas would be applied to the particular company, the company realized that it would be a tragedy for them. And all officials who are connected with the companies who are sitting on the board of the companies; they support the idea of transparency in theory. But then they are thinking about the practice that we should disclose all this charity. What consequences would it be?

No one knows who gave these billions of dollars—millions of dollars to charity donors. We should disclose all the information about Rosneft, we should disclose all documents, we should play in the rules. And this is real money for real people. And of course, people who got this real money, they are absolutely reluctant to these new ideas.

So people who are sitting in duma and who are not engaged in the companies who are just making papers; they are ready to promote this idea. People in the government who should approve this idea; they are reluctant because they're connected and they are living by graft. Does that answer your question?

Mr. PARKER. Yes, no, very good. Other questions? Please.

Mr. NAVALNY. There's a question.

Mr. PARKER. Oh, okay. Yep. Tom? Yeah, if you don't mind. It just helps the transcribers get it better. I'm sure we'll all hear—and then Tom.

QUESTIONER. Hi. Richard White, Hudson Institute. Two questions. One, to what extent do these ties extend across the former Soviet republics? I'm particularly interested in the Caucasus and Central Asia.

And second, I have heard some of the people here worry that there's actually another problem that we're, perhaps, overlooking in that the Russian authorities have, sort of, a power to provide kompromat to Western and international institutions against people they don't like. And so for example, we are placing them in a position of, say, if they are having problems with a business person having them tell us that he's actually engaged in terrorism or corrupt practice and so on.

And knowing how energetic our U.S. Treasury, that means that person loses all access to international business and so on, so that in a way we're empowering the authorities to do something like that. And I've heard that just mentioned as a theoretical possibility from people. So I was curious if this is actually a problem.

Mr. NAVALNY. It's Kazakhstan and Turkmenistan. People with a very closed economy and a very well-connected with the Russian companies. Actually, Russia gave infrastructure for these countries to transport their oil and gas and so on and so forth through Russia.

And all this industry of transportation of their gas and oil is absolutely hidden and closed. A lot of cover ups in this area. And like, in Gazprom for example. I investigated

several cases of how they are dealing with the gas—the natural gas of independent production companies.

And this area of just giving infrastructure but buying gas and oil from the independent production company is very corrupt and very hidden and it's all about middle man, about overpricing and so and so forth. So did that answer your question? Okay.

And second was about—I'm sorry.

QUESTIONER. The possibility that because there's only certain bodies they can tell business people so you better do what we tell or we're going to tell the West that you're financing terrorism and therefore that means you won't ever get.

Mr. PARKER. Sort of the notion that there's credible kompromat on everybody or that kompromat is fabricated easily—or both?

QUESTIONER. Right, theoretically being both because, I mean, as we know in the 1990s it was hard to make any money with filing then laws. This actually for modeling this at Brookings. And I'm curious.

Mr. NAVALNY. I agree. Now, the thing works like this. It's a kind of bargaining. Everyone has a kompromat on everyone and okay, if you oppress us abroad with our accounts in Switzerland, we will press you here and we will press your company because they are engaged in corruption. And we can press American company. We can reveal some information about American companies which means that they will be prosecuted because of the Foreign Corruption Practices Act and will be fined over billions of dollars.

Now it works like this. It's a kind of bargaining. That's why I really think that we should eliminate this system because it just leads to increasing of corruption. We should apply real formal process and we should formalize all the system. If some American companies involved in criminal practices in Russia this company must be prosecuted in U.S. and without any—without any swaying and so on.

And U.S. officials, they should not afraid that pressing on Russian companies and Russian officials will bring some bad consequences for American companies. Because if any bad information about American companies exist, it would be revealed anyway. So it's better to play in a fair game.

Mr. PARKER. There's a question over here. Tom?

QUESTIONER. Tom Firestone. I'm with the U.S. Embassy in Moscow and I'm assigned there by the U.S. Justice Department. I worked as a prosecutor for many years here and I wanted to follow up on, make a comment really, on some of the—what you had said about the importance of prosecuting corrupt Russian officials in the United States.

It's a very good idea, and the Department of Justice has been pushing in that direction. Their organized-crime section came out with a new, international organized-crime strategy in 2008 which recommends exactly what you have recommended in your talk today: a new focus on international money-laundering cases, domestic prosecutions of foreign government officials for all the reasons that you've mentioned.

The problem with these cases and the reason more of them are not brought, it's not because any American prosecutor is necessarily afraid of the consequences for U.S.-Russian relations. It's just extremely difficult to make these cases in the United States.

To prosecute somebody—if you take a corrupt Russian government official from Krasnoyarskaya who's stolen money from the budget through a rigged privatization and then taken that money and moved to the United States—prosecuting him for money laun-

dering in the United States essentially requires the prosecutor to prove all of the corrupt actions from Russia.

That's very difficult because you're going to have to get all the evidence from Russia. If the guy still has influence there, he can prevent the delivery of the evidence. Even if you do get the evidence, you're going to have to get witnesses from Russia to come here and testify, and you're going to have to convince an American jury that there was a crime committed. And you're going to have to explain to an American jury what the privatizations rules were in Russia in the 1990s, whenever he did this; why it's a fraud, what the money was lost.

And it's just extremely difficult. And it's faced with the choice of doing that kind of case or prosecuting some drug gang that's running around in the neighborhood terrorizing people in your backyard. Most prosecutors are going to do the latter kind of case, and it's an understandable decision. It doesn't mean these cases shouldn't be pursued. I agree with you. But it's just difficult. It's not as easy as it may sound.

What I do think is promising—but you didn't mention it explicitly in your talk—is private litigation at the international level. We've seen a lot more of this in recent years. Yukos brought a \$100-billion claim against the Russian government in the European Court of Human Rights because the European Convention protects companies, not just individuals. Yukos investors have filed arbitration claims in various European arbitration fora.

Gene Burd, who's here today, has been involved in civil litigation brought on behalf of people who claim to be victims of corporate raiding in Russia here in the United States. What do you think of private—and it seems to me that those cases might be easier to make because the plaintiffs in those cases, having been involved in these businesses, are already in possession of a lot of the evidence which U.S. prosecutors are going to have to get through official channels. What do you think of private civil litigation?

Mr. NAVALNY. Okay, thank you for question. First of all, about difficulties in prosecution of this white-collar crime. As I said, yes of course, is difficult to treat them and to address them, this white-collar crime. But anyway, you have here in America some very successful examples. When you have a political wish, we can remind Mr. Borodin case, Mr. Adamov case. And American regulation by this very efficiently had a deal with these guys.

QUESTIONER. I was the prosecutor on the Borodin case. First of all, we didn't prosecute him; Switzerland prosecuted him for money-laundering. He was arrested here and extradited to Switzerland to face the charges, and they let him go for a small fine right away. So we never made any domestic case against Borodin.

The Adamov case, we did bring charges. He was arrested in Switzerland, at which point Russia brought its own charges against him and got him extradited to Russia—

Mr. NAVALNY. Yeah.

QUESTIONER. So that he never faced the charges here in the United States.

Mr. NAVALNY. But then you—wait—you launched this process, and these people had some nice experience to be in jail.

QUESTIONER. There was some justice, yeah. I guess you could say some justice.

Mr. NAVALNY. But anyway, it was very powerful and it was a huge impact inside of Russia. So of course, white-collar crimes is very difficult to investigate. But we should start it.

For example, Daimler case. Everyone knows about it. Daimler was fined here and there was no investigation at all in Russia. But all money, which were paid like a bribe from Daimler to Russian officials—actually Daimler paid on the foreign accounts, to the offshore, in the offshore countries and so on.

And I do believe that all this money which Daimler paid like a bribe, now here in U.S. or in United Kingdom. So we should just put more efforts here.

What about private litigation? Yes. I do believe that it could be most efficient. As I mentioned, if some new regulation will give opportunity for the American investors—or for Russian investors, for example—bring class-action suits, that would change everything.

Now, for example, if you are American and if you invested some money in company, and you have real grounds about the money embezzling in this company. You will sue them next day. And you can sue them very efficiently here in America. Why we cannot do the same for the Russian company, which have ADR here in America?

Because Russian company, they connect it very well with American system. They borrow money from America and so on and so forth. And if we can figure out how to use American legal system, civil system, to sue companies here, that would be verily huge impact. Because the way how they're stealing money now, it's very simplistic. Very evident. And with this proof and with these grounds, if we will find the way to sue them here, we can put a real pressure on all these corruptionists.

But it's not very easy. For example, it's very difficult to persuade American huge investment funds like Black Rock and other just to be engaged in these cases and to start this war because they consider all these like a kind of political story. They don't want to be involved in the kind of political investigation because all big corruption in Russia, it's corruption in company and in government.

So big companies—American companies—they be afraid about it and they don't engage with politics. And sometimes they—for example, American mutual funds: they don't even vote on the shareholders' meeting. They just ignore what's going on in Russia. And it's our common task to encourage them to realize that it's the part of their corporate social responsibility to investigate and to put pressure on Russian company where they invest some money.

QUESTIONER. Thank you.

Mr. NAVALNY. Thank you.

Mr. PARKER. Gene.

QUESTIONER. Gene Burd. Law firm, Marks & Sokolov; Philadelphia. Alexei, I just heard discussion—your discussion and Tom's discussion regarding private action in connection with corruption in Russia. And our firm brought several actions here in the United States in connection with various misdeeds of certain individuals in Russia.

One of the issues that we're facing in the United States with respect to the private course of action is the doctrine which exists here in the United States, which is called "forum non conveniens," which essentially prevents us of bringing private actions here in the United States where the events, where the witnesses, where there is other factors

took place outside the United States and where United States court would find, that it is most convenient for the justice, that this type of action is not brought here in the United States.

That is why some of the actions get dismissed. Some of the actions are going through in U.S. courts with significant friction. There is, however, there is also another recent impediment which was brought in the United States court system. I don't know if you've heard, but there is the Morrison case which was decided this year by the United States Supreme Court which severely limited application of the Securities Act outside of the United States.

My understanding is there is a current legislative proposal which is being moved here in the United States to provide specific language to the Securities Act to allow prosecution of crimes and violations of the Securities Act here in the United States, prosecution by the SEC and the Department of Justice. There is also proposal which hopefully will be, which will be supported here on the level of the commission and perhaps of the Congress: a proposal for the private right of action to allow the Securities Act—private right of action for cases where events took place outside the United States.

Finally, with respect to the FCPA, for the Foreign Corrupt Practices Act, there was a positive development in the United States. In the summer, the Foreign Corrupt Practices Act was amended to provide for the whistleblower provision. I don't know if you're familiar with that but essentially, at this point of time, any person with information—which relating to the corruption, the corrupt activities by U.S. companies or companies subject to jurisdiction under Foreign Corrupt Practices Act—can provide this information to the Securities and Exchange Commission and the Securities and Exchange Commission will consider this information for prosecution. And this whistleblower would be prosecutors.

So there are certain devices—there are some certain devices which are available here in United States for a private fight with corruption in Russia. But there are certain things that can be done and which, perhaps, should be done to give more ammunition to private lawyers to be able to defend interests of their clients. Thank you.

Mr. NAVALNY. Thank you. I absolutely agree with you. And yes, we have some tools which we can apply right now here in U.S. But we have a lack of jurisdiction. That's a big problem and a big issue. And I saw the statistic of the class-action suits against—class-action suits in America and amount of class action against foreign issuers is increasing.

So it's a good signal. Not just against Russian but all of foreign issuers. But anyway, I agree with you that we have connect all interests and connect all efforts, from the regulation budget, from Congress and from the private sector. Because we should realize that each—this is a problem, not just a Russian problem. The American investment funds—they are the same victims like me.

So the managers who are embezzling money from the countries: They are stealing money from the small American guy who have his retirement fund in the mutual fund invest company. And we should connect interests on these enormous and big American investment funds, and connect interests of American lawyers who can act very efficiently, how we know, and interest of the Congress and other regulation bodies.

And interest of Russian shareholders who are ready to give proofs, grounds, papers and so on and so forth here in America to prove this is the corruption. This is a fraud, this is money embezzlement.

QUESTIONER. Thank you.

Mr. PARKER. Anyone else? Another question? I wanted to ask just quickly, Alexei—what prospects or promise and maybe how effectively are the mechanisms being utilized, that are provided for by the UNCAC, the Convention against Corruption? As well, I believe, there's a Council of Europe group on corruption that has mechanisms that could be used. And then also, what if any effect could WTO membership for Russia have on corruption writ large?

Mr. NAVALNY. I have never, ever seen the real consequences of these acts—of these organization. They are very—not reluctant, they just don't care about what's going on. They just don't care about what's going on.

And now, maybe we have some opportunities to use this act and this organization are now vital. But now, it doesn't work, and I cannot see how it could work in the future. They have some—in theory, they have some tools to fight corruption, but it's very vague and unclear, and no one—it couldn't be an engine or a vehicle to fight corruption, unfortunately.

Mr. PARKER. What about WTO membership? Will that have any effect at all?

Mr. NAVALNY. I don't think so. For example, China and India and other countries, they are members of the WTO but they have the same problems like Russia. And WTO didn't give some additional opportunities to fight corruption.

Mr. PARKER. What about this new hotline, I believe, that the investigative committee has set up? I saw it was in the press some weeks ago where people could call in and open investigations, corruption. Is that something you're hearing much about?

Mr. NAVALNY. I didn't hear. What kind of hotline?

Mr. PARKER. It's a new number, a hotline that I believe—

Mr. NAVALNY. Oh, oh. This is ridiculous. We're establishing these hotlines every single year, and every single year, they are starting another campaign to fight corruption, and they are establishing hotlines.

Mr. PARKER. I'm wondering if you in the activist sector can find innovative ways to make use such mechanisms. Whether it be simply symbolic protests, mass call-ins—

Mr. NAVALNY. Actually, we used this opportunity. We don't use particular hotlines, but we use campaign of mass complaint. For example, we mentioned Daimler case. When I appealed my supporters in the Internet and blogs to write complaints about this case, Russian persecution office got more than 1,000 complaints. And it's really, actually, a press for them not because they should have investigated more accurately, but because it just bring more attention from the media, from the public and so on.

And so, like a method to attract media attention, it works.

Mr. PARKER. Media attention does not seem to—at least in a number of the occasions we've watched, blistering, withering media attention and has seemed to be powerless to sort of disrupt what looks very much like a culture of impunity around a lot of these cases.

That said the media intends—needs to be there for the record and—

Mr. NAVALNY. Yes, of course, media attention, it's not a kind of universal appeal, but sometimes it works. And, anyway, it works better when you have media attention than when you don't have it.

Mr. PARKER. Yeah. What strikes me is how, even the smallest, even symbolic efforts—and I'm thinking particularly of Sen. Cardin's appeal regarding simply the privilege to visit this country or whether or not U.S. banks would be required to freeze ill-gotten gains that even these very small, limited measures have been able to provoke as much of a howl as they have provokes drawing reactions from Russia's foreign ministry, drawing—so it seems to me that we really need to think there's a variety of sort of plains and realms of the battlefield. There's the legal realm, the political realm, the media realm.

Again, they're all important—

Mr. NAVALNY. I absolutely agree with you. And my main point is that you cannot fail a fight against corruption totally. Any efforts will bring some positive results, any efforts. So it looks like it's absolutely useless but, actually, it works.

We should just reinforce our efforts and be flexible and invent new mechanisms and new ideas how to fight corruption.

Mr. PARKER. Yes? Shelly.

QUESTIONER. Hi. I'm Shelly Han with the Helsinki Commission. And I just wanted to draw your attention to something that our commission heads, Sen. Cardin and Sen. Lugar, changed the provision in the securities law this summer as a part of the Dodd-Frank financial reform bill. And part of the purpose of that provision is to give investors a bit more of a voice in the oil and gas and mining industry.

Specifically, what it does is requires companies that are listed on U.S. stock exchanges and, also, have ADRs to report in their SEC filings the amount that they've paid for extractions of oil and gas and the foreign government and, also, in the U.S. as well to the U.S. federal government. So that's one tool that we think is going to be helpful. It's still being—the rules are still being written by the SEC.

But we've also started trying to expand that jurisdiction by getting the London stock exchanges to do the same thing because one of the companies that is not covered by U.S. stock exchanges is Gazprom, and so we'd like to see Gazprom, which is listed in the U.K.—we'd like to see them make this type of reporting, and that would be useful for investors as well to have that type of transparency.

Another thing that I wanted to ask you about is to see if you're familiar with the extractive industry's transparency initiative. Are you familiar with that? It's an international initiative where countries sign up to have their own companies and their government itself to—basically for the companies to publish what they pay to the government. And so it's a way of reconciling within a certain country—for example, Azerbaijan—(inaudible). And what they do—all the companies that are working in Azerbaijan make a report on a regular basis as to what they've paid for extraction to the government, and then the government is then reporting, and then the public—it's a transparency mechanism.

We're working as commission to try to get the U.S. to do the same thing because we think that transparency is good for everybody, not just other countries. But we'd also like to see Russia do it. And I'd like to ask, as an investor, if you think that type of

initiative would be helpful to address some of the concerns that you mentioned in the extraction industries.

Mr. NAVALNY. Thank you. I am not very familiar with this last initiative that you said which works in Azerbaijan. But people from transparency international actually told me that it works very good in Azerbaijan. So we can try to apply it in Russia.

As for your first idea, your first bill you mentioned about more regulation for the company which has ADR it would be great. It would it be very powerful. And I believe that more regulation of the ADR, especially if you will be able to transform it to London, where most of the countries have leasing, it will be really powerful because Russian companies—we should understand it very clearly—they cannot just escape to Hong Kong.

QUESTIONER. But Hong Kong—

Mr. NAVALNY. Oh, great.

So anyway, they cannot just ignore it or go out from the stock exchange all over the world. We should just frame it, and we should just make their area for corruption more narrow from every step.

If you will succeed to accept this bill, it would be very, very powerful tool.

Mr. NAVALNY. I mean, if you will be able to transfer to London.

QUESTIONER. Yeah.

Mr. PARKER. Yeah. It passed this summer.

Any last quick questions? We're winding down here on time. Does anyone have one last before we close up the record?

I certainly would like to thank everybody today. It's been an interesting discussion. This really is a massive topic, and I sort of am left still scratching my head wondering if it's as bad as it seems; has it always been this bad; is there any hope for it getting better.

On the one hand it seems like just picking up the newspaper that things have gotten so bad that could we be at sort of the proverbial darkness before the dawn or thinking of this as a frog in the water and somebody's just spiked the temperature and maybe something's going to change because sort of the universal recognition of the problem.

On the other hand, there's always sort of the turn towards increased cynicism and apathy. So again, it's hard to know. From our perspective, beginning it back to what we do here, the human dimension; it's certainly one thing to lose money in a country, and it's one thing to have wealth destroyed. It's another thing to lose your life.

And very sadly, in too many of these cases, there's really an incredible and a heart-breaking human cost of corruption. Whether that be in the many people who are wrongly accused who fill Russia's jails, which is part of the problem of overcrowding is the fact that there are a lot of people sitting in jail who shouldn't be sitting in jail, or whether it's that, there's a lot of material on the table there that will be in the hearing record here that we have not been able to even get into today. And I really urge you to take that, like I said, Tom Firestone's article, "Armed Injustice," the story of the Mackievs, Romanova and Yakova's submission.

I mean, these are heartbreaking cases. Mrs. Mackiev is a mother of two, and her husband is up in Komi Republic in jail still. And this whole criminal network has been exposed. We've known about it for a number of months. It was in the Financial Times

on Thursday. We are releasing some additional information on the story, and yet today, as I said, on my way here, some of the lead players are awarded best investigator.

So what does this mean? And they know this is being discussed here. I mean, our hearings, what we do here is on the record. We put out press releases. So really, that's something I just would like to underscore, from our perspective of the human dimension. There's corruption around the world, and I don't think any of us are naive enough it think that we're going to end corruption.

But can it be limited? Can be it moved from a sector where it does more damage to a sector where it does less damage? Can it be less brazen and in-your-face? I don't mean to set our sights too low and say we're prepared to accept a certain amount of corruption, but it is a reality. Human nature is a reality and, certainly, we're not changing that any time soon.

We'll have a video and a transcript of this event up very soon, probably today or tomorrow. And before we go, I would like to draw your attention—we do have a notice outside, and many of you maybe have seen the poster we have up—next week, an event that the Helsinki Commission will convene one week from today at 5 o'clock in the Capitol. We will do the world premiere of the film “Justice for Sergei”. It's just under an hour. It's a very moving film, particularly highlighting sort of the human costs of corruption. Everybody is invited. Please tell your friends and neighbors. The more the merrier. We have a big room, and we have a very interesting lineup of speakers to offer remarks before the event.

And I also mention that Olga Romanova, who submitted testimony for today's event, is in the film. So you didn't get to see her today, but come next week and see her. Her husband happened to share a cell with Sergei Magnitsky during his incarceration. And so she offers some very personal insights to what it was like for Mr. Magnitsky during his year-long detention.

With that, we'll adjourn the briefing. And, again, I thank you all for coming.





This is an official publication of the  
**Commission on Security and  
Cooperation in Europe.**



This publication is intended to document  
developments and trends in participating  
States of the Organization for Security  
and Cooperation in Europe (OSCE).



All Commission publications may be freely  
reproduced, in any form, with appropriate  
credit. The Commission encourages  
the widest possible dissemination  
of its publications.



**<http://www.csce.gov>      @HelsinkiComm**

The Commission's Web site provides  
access to the latest press releases  
and reports, as well as hearings and  
briefings. Using the Commission's electronic  
subscription service, readers are able  
to receive press releases, articles,  
and other materials by topic or countries  
of particular interest.

Please subscribe today.