

**Commission on Security & Cooperation in Europe:
U.S. Helsinki Commission**

**“Russian Violations of the Rule of Law: How Should the U.S. Respond? 3
Case Studies”**

Committee Members Present:

**Representative Christopher Smith (R-NJ), Chairman;
Senator Roger Wicker (R-MS), Co-Chairman;
Representative Robert Aderholt (R-AL)**

Witnesses:

**Vladimir Kara-Murza, Coordinator, Open Russia Movement;
Alan Larson, Senior International Policy Advisor with Covington & Burling
LLP, Former Under Secretary of State for Economics and Career
Ambassador, U.S. State Department;
Tim Osborne, Executive Director of GML Ltd., Majority Owner of Now-
Liquidated Yukos Oil Company;
Stephen Rademaker, Principal with the Podesta Group, Former Assistant
Secretary of State for the U.S. State Department Bureau of Arms Control and
the Bureau of International Security and Nonproliferation**

**The Hearing Was Held From 1:59 p.m. To 3:44 p.m. in Room 2255 Rayburn
House Office Building, Washington, D.C., Representative Christopher Smith
(R-NJ), Chairman of the Commission for Security and Cooperation in
Europe, presiding**

Date: Wednesday, October 21, 2015

SMITH: (Sounds gavel.) Good afternoon and thank you for being here. It's great to be joined and to be working side by side with our very distinguished co-chair, Senator Wicker. On behalf of both of us, I welcome you to our hearing today.

We look forward to learning from our witnesses where the Russian government is in respect to the rule of law, and what you recommend our government and the OSCE should do in response to serious breaches that they have made, particularly in recent years. In accord with the three dimensions of security provided by the OSCE, we will look at Russia's respect for the rule of law and in terms of its military security, commercial and human rights commitments.

To focus our scrutiny, we have chosen three case studies where the question is current in U.S.-Russian relations: arms control agreements, the Yukos litigation and instances of abduction, unjust imprisonment and abuse of prisoners.

Forty years after the signing of the Helsinki Final Act, we face a set of challenges with Russia, a founding member of the organization, that mirror the concerns that gave rise to the Helsinki Final Act. At stake is the hard-won trust between members, now eroded to the point that armed conflict rages in the OSCE region. The question is open whether the Act's principles continue to bind the Russian government with other states in a common understanding of what the rule of law actually entails.

In respect to military security under the 1994 Budapest Memorandum, Russia reaffirmed its commitment to respect Ukraine's independence, sovereignty at existing borders. Russia also committed to refrain from the threat or use of force or economic coercion against Ukraine. There was a quid pro quo here. Russia did this in return for transferring Soviet-made nuclear weapons on Ukrainian soil to Russia. Russia's annexation of Crimea and subsequent intervention in the Donbass region not only clearly violate this commitment, but also every guiding principle of the 1975 Helsinki Final Act.

It appears these are not isolated instances. In recent years, Russia appears to have violated, undermined, disregarded or even disavowed fundamental and binding arms control agreements, such as the Vienna Document, and binding international agreements including the conventional forces in Europe, Intermediate Nuclear Forces and Open Skies Treaties.

In respect of commercial issues, the ongoing claims regarding the Russian government's expropriation of the Yukos Oil Company are major tests facing the Russian government. In July 2015, GML Limited and other shareholders were part of a \$52 billion arbitration claim awarded by The Hague Permanent Court of Arbitration and the European Court of Human Rights (ECHR). In response, the Russian government is threatening to withdraw from the ECHR and seize U.S. assets should Americans – American courts freeze Russian holdings on behalf of European claimants, while filing technical challenges that will occupy the courts for years to come.

All of this fundamentally calls into question Russia's OSCE commitments to develop free, competitive markets that respect international dispute arbitration mechanisms such as that

of The Hague. I note that the U.S.-Yukos shareholders are not covered by The Hague ruling for their estimated \$6 billion in losses. This is due to the fact that the United States has not ratified the Energy Charter Treaty under which European claimants won their case.

So we look forward to learning more about the continued absence of a bilateral investment treaty with Russia and how that has handicapped U.S. investors in Russia's energy sector, and whether the State Department should espouse shareholder claims with the Russian government.

Mr. Kara-Murza, we were all relieved and delighted to learn that you are recovering from the attempt that was made on your life by poisoning in Russia earlier this year. Your tireless work on behalf of democracy in Russia, and your personal integrity and your love of your native country, is an inspiration. It is true patriotism, a virtue sadly lacking among nationalistic demagogues.

Sadly, the attempt on your life is not an isolated instance. Others have been murdered, most recently Boris Nemstov, and both your case and his remain unresolved. In other cases, such as the abductions, unjust imprisonments and abuses of Nadia Savchenko, Oleg Sentzov and Eston Kohver, we are plainly dealing with public actions by the Russian government. Nadia, a Ukrainian pilot and elected parliamentarian, was abducted by Russian government agents, imprisoned, subjected to a humiliating show trial, and now faces 25 years in prison for allegedly murdering Russian reporters who, in fact, were killed long after she was in Russian custody.

Meanwhile, the Russian court has sentenced Ukrainian film director Oleg Sentzov on charges of terrorism. Tortured during detention, Sentzov's only transgression appears to be his refusal to recognize Russia's annexation of the peninsula and his efforts to help deliver food to Ukrainian soldiers trapped on their Crimean bases by invading Russian soldiers. And the kidnapping and subsequent espionage trial against Estonian law enforcement officer Kohver demonstrates Russia's readiness to abuse its law and judicial system to limit individual freedom both within and beyond its borders.

I'd like to yield to my esteemed colleague, Co-Chairman of the Commission.

WICKER: Thank you, Mr. Chairman. Those making scheduling decisions have not cooperated with us today. It's not their fault but we have some unfortunate conflicts. Because of that I'll simply subscribe to your very fine opening statement, ask permission to insert into the record at this point a brief statement in lieu of making it verbally, and thank each one of these distinguished panelists for being with us today.

SMITH: Thank you so very much, Senator Wicker.

I'd like to now turn to our witnesses. We are fortunate to have with us four distinguished witnesses, some of whom have traveled from overseas to help us better understand what is happening in Russia and how Congress and our government can encourage rule of law in Russia.

We'll begin first with the Honorable Stephen Rademaker, who has had a long career in public service, working on national security issues in the White House, State Department and both houses of the U.S. Congress. He has worked directly on a number of arms control issues, including the Treaty of Non-Proliferation of Nuclear Weapons, and led U.S. strategic dialogues with Russia. He has testified on numerous occasions before the House Committee on Foreign Affairs, the House Armed Services, my subcommittee, and has spoken repeatedly about Russia's violations of arms control treaties.

We'll then hear from Mr. Tim Osborne, who is the Director of GML Limited, the majority owner of the now-liquidated Yukos Oil Company. On behalf of GML shareholders, Mr. Osborne has been at the forefront of the suit against Russian Federation for the discriminatory expropriation of Yukos Oil Company and its assets.

GML filed a claim under the terms of the 1994 Energy Charter Treaty based on the Russian Federation's failure to protect the company's investments in Russia. The Energy Charter Treaty arbitration and the subsequent \$50 billion award on behalf of the claimants – yet to be enforced – is the largest ever filed. Mr. Osborne has regularly given guidance to several government inquiries focused on the Yukos affair and the current situation in Russia. Welcome, Mr. Osborne.

We'll then hear from Ambassador Alan Larson, an economist and decorated diplomat, having served as secretary of state for economics, and assistant secretary of state for economic business affairs, as well as ambassador to the OECD. He has helped win approval of the U.S. Committee on Foreign Investments in the U.S. for some of the highest-profile foreign investments in the U.S., including several state-owned companies and sovereign wealth funds. He is currently with Covington & Burling, assisting U.S. Yukos shareholders, pursuing compensation for their illegally expropriated shares. He has also testified on multiple occasions for the House and Senate.

And finally we'll hear from Mr. Vladimir Kara-Murza, who is a coordinator of the Open Russia Movement, a platform for democracy. He was a longtime colleague and adviser to Russian opposition leader Boris Nemstov and deputy leader of the People's Freedom Party, established and led by Mr. Nemstov.

Mr. Kara-Murza has been a journalist, a candidate for the Russian parliament and a Russian presidential campaign manager. He has also testified on the human rights situation in Russia, both in the U.S. and in Europe, including speaking in support of the U.S. Magnitsky Act as well as calling for similar legislation in Europe.

We are joined by Mr. Aderholt. Any opening comments?

ADERHOLT: No, I'm good. Go ahead.

SMITH: OK. So I'd like to now yield to Mr. Rademaker for his opening statement.

RADEMAKER: Thank you very much, Chairman Smith and Co-Chairman Wicker, Mr. Aderholt. I very much appreciate the opportunity to speak to you today on this subject. I do need to begin with an apology. I have to leave at 3:00 to catch an airplane. I think that was understood when I agreed to do this, but I'll stay as long as I can and then, with apologies, leave.

As you indicated, Mr. Chairman, in your opening statement, this panel is to look at the three dimensions of the OSCE and Russia's compliance with the rule of law across those three dimensions. I've been asked to focus on the security dimension and particularly focus on Russia's compliance with five arms control-type agreements, the Budapest Memorandum of 1994, the Conventional Forces in Europe Treaty of 1990, the Intermediate Range Nuclear Forces Treaty of 1987, the Open Skies Treaty of 1992 and the Vienna Document on confidence and security-building measures first agreed in 1990 and most recently updated in 2011.

What I do in my prepared remarks is go through each one of these and sort of summarize what the agreement provides for. Then I look at how Russia has complied or failed to comply. And then at the end of my prepared remarks I draw some overall conclusions about what we can expect from Russia and why they're behaving as they are. Here I just intend to summarize, and briefly I'll run through those five agreements.

The first one is the Budapest Memorandum. And, Mr. Chairman, you spoke pretty clearly to that. It's worth recalling that in 1994 Ukraine was the proud owner of the world's third-largest nuclear arsenal. They had inherited it from the Soviet Union. And what the Budapest Memorandum was about was persuading Ukraine to give up the world's third-largest nuclear arsenal. As part of that they received some security assurances from, among others, Russia. And I'll just quote what the relevant assurance was because it's quite remarkable in the context of what's happened over the last year or so.

Russia, among others, pledged – and I'll just quote here – pledged to “reaffirm their obligation to refrain from the threat or use of force against the territorial integrity or political independence of Ukraine.” Obviously the Russians have made a mockery of that since last year. They've been called on that by the Obama administration and by everyone else. And it does raise questions about whether countries in Ukraine's situation in the future, who are being asked to make sacrifices in the nuclear proliferation area in exchange for security assurances, whether they will take those assurances seriously given what's happened with implementation of the Budapest Memorandum.

The CFE Treaty was the conventional arms control agreement applicable to Europe. It was a very important agreement. It helped bring about the end of Cold War tensions in Europe. But throughout the 1990s Russia became increasingly uncomfortable with it, and in 2007 President Putin simply announced that Russia would suspend – and that was the term he used – he would “suspend” Russia's implementation of the treaty.

There is no provision in the treaty for suspension of implementation so the reaction of the other parties has been to say that that's simply not a permissible option. But, by 2011, it was evident that Russia was not going to come back into compliance, so as of today the treaty remains in force among the other parties, but Russia does not submit to inspections and data

exchanges under the treaty and we don't allow Russia to do inspections in other countries as a corresponding measure.

And I think the fundamental issue here is Russia simply concluded this treaty was not serving their interests as they were fighting wars in places like Chechnya. And there were issues about their deployments of forces in Georgia and in Abkhazia and South Ossetia, as well as in Moldova. So for them the treaty became an irritant and they simply disposed of it.

The INF Treaty is a commitment by the United States and four of the former Soviet states to not possess intermediate-range missiles; that is, missiles with ranges between 500 and 5,500 kilometers. This is another treaty that Russia has become increasingly unhappy with over the years, and as of last July the Obama administration concluded that Russia was in violation of the treaty because they were testing a missile of INF range in violation of the treaty. It took the administration a while to come to that conclusion. I think they were – they appeared to be reluctant to come to that conclusion but the facts forced them to do so. Russia claims that it's still in compliance. It disputes the notion that it's violating that treaty, but the position of the United States government is that Russia is in violation of the INF Treaty.

The Open Skies Treaty is a regime of aerial inspections using photography and other sensors. Flights from states' parties overfly the territory of other members. Russia complies with the Open Skies Treaty but they have adopted a number of measures that are inconsistent with the spirit of the Open Skies Treaty. There's an obligation under the treaty to make all of your national territory available for aerial observation and they have declared a number of zones to be off limits, including over Moscow, over Chechnya, near Abkhazia and South Ossetia. And most recently they adopted a new set of restrictions that makes it very hard to conduct observation in the Kaliningrad enclave.

Finally, the Vienna Document is not a treaty; its confidence and security-building measure (CBSM), voluntary measures that the members have agreed to take. I'll just read what the Obama administration said about Russia's compliance with the Vienna Document in this year's Arms Control Compliance Report. The administration stated: "The United States assesses Russia's selective implementation of some provisions of the Vienna Document and the resultant loss of transparency about Russian military activities has limited the effectiveness of the CBSM regime."

So this term "selective implementation" is really the term that the Obama administration has come up with to describe what Russia is doing. I think the most vivid illustration is that, as they conduct military exercises along the border with Ukraine and conduct military operations along that border, it would appear that they need to report those under the Vienna Document transparency regime.

They've not been doing that, and they've been offering technical arguments about why they're not required to. They claim that the troops aren't under unitary command. And they have similar hairsplitting explanations of why they're not complying, which raise questions about either whether they're being truthful about the nature of the operations or whether they've – alternatively, perhaps, they structured the operations in a way to evade the compliance – the

reporting obligation. But either way, they are not acting consistent with the spirit of the Vienna Document.

I'm probably running out of time, so maybe I'll just quickly conclude by saying that I think the overall pattern that emerges here is clear. Russia will comply with arms control agreements to the extent it considers them to be in their interests, but the moment they conclude that they're no longer in their interest they will stop complying. And you can see the pattern with the Budapest Memorandum. They're simply ignoring it and acting inconsistently with it. In the case of the CFE Treaty, they've effectively terminated it. In the case of the INF Treaty, they continue to pay lip service to the treaty but they are judged to be in violation of it. And then for Open Skies and the Vienna Document, they're selectively implementing them in a way that suits their interests.

What can we do about this? You know, I address that in my prepared remarks. The bottom line is I think it's a difficult problem. I don't think we're going to be able to reason with the Russians about this. The things they are doing are strengthening support for the NATO alliance in Central and Western Europe. They're reviving the interest of some of the countries that are not currently in NATO. Countries along Russia's borders are more interested in joining NATO after observing what the Russians are doing.

So, taking the Russians at their word about what they're most concerned about, the policies they're following seem to be backfiring. But explaining that to the Russians, in my personal experience, is not a very productive way to go. They don't like being lectured by foreigners about what's in their national interest. They think they're the best judge of their national interests. So I'm not optimistic that we can reason with them about what they're doing here.

We can try and sanction them. In fact, arguably that's what we're doing over Ukraine. We're sanctioning them to try and come back into compliance with the Budapest Memorandum. You know, I guess I'd say the sanctions so far obviously have not reversed their policy, and personally I have a hard time imagining some combination of additional economic sanctions that we could apply on Russia that would yield a different outcome. I'm interested to hear suggestions of what might work, but personally I'm skeptical that there is some formula out there of additional economic sanctions that would persuade Russia to change course.

So the final option is one that Fred Ikle, who was something of a scholar about arms control compliance, suggested in really kind of the seminal article in 1961 on what to do when arms control treaties are violated. He made the observation that, "political sanctions are likely to be less effective than an increased defense effort," in response to arms control violations. So I think that observation is true, but I guess the Russians seem to be calculating that there's not the will in the United States and among other NATO members to respond to what they're doing through an increased defense effort at this point.

So if we have no good options for persuading the Russians to change course, I think we're just going to have to be patient and deal with them as they are in the meantime. I'm confident that, in the long term, Russia will realize that it's not in their national interest to have a

confrontational policy or policy of intimidation toward their neighbors in Europe, but they don't seem to have recognized that today and I think we just need to wait until they come around.

ADERHOLT: Thank you for your – for your testimony.

We are – as you can probably hear from the buzzer, we have been called for votes. So we're going to do a short recess here and allow Congressman Smith and myself to now go cast our votes. So we'll just take a short recess for a few minutes and pick back up probably after – I think there's three more votes.

MR. SMITH: I expect members will be returning between 2:30 and 2:35.

(Recess.)

SMITH: The commission will resume its hearing. And again, I want to apologize to all of you, including our witnesses, for that break. We don't expect another vote until about 6:00. So unless we get a fire drill, we'll be OK.

So, had you finished or –

RADEMAKER: Yes, Mr. Chairman, I concluded my remarks.

SMITH: Thank you very much. Mr. Osborne?

OSBORNE: Thank you. Mr. Chairman, thank you for inviting me to today to testify concerning the economic dimension of the Helsinki process, specifically the Russian government's failure to uphold the rule of law in the Yukos case. My name is Tim Osborne. I'm a director of GML Limited, the indirect majority shareholder of the former Yukos Oil Company.

The Russian Federation's actions with regard to Yukos are a case study on Russia's behavior and a cautionary tale on the risks of investing in the Russian market. I've been involved in two separate legal processes surrounding the Yukos case in which Russia has clearly demonstrated its attitude to its international legal obligations and the rule of law. Today I will address the following key points: Russia's violations of its international legal obligations in the Yukos affair; the importance of rule-of-law mechanisms, specifically the Energy Charter Treaty and the New York Convention; and GML's ongoing enforcement and collection actions in the United States and globally.

GML Limited, through its wholly owned subsidiaries and Veteran Petroleum Limited, a pension fund for Yukos employees, owned approximately 70 percent of Yukos. When Yukos was nationalized in 2004, through spurious tax claims and rigged auctions, we tried very hard to talk to the Russian Federation to reach a reasonable compromise and have tried many times since. These approaches are mainly ignored but otherwise completely rejected.

Consequently, in 2005, Hulley, Yukos Universal and Veteran filed suit and began arbitrations under the Energy Charter Treaty at the Permanent Court of Arbitration in The Hague. The Energy Charter Treaty is a multilateral investment treaty reached in 1994 to promote investment in the energy sector of the former Eastern Bloc nations and included a dispute resolution mechanism for disputes between investors and host countries.

In July 2014, the independent arbitration panel concluded that the Russian Federation had, in violation of the Energy Charter Treaty, expropriated Yukos and without paying any compensation. The tribunal awarded damages to Hulley, Yukos Universal and Veteran in excess of \$50 billion. This is the largest amount of damages ever awarded in a commercial arbitration and would not have been possible without the use of the Energy Charter Treaty.

Russia has applied to the court in The Hague to have the award set aside. This is not an appeal but a limited right to have certain aspects of the award reviewed by the court. In particular, Russia has the right to ask the court to consider in full whether there was, in fact, a binding arbitration agreement. In my view, the application to set the award aside has little chance of success and is nothing more than a further delaying tactic. The Russian Federation's strategy throughout the arbitration process was primarily to delay matters as much as possible.

Another important rule-of-law element to this case is that there is a mechanism to allow collection of the awards. The New York Convention is a multinational treaty signed by over 150 countries, including Russia. It provides a framework for the recognition and enforcement of arbitration awards. In order to enforce an award it must first be recognized or confirmed by the local court.

Once recognition is complete, then the award becomes a binding ruling of the local court and is enforceable as such. Enforcement is effected by identifying and claiming relevant assets belonging to the defendant's sovereign government. Enforcement usually is not possible against diplomatic, noncommercial assets of a sovereign state used for sovereign purposes – e.g. embassy buildings.

Enforcement and collection of the awards is not simply theoretical. It is happening as we speak. In the United States we commenced our recognition action, here called confirmation, by issuing proceedings in the district court in Washington. The court gave permission for the papers to be served on the Russian Federation. Russia has appointed a leading U.S. law firm to represent it, and the Russian Federation's deadline for filing its opposition brief was yesterday. They filed late last night, and it's a voluminous filing which we have not yet read, but it will give you some indication if I tell you it took six hours for them to upload the papers.

We've commenced similar processes in the United Kingdom, France, Belgium and Germany. In France and in Belgium the awards have been recognized already. Exequaturs have been issued, and these permit immediate enforcement against Russian Federation assets in each jurisdiction. With regard to real estate, a notary has been appointed by the Belgian court to sell the properties, and in France the same should happen in December. In both France and Belgium we've frozen bank accounts where Russian Federation money is being held.

In due course we will also look at enforcement against assets of state-owned and or state-controlled companies such as Gazprom and Rosneft. The Russian Federation will no doubt argue that such entities are separate and independent of the Russian state and thus do not hold Russian state assets. It will be for us to convince the court that they're agents of the state. The Hague tribunal specifically opined that Rosneft was an agent of the Russian Federation in the expropriation of Yukos.

Russia has threatened retaliation against nations who enforce the awards. The Russian Ministry of Foreign Affairs wrote to the U.S. Embassy claiming that the awards were an unjust and politically motivated act "incompatible with the ideas of the rule of law, independent, impartial and professional international justice." This is their position despite the fact that Russia had participated fully in the ECT process and had indeed appointed one of the arbitrators.

The Russian Ministry of Foreign Affairs goes on to say that if the U.S. courts allow recognition and enforcement against Russian property in the USA, this will be considered by the Russian Federation as grounds – and I quote – "for taking adequate and proportionate retaliatory steps in relation to the USA, its citizens and legal entities." This is set out in the State Department's letter of July 17th, 2015 to the United States District Court and a copy of that's been provided to you.

I believe this letter succinctly sets out Russia's general attitude to the rule of law and its attitude to international legal obligations. Russia has communicated that same message to the governments of France and Belgium. It hasn't told – hasn't said the same to the U.K. We don't know why the U.K. has been left out yet.

The second lawsuit that I would like to bring to your attention is a case brought before the European Court of Human Rights by Yukos itself. The case was brought by the Yukos management on behalf of all Yukos shareholders and complained about the expropriation of Yukos.

On July 31st, 2015, the European Court of Human Rights awarded damages of approximately 1.9 billion euros – roughly \$2.2 billion dollars – again the largest award ever made by the European Court of Human Rights. The Russian Federation was ordered to agree to a distribution plan for compensation payable to shareholders with the Committee of Ministers by June 15th, 2015. Despite prompts from the Committee of Ministers, Russia has stated that it is not developing any plans to compensate Yukos shareholders and that further actions in relation to the European Court of Human Rights' decision will be based on, quote, "national interests."

In closing, I'd like to leave you with these four thoughts: It is clear that the Russian Federation is not honoring its obligations and commitments under the rule of law or in a manner consistent with the Helsinki process. Russia's tendency, more often than not, has been to ignore, delay, obstruct or retaliate when faced with its international law responsibilities. Russia's general prevarication on all matters related to Yukos, its threats to the U.S., French and Belgian governments and the claims that it can ignore its international obligations if that best suits its national interest demonstrate unequivocally that Russia cannot be trusted in international matters,

and that even when it has signed up to international obligations, it will ignore them if it — if it is what it thinks serves it best.

I don't have any solutions. We are very pleased we're in a legal process that we can rely on courts where they — where the judges follow the law and not the direction from their political masters. We will continue with that process, I suspect, for many years. I hope my testimony has shed more light on Russia's behavior and demonstrated the need to encourage Russia to adhere fully to the rule of law. I appreciate the opportunity to share my views and thank you for your time. I'm happy to answer any questions.

SMITH: Thank you so very much, Mr. Osborne. I'd like to now yield the floor to Ambassador Larson.

LARSON: I'd like to submit my prepared statement for the record and summarize it briefly now. My name is Alan Larson.

SMITH: Without objection, so ordered.

LARSON: Thank you. I'm senior international policy adviser at Covington & Burling LLP. I also serve as chairman of the board of directors of the U.S. Chapter of Transparency International.

Earlier in my career I was a career foreign service officer and served as undersecretary of state for economic affairs during the administrations of Bill Clinton and George W. Bush. My testimony has been informed by those experiences but the views I'm expressing today are my own.

The Helsinki framework is grounded in the realization that lasting security, meaningful economic cooperation and respect for human rights are interlocking goals. They all rest on a common foundation: respect for the rule of law and for international agreements.

In 2012, I testified before the Senate Finance Committee and urged Congress, immediately and unconditionally, to extend permanent normal trade relations to Russia. I said then, and believe now, that it was a good thing for Russia to join the World Trade Organization. By doing so, it began to apply the rule of law in its trading relationships with the United States and other WTO members.

At the same time, I noted that there was more work to do and that it was important for Russia to apply the rule of law to other aspects of the economy, notably investment protection and the control of corruption. I was very grateful that when Congress ultimately enacted PNTR, it included Section 202, which contained what I have referred to as the rule of law for business agenda.

In this section of the PNTR legislation, Congress called on the administration to take a number of steps and to report annually on the progress achieved, including engaging Russia on corruption and advocating for U.S. investors in Yukos Oil Company. My firm represents the

American investors in Yukos Oil Company. We believe that they suffered a loss of some \$14 billion when Yukos was dismantled. As you said, the United States is not a member or signatory of the energy charter treaty, however the United States did negotiate a bilateral investment treaty with Russia in 1992. Unfortunately, Russia did not ratify that treaty. And so the American investors do not have a direct means of investor-state dispute settlement.

Mr. Chairman, the reports of the administration on Section 202 in the last few years have not been encouraging. Russia has backtracked on its anticorruption efforts. There's no indication that Russia is ready to compensate American investors in Yukos Oil Company. This is especially disappointing since three separate investor-state dispute settlement panels have each ruled unanimously that Russia expropriated Yukos and owes compensation to foreign investors in the company.

More generally, the Russian federation has not adhered to the Helsinki framework. In 2014, Russia's occupation of Crimea was a clear violation of the commitments Russia made in the Budapest Agreement of 1994. Russia has continued to intervene in eastern Ukraine, in violation of the Minsk Agreement of 2014. Russia also has failed to comply with the human rights and humanitarian dimensions of the Helsinki framework. Russian authorities have cracked down on civil society and government critics, while curtailing freedom of expression.

The destruction of Malaysia Airlines Flight 17 is another very, very troubling example of Russia's failure to respect the rule of law. The United States and the European Union, among others, have responded to Russia's conduct in Ukraine by imposing sanctions. It's important for the United States to hold Russia to account. But to be effective in calling other countries to account, we must maintain the highest standards of our own compliance with Helsinki.

In my written testimony, I've drawn attention to some recommendations of Transparency International USA in respect of increased transparency on the financing of election activities, as well as targeted provisions related to beneficial ownership and undisclosed self-dealing. I believe that action on these recommendations would further strengthen the platform the United States is on when it seeks to hold Russia accountable.

In summary, Mr. Chairman, I recommend that Congress and the administration take the following steps: First, recognize that respect for the rule of law is a strategic objective that lies at the heart of the security, economic and commercial, and human rights dimensions of the Helsinki framework. Two, ensure that Russia is held accountable for its actions in Ukraine, including its occupation of Crimea and its interference in eastern Ukraine. Three, press Russia to implement the rule of law for business agenda that Congress included in Section 202 of the Russia PNTR legislation.

Four, make clear that American shareholders in Yukos Oil Company must be fully compensated. Five, seriously engage Russia on the anticorruption agenda. Six, urge Russia strongly to open up more political space for civil society to operate in Russia. Seven, maintain a common line with the European Union and others on sanctions policy related to Ukraine. And eight, demonstrate that the United States itself is seriously committed to lead by example. And

in this regard, give due consideration to the recommendations that Transparency International USA has called for and which are included in my testimony.

I wanted to conclude by thanking you for the opportunity to testify. I believe that Russia's non-compliance with the Helsinki framework is a very serious foreign policy challenge that demands a thoughtful, a firm, a bipartisan, and a sustained response. I would be pleased to address any questions or comments you may have.

SMITH: Thank you, Mr. Ambassador. And I'd like to now yield the floor to Mr. Kara-Murza.

KARA-MURZA: Thank you very much, Mr. Chairman. And thank you for holding this important and timely hearing and for your invitation to testify. It is an honor to appear before the Commission. This year marks the 40th anniversary of the Helsinki Final Act. And while many things have changed since its signing, one unfortunate fact remains the same. Just as the Soviet Union did in 1975, the Russian Federation today, after a brief democratic interlude of the 1990s, treats the human rights commitments undertaken under the Helsinki process as a dead letter.

Freedom of expression, which is guaranteed under the Copenhagen document and other OSCE statutes has been an early target of Vladimir Putin's regime. One after another, independent television networks were shut down or taken over by the state. Today, the Kremlin fully controls the national airwaves, which it has turned into transmitters for its propaganda, whether it is to rail against Ukraine and the United States, or to vilify Mr. Putin's opponents at home, denouncing them as, quote, "traitors," end of quote. One of the main targets of this campaign by the state media was opposition leader Boris Nemtsov, who was murdered in February of this year, 200 yards away from the Kremlin.

The right to free and fair elections is another OSCE principle that remains out of reach for Russian citizens today. In fact, the last Russian election that was recognized by the OSCE as conforming to basic democratic standards was held more than fifteen years ago, in March 2000. Every vote since then has fallen far short of the principles outlined in the Copenhagen document that requires member states to, and I quote, enable political parties to compete with each other on a basis of equal treatment before the law and by the authorities, end of quote. This is from paragraph 7.6 of the Copenhagen document.

In reality, opponents of Mr. Putin's regime have received anything but equal treatment at the ballot – if, indeed, they were allowed on the ballot at all. In many cases, opposition candidates and parties are simply prevented from running, both at the national and at the local level, leaving Russian voters with no real choice. According to the OSCE monitoring mission, the last election for the state Duma, which was held in December 2011, was marred by, and I quote, "the lack of independence of the election administration, the partiality of most media, and the undue interference of state authorities at different levels," end of quote. It was evidence of widespread fraud in that vote that led to the largest pro-democracy protests under Mr. Putin's rule, when more than 100,000 people went to the streets of Moscow to demand free and fair elections.

Another disturbing feature of today's Russia is reminiscent of the Soviet era. According to Memorial, Russia's most respected human rights organization, there are currently fifty political prisoners in the Russian Federation. This is using the definition of the Council of Europe, that is, prisoners whose, and I quote, "detention is the result of proceedings which were clearly unfair, and this appears to be connected with political motives of the authorities," end of quote. These prisoners include opposition activists jailed under the infamous Bolotnaya case for protesting against Mr. Putin's inauguration in May 2012, the brother of anticorruption campaigner Alexei Navalny, and Alexei Pichugin the remaining hostage of the Yukos case.

This list is not limited to just Russian citizens. As you mentioned in your open statement, Mr. Chairman, last year, two foreigners – Ukrainian military pilot Nadiya Savchenko and Estonian security officer Eston Kohver – were abducted on the territories of their respective countries and put on trial in Russia. Kohver was released last month in a Cold War-style prisoner exchange across the bridge. Savchenko's trial is still underway. And as you also mentioned, another Ukrainian prisoner, the filmmaker Oleg Sentsov, was recently sentenced to 20 years in jail on the charges of, quote, "terrorism," end of quote, for protesting against the Kremlin's annexation of his native Crimea.

Needless to say, Mr. Chairman, it is a task for Russian citizens to improve the situation with rule of law in our country. But, contrary to the oft-rehearsed claims by Kremlin officials, human rights, and I quote, "are matters of direct and legitimate concern to all participating states and do not belong exclusively to the internal affair of the state concerned," end of quote, as is explicitly stated in the OSCE document adopted, of all places, in Moscow. It is important that fellow member states, including the U.S., remain focused on Russia's OSCE commitments, especially as we approach the parliamentary elections scheduled for September the 18 of this coming year. It is important that you speak out when you encounter violations of these commitments.

Above all, Mr. Chairman, it is important that you remain true to your values. Nearly three years ago, Congress overwhelmingly passed, and President Obama signed, the Sergei Magnitsky Rule of Law Accountability Act, of which I believe you were a co-sponsor. And in my view, this is one of the most principled and honorable pieces of legislation ever adopted. This law is designed to end the impunity for those who continue to abuse the rights of Russian citizens by denying these people the privilege of traveling to and owning assets in the United States – a privilege many of them so greatly enjoy. Unfortunately, implementation of this law remains timid, with only low-level abusers targeted so far. Implementing the Magnitsky Act to its full extent and going after high-profile violators would send a strong message to the Kremlin that the U.S. means what it says, and that human rights will not be treated as an afterthought but as an essential part of international relations.

Thank you very much, and I look forward any questions you may have.

SMITH: Thank you so very much for your testimony and for your bearing up under such incredible pressure. And again, we're so grateful to God that you have survived an attempt on your life.

Let me just ask you, back in – my first trip to the Soviet Union at the time was in 1982 on behalf of Soviet Jewish refuseniks. A few years later got into Perm camp and, many of us thought that glasnost and perestroika would really yield to a robust democracy. How far down the pegs, in your opinion, has Russia descended when all – remember when we were talking about a peace dividend after the breakup of the Soviet Union, which never really happened? And we've seen that on a whole host of fronts – , the KGB went into a – many of those people went into trafficking and a whole bunch of nefarious affairs. But it is as if the old Soviet Union, especially with Russia as its core, is being reconstituted, and the same old means of repression are manifesting themselves. And your insight into how bad has it gotten, compared to where it once was?

KARA-MURZA: Well, thank you for the question, Mr. Chairman. Well, we did have many problems in the 1990s, to be sure, but in the 1990s we had real competitive elections, we had a real parliament with a genuine opposition, and we had pluralism in the media with robust and independent television stations, for example. This is what Mr. Putin inherited when he assumed power almost 16 years ago.

Today, as I mentioned in my statement, we have none of that. We have a rubber-stamp parliament that approves every single repressive measure coming from the Kremlin. The opposition is being in many cases banned from running in elections. When it is allowed, it's harassed and not allowed to campaign. Most of the media – especially electronic media, television networks – have become propaganda outlets for the regime. We have no working judicial system. The courts have become obedient tools for the Kremlin in its political repressions. Among other things, I mentioned the number of political prisoners we have today.

So it really is very bad. But what gives me hope as I travel around Russia and the regions as we – you know, what we do at Open Russia is to try to build the widest possible platform for democracy and civil society activists. And I see many people outside of Moscow and St. Petersburg also, who want a normal, democratic, rule of law based, European future for our country.

And this is why, despite the fact that the last few months have been especially bad and especially dark, especially since Boris Nemtsov was murdered – the leader of the Russian opposition – I still remain optimistic in the long term that we have a future based on justice and freedom and the rule of law, that we're not destined to remain under the system we have now. And you know, Soviet dissidents used to have this saying, night is darkest before the dawn. And it's certainly very dark now, but I'm still hopeful for the future.

And actually, while there are very many things – and it's very important that you bring up this issue – very many things that are similar so the Soviet regime's practices – you know, censorship, political prisoners, the absence of free elections and so forth – there is one important difference in the nature of the regimes. And that is that while they harassed and imprison dissidents, Brezhnev, Suslov, Andropov and the like did not hold bank accounts in the West. They did not send their kids to study in the West. They did not buy yachts and villas in the West.

The leaders of the current regime do all that. They want to rule over Russia in the manner of, you know, Zimbabwe or Belarus, but they themselves want to enjoy all the privileges and the perks that the free world has to offer. And this is why I think the Magnitsky Act and the Magnitsky-type sanctions are so important, because they strike at the very heart of this rotten system. And it ends this double standard. It ends this impunity. And I think it's very important that you continue on this path of sanctioning – not sanctions against Russia as a country, but sanctions – personal, targeted sanctions against those human rights abusers and those corrupt officials who take advantage of our country and rob it of its future.

SMITH: And it is your testimony that the administration has been, quote, “timid,” in implementing Magnitsky?

KARA-MURZA: I believe so, because if you look at all the names they've added over the past three years, they've been mostly low level – not mostly – all of them have been low-level abusers – you know, fall guys, essentially. I'm not saying these people aren't responsible. Of course they should be targeted also. But there shouldn't be – you know, this glass ceiling, as it were, in the implementation of the Magnitsky Act. It should be applied to all the abusers, regardless of their rank, regardless of their position.

And there was actually a case in this country – outside of the Magnitsky Act – it was a separate case. In fact, the co-chairman of this commission, Senator Wicker, last year requested that the FBI open an investigation under the anti-money laundering legislation, the Foreign Corrupt Practices Act, into a person called Mikhail Lesin, who was head of Gazprom-Media at the time, the largest state propaganda outlet of Mr. Putin in Russia today. And it was found that he purchased luxury real estate in California. And so Senator Wicker requested that the FBI open an investigation. They did open an investigation last December. And a few days after they opened the investigation, Mr. Lesin had to step down from his post.

This is just to illustrate that this process is effective. These personally targeted sanctions are effective. And it's my sincere hope that the U.S. administration is not timid, but is bold and committed about going forward with these sanctions against these abusers and human rights violators. This is a pro-Russian measure. When the Kremlin says it's an anti-Russian measure, they're wrong, as they are on so many things. And these measures are actually popular with the Russian people, as several opinion polls have showed, because the Russian people understand this this is not against the country. This is against the bad guys. And I hope you'll continue with this work.

SMITH: Let me ask you, Mr. Osborne, are there other cases where Russia either lost their decision, as they lost in your case? And have they paid?

OSBORNE: There have been two other cases – there have been two other cases on the Yukos facts, brought – one under the U.K.-Russia bilateral investment treaty, and one by Spanish investors under the Spanish-Russia bilateral investment treaty. Both of those decisions were exactly the same as ours, that Russia had expropriated the assets illegally and should pay compensation. The RosInvestCo case collapsed because the award of damages was not sufficient to warrant the investors moving forward to the appeals in Sweden. The Spanish

investors are currently litigating in Sweden on the appeal and the jurisdictional decision. So that's ongoing. So Russia hasn't paid anybody anywhere, at the moment.

SMITH: You mentioned that they provided – they did a filing last night, and it's voluminous.

OSBORNE: It's voluminous, and in the United States. And they're arguing, basically, that there's no jurisdiction for the U.S. court, and that at any rate it holds sovereign immunity. So they're – sorry – and then the New York convention does not apply because of certain specific arguments, which I haven't yet had a chance to look at.

SMITH: Again, what has been the timeline? How many years to date? And how many more years do you think, especially with their ability to try to run out the clock somehow?

OSBORNE: Well, we started this case in 2005. And we got the final arbitration award in July of 2014. So that was about nine years. We now have – because we're just assuming Russia is never going to pay – so we have to collect. That could easily last another nine or 10 years, but it's incremental. We can go country to country, asset to asset. So we will start, I believe, collecting assets in France and Belgium next year. It'll take longer in the U.K. and the U.S. because under the common law regime you have to complete recognition before you move to enforcement.

But we will keep going. We are determined to enforce this award. We believe in the award. We believe in the rights of the shareholders to collect under this award. The expropriation was illegal. And as I said before, we are very pleased that we have access to courts where the rule of law does apply and there's a separation of power between the court and the politicians, so that we can rely on the judges to reach the right decisions, and they will just apply the law as they interpret it. That's all we've ever asked for.

SMITH: And Mr. Larson, in your testimony you said there is no indication that Russia is convinced that compensation for American investors is a priority. For the U.S. government, there is certainly more than the administration can and should do to advance the rule of law for the business agenda that Congress mandated in Section 202.

Could you elaborate on that? I mean, what haven't we done? Is it not part of – I mean, I know they were working on issues related to Iran, a flawed agreement from my point of view. But Lavrov and John Kerry saw each other frequently, or at least they were in the same floor – (laughs) – if not in the same room. Is it just that it's just out of sight, out of mind, they never raised this? Are there others that ought to be raising it?

LARSON: Thank you for the question, Mr. Chairman. I think – I'd make two or three observations. First of all, as Mr. Osborne has just said, this is going to be a long-term effort under the best of circumstances, especially since the U.S. shareholders who accounted for, collectively, 12 percent, of the company, and some 14 billion (dollars) in losses, you know, are very significant. I mean, this is one of the largest expropriations that Americans have been the

victim of. It's just that it's been a very dispersed group of shareholders, rather than one large shareholder.

Second, you know, I would put the focus personally on the – on Russia's lack of response more than the administration's lack of effort. I think the – I think the administration has taken steps to bring this to the attention of the Russians. I think the Russian reaction, so far as I can understand it, has been similar to what Mr. Osborne has seen in the efforts that he's been making. It's just simple resistance.

But the third point I'd make is this: I don't think that Russia can hope to rejoin the world economy – cannot hope to be a normal country in the international sense. Russian citizens want to live in a normal country. If Russia – Russian citizens, I think, want to live as a normal country within a global economic framework. When that time comes, it's very important that Americans and American shareholders have a seat at the table. And that's the effort that we're engaged in.

SMITH: Do you think that Russia's pivot towards China, both militarily as well as economically, accounts for their being less responsive to rule of law issues? Because certainly China has not shown itself to care all that much about human rights in general, and rule of law in particular. I mean, I can foresee – and I've chaired 55 hearings on human rights in China. Can't even get a visa to go there anymore. And what has struck me is how gullible we in the West have seemed to be with China in thinking they'll follow the rule of law, and contract law, copyrights and the like. And I think at the day of their choosing, that can quickly go away. And so I'm just wondering what your thoughts are – all of you, if you would – this pivot to China by Moscow?

LARSON: I do –

SMITH: Certainly on the West for –

LARSON: Definitely. I agree with your basic orientation, which is that having stepped away from an international framework of rule of law and the global institutions, there has been a tendency to strike separate deals to try to recreate some of the economic relationships that were so important during the Soviet era. I think this is a losing proposition from the standpoint of an international economic strategy. And I don't think that the framework that might be created among the BRICS, the so-called BRICS, is a framework that is going to bring prosperity to Russia.

One of the things that the United States has done very well, in my opinion, since World War II has been to create on a bipartisan basis an international economic framework, the Bretton Woods institutions, World Bank and IMF, the World Trade Organization, and just a framework of international economic law that has permitted lots and lots of countries to become more prosperous. Russia looked as if, in the 1990s, it was on an effort, on a pathway designed to become a bigger part of that international economic framework. They've taken a detour. I think they need to get back on that path if they're going to be successful as an economic country.

SMITH: Yes, Mr. Osborne.

OSBORNE: I think it's interesting that they've turned to China, because one of the things that Mr. Putin fell out with Mr. Khodorkovsky about was his desire to build a pipeline to China to deliver oil and gas. I think on the whole – the whole thing with China is more a sort of paper threat than a real problem, because it doesn't have the ability to deliver its oil and gas, which are its principle exports, anywhere but to Europe, because that's where the pipelines are. So I think it's sort of trying to show it's got alternatives, but I don't think it has, realistically.

SMITH: Yes.

KARA-MURZA: I would just add, Mr. Chairman, that in my view – and I'm the only Russian on this panel – in my view this so-called pivot to China goes directly against our country's long-term national interests, because – you know, frankly, the Chinese authorities, I think, see us as a potential source of territory in the future, quite frankly, and historically and, you know, civilizationally I think Russia is a European country where, in general terms, we're part of the Western world. And I think that's where our rightful place is in too.

You know, this regime that we have in the Kremlin right now may try to, you know, pretend otherwise, and take some steps to show that it thinks otherwise, but I think, first of all, it's not going to work in the long term because our future is European, I'm convinced of that. And I think, frankly, it's against Russian national interest to try to even do that. But you know, they don't often think about Russian national interests, especially long-term ones.

SMITH: Let me ask you, has the Orthodox Church shown itself to be to political dissidents? We know that during Soviet times it was the church itself, except for some collaborators, that was targeted for destruction and desecration, and many of its priest, the metropolitans were slaughtered. I remember visiting museums on atheism in Leningrad. One of them was in –

KARA-MURZA: It was in a cathedral right.

SMITH: – Kazan Cathedral. I couldn't believe how – I mean, all the three major religions of the world were desecrated inside of that building, as jokes and folly and young people were being marched through. But the church now has regained a great deal of – particularly the Orthodox Church – a great deal of credibility and statute. And I'm wondering if it would be helpful on human right cases and also on rule of law issues?

KARA-MURZA: I think in this question it would be right to make a distinction between the church as a whole – including the believers, you know, the clergy – and the top hierarchy. Because I think if we take the top hierarchy, the metropolitans, the patriarch, they have been generally very loyal to this regime, and supporting it in many cases. Although, when we did have the mass protests, pro-democracy protests back in December 2011, the patriarch made a statement where he said that we have – you know, we have our parishioners on both sides of this, both in the protests and in the Kremlin, essentially. I think that would be the right position for the church hierarchy to take. Unfortunately, too often the top leadership of the church has taken a pro-regime position.

However, if you take clergy – I mean, there are several well-known clergymen who have been vocal on human rights issues. And one example that springs to mind is Father Georgy Edelstein, whose – actually, whose son is the speaker of the Knesset now, Yuli Edelstein in Israel. But he’s a Russian Orthodox priest in the Kostroma region, is a few hours’ drive away from Moscow. He’s actually a member of the Moscow Helsinki group. He’s been vocal on human rights issues for many years. And of course, if you just take ordinary churchgoers, that’s – the patriarch was right in 2011. You have people on both sides of the divide. So I think we have to distinguish the bureaucracy, if I may be permitted that word – you know, the top bureaucracy of the church structure, and the church generally as a whole. I think there are – they show two different stories on this – on this front.

SMITH: Great. Let me – you know, we know that Russia is violating basic rules of Interpol, and often putting people on the list who are exposing – as in the Magnitsky case itself. What would be your advice as to how we can – you know, our Parliamentary Assembly has, for at least the last five years, included language in our declaration that we do at the end of our Parliamentary Assembly in the summer months, in July, a strong exhortation not to abuse Interpol. And you know, I worry about, Mr. Osborne, people like you, who – you know, can you travel back to Moscow without fear? I know you’re going back, Vladimir. And you know, we are concerned – and the commission will follow you very closely because we’re very concerned about your welfare. So –

MR. OSBORNE: Well, I wouldn’t go to Moscow. I think I’d probably have no trouble getting in, but the return trip might be a little more complex. I think my sense of Interpol is that they don’t exercise their discretion to refuse red notices that are clearly political. They take Russia’s word for it. And that’s the ridiculous thing. You can’t get anywhere with Interpol. Now, I gather they may have been moving a little bit more towards being – doing the right thing, but for years you couldn’t get them to look at an individual case and say, yes, that’s political. We’re going to scrap the red notice. And that’s where it’s got to change, because I don’t think we’ll change Russia.

SMITH: Thank you.

KARA-MURZA: Mr. Chairman, first of all, I would just like to take this opportunity to express my gratitude for the concern and the statement you put out after what happened to me. I’m really grateful for it, and grateful to be here.

On your Interpol question, I think it’s been a long-standing and, frankly, unacceptable practice that Interpol accepts at face value the politically motivated requests that the Kremlin regime puts in. Although Interpol’s own constitution, in chapter three, specifically prohibits it from engaging in political cases, in practice it has been doing so. We’ve seen several people connected with the Yukos case put on Interpol notices. We’ve seen Interpol notices against Bill Browder, for instance, who is the chief campaigner for the Magnitsky Act. We’ve seen notices against the late Boris Berezovsky, who was clearly persecuted for political reasons by the Kremlin, and so on.

In some cases, it's possible to fight off these notices – politically motivated notices. Like Mr. Browder has managed to fight it off. We actually have a member of the audience here today, Mr. Pavel Ivlev, a former legal advisor to Yukos. He was in there for 10 years. He just fought it off. He just took his name off the Interpol list. But it's a cumbersome and lengthy process. And it shouldn't, frankly, take 10 years to take off somebody – you know, from an international wanted list – to take off somebody who's been prosecuted for political reasons by an authoritarian regime in the Kremlin. And it's not like that's a secret, you know? Everybody understands it.

So I think those member states of Interpol that are democracies, that are based on rule of law, like the United States, could initiate, maybe internally, a process of reforming the organization to strengthen the transparency, to strengthen the overview, the oversight of these cases. And it's not just the Kremlin regime that abuses it. I think there have been cases from Belarus, from Iran, from other authoritarian states that have been using this international clout, frankly, that Interpol notice gives, and using it also for their domestic propaganda purposes.

You never hear them – you know, you would never hear on the state television news in Russia that somebody managed to remove their names from the list, but whenever there is a notice issued that's, you know, front-page news. So they also use it for domestic propaganda. And I think, frankly, it's an unacceptable situation and it's high time democratic member state of Interpol did something about it.

LARSON: I have nothing really to add. I've seen the same problem that we've just heard described as well.

SMITH: Let me ask you, Mr. Osborne, if – are there sufficient numbers of assets – Russian assets that courts are able to seize to bring at least some closure, some coverage for those people who have lost so much? Do they have that much abroad?

OSBORNE: Absolutely. I mean, we might have trouble finding \$50 billion if we're unable to pierce the corporate veil of companies such as Rosneft and Gazprom. But we can certainly find double-digit billions of dollars in assets. We've got 150 countries to go to. We're only in five so far. We know where there are assets, and we have it – I wouldn't say well-planned, but we have it planned. And we're quite confident that we can make sure that this is well-worthwhile.

SMITH: Has the U.S. government shown support for that approach? Or are they fearful of – I'm talking about the administration – of a retaliatory action by the Russians?

OSBORNE: Well, I'm going to see the State Department tomorrow, so I'll have a – and that will be the first time I've seen them since that letter arrived. But I think the fact that they immediately sent it on to the court and have it put on the court's docket indicates that they were less than impressed by it. I think the U.S. administration has been generally supportive in terms of listening to me and what it said over the years. We've never asked them for anything because, as I said before, we're comfortable with this being a legal process. We have faith in the court of

this country in the same way that we have faith in the courts of the countries of the U.K. and Western Europe.

So, you know, we keep the administration informed, we keep people on the Hill informed, because we want people to know what's going and have the right facts at their disposal. And you know, the only thing that we can really ask from the political side is for an assistance in trying to reach a settlement with the Russian Federation so we can stop all this process. But, as I said in my testimony, you know, we've tried endlessly to talk to them. And usually we're just completely ignored. But if they do deign to give us any response, then it's just an outright refusal to discuss it.

SMITH: Ambassador Larson, is there – and please answer anything along those lines – is there anything besides espousal by the State Department that could be done?

LARSON: You know, we have certainly made the case that American investors, the 20,000 of them that suffered losses from the expropriation of Yukos Oil Company, need their government to advocate on their behalf, need to press the case with the Russian authorities that U.S. investors simply cannot be left off. There is a legal process underway that other investors can benefit from. The U.S. investors are in a very similar situation, except for the fact that Russia didn't ratify the bid and we can go to court – we cannot go to court to pursue it in that way.

So I think we have to have at the end of the day the U.S. government prepared to basically say, this is an obligation that you owe to the United States. And the United States will take care of making the payments available to the 20,000-plus claimants. At this stage, I think it's more a case of just making that case very strongly, very effectively, and very politically. And I think that we have had a very good hearing, frankly, from the U.S. government, including top officials responsible for Russia and top officials responsible for economics.

So you know, I think that just as Mr. Osborne is confident that there are assets there and there are ways to play this legal process out, I'm confident that at the end of the day Russia will see the light and will realize that U.S. investors have to be compensated. It'll be a long, hard road, though, I predict.

SMITH: Can I just ask you, have other multinational corporations and U.S. corporations – has the Chamber of Commerce, have they learned the lesson from what has been done to Yukos, for example, and has it had a chilling effect on investments? Are they aware of it, the way they perhaps should be, doing due diligence about risks when one invests in Russia?

OSBORNE: I don't have the numbers, but my understanding is there's been a significant drop off in investment in Russia over the last years, and will continue to be so. And one of the things – our efforts are having an effect in Russia because there's been a refusal to loan works of art for exhibitions in non-Russian countries. Gazprom in its latest bond offering was required –

SMITH: Out of fear of possible –

OSBORNE: Yes. Their fear that I'll turn up with a trap and take them away.

SMITH: With a court order.

OSBORNE: Yeah. But more importantly, Gazprom in its latest bond offering has had to include a disclosure that the assets in Europe could be at risk because of our litigation efforts. And that's got to have not been popular to have to include that.

SMITH: And they should take notice that not only are you not going away, you're accelerating your efforts – I mean, I would ask all of you, you know, is there need for additional legislation? Secondly, we will do within the commission a second hearing. We will ask the administration to come – let me know how your meeting goes, if you would – and pose true questions to them about, you know, where they are in terms of advocating, where they think we should go. So that'll be our second hearing that we'll follow up on from this hearing.

But is there a need for legislation, executive orders, for example, that the administration could better implement Section 202? I'm not – I'm just thinking out loud now. Or any other provision of law that if another step were taken, I think – and I know, Vladimir, your suggestion that more upper-level people be included on the list of – you know, I was the sponsor of the Belarus Democracy Act. And if you look at that list – and Lukashenko was easier because he is not as powerful, certainly, as Vladimir Putin – but that list is a really good list of people that are barred from coming here, visa denial, and doing business here. And so that is room for follow-up as well, to take a good, long look at that list again.

Yes, Ambassador.

LARSON: Mr. Chairman, I would give the following response to your question. I don't – I think that there is a need for a persistent, sustained effort. And that was sort of my last point. I did give eight specific recommendations. I'm not going to read those, but I encourage you to look at them. I think really pushing on Section 202 is important. I'm not saying that the administration is not pursuing it, but I'm just saying that I think it's helpful to them to see that there's strong interest and strong pressure from the Congress coming to this. And I think Russia will notice the strong pressure from the Congress.

I think there are some of the things that I alluded to in terms of the Transparency International issues that actually play into some of the points that have just been brought up. We have been pushing for more clarity on beneficial ownership in terms of some of the property interests, because sometimes people do try to hide their assets in the United States. And I think there are ways where important tweaks in our law would bring greater clarity and ensure that there's no impunity.

You know, I think that's part of what Transparency International USA has been pushing for, is ensuring that there's no impunity and that it's not easy for – and not just in Russia, but other high-level people to travel to the United States and to hide assets in the United States that they clearly have taken from their own people. So I think those are important things to do. But the overarching thing is to stay the course and be prepared to stick it out.

OSBORNE: Yeah. In terms of what more can be done, I mean, I will report to you and let you know what happens at my meeting with State, because I would expect them to be thoroughly offended by that letter that they received from the Russian Federation. And I'd like to know what response they are making to it. And if they're not planning to make one, perhaps they should be encouraged to make one, because otherwise if you don't do anything about a bullying letter, it looks like you're accepting it.

SMITH: Yeah, is there anything you'd like to add before we – I just want to note that Cliff Stearns and Don Bonker, two former colleagues, are here. Don Bonker, back in the 1980s when he chaired the Human Rights Committee for Foreign Affairs Committee, which I now chair, he marked up a resolution that I had on behalf of Yuli Kosharovskiy, the leading Hebrew teacher in Moscow, who was just totally mistreated by the KGB. And that goes back to the early 1980s. And Cliff Stearns – I served with Cliff on the Foreign Affairs Committee. And he wrote landmark legislation – the millennium health care legislation that has – continues to provide benefits to our nation's veterans. And other things too that both of these gentlemen have done. But it's an honor to be with them as well today.

Is there anything you would like to add before we conclude? And we will do a second hearing. I look forward to hearing back from you, Mr. Osborne, and to see – and again, if there's any ideas – and thank you for these specific ones, Mr. Ambassador; your eight points excellent, well-laid out – that we need to do, you know, we stand ready to do it, and try to mobilize other members of the House and Senate to do likewise, as well as the administration. Anything? Thank you. The hearing's adjourned.

[Whereupon, at 3:44 p.m., the hearing ended.]